



The Royal Bank of Scotland plc

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

BASE PROSPECTUS RELATING TO

NOTES

THE ROYAL BANK OF SCOTLAND PLC

RETRO-FINANCE PROGRAMME (FINLAND)

DATED:15 SEPTEMBER 2011

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

A SUBSTANTIAL PORTION OF THE ISSUE PROCEEDS OF THE SECURITIES (THE DEPOSIT AMOUNT) SHALL BE PLACED BY THE ISSUER ON DEPOSIT IN AN INTEREST-BEARING ACCOUNT WITH THE DEPOSIT BANK, AND SUCH AMOUNT SHALL BE WITHDRAWN ON MATURITY TO FUND A SUBSTANTIAL PORTION OF THE REDEMPTION AMOUNT ON THE SECURITIES PAYABLE BY THE ISSUER. HOWEVER, IF THE DEPOSIT BANK DEFAULTS IN ITS OBLIGATION TO REPAY THE DEPOSIT AMOUNT TO THE ISSUER, THEN THE AMOUNT PAYABLE BY THE ISSUER UNDER THE SECURITIES SHALL BE CORRESPONDINGLY REDUCED. HOLDERS OF SECURITIES ARE THEREFORE EXPOSED TO THE RISK OF NON-PAYMENT BY THE DEPOSIT BANK OF ALL OR SOME OF THE DEPOSIT AMOUNT TO THE ISSUER. THE ISSUER IS NOT LIABLE TO THE HOLDERS OF SECURITIES FOR ANY PART OF THE DEPOSIT THAT IS NOT RECOVERED BY IT FROM THE DEPOSIT BANK. NEITHER THE ISSUER NOR THE HOLDERS SHALL HAVE THE BENEFIT OF ANY DEPOSIT PROTECTION SCHEMES WITH REGARD TO THE DEPOSIT AMOUNT. ACCORDINGLY, IF THE DEPOSIT BANK DEFAULTS, HOLDERS MAY LOSE UP TO THE ENTIRE AMOUNT OF THEIR INVESTMENT.

The Securities have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any state or political subdivision of the United States, and may not be offered, sold, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, except pursuant to an exemption from, or in a transaction not subject to the requirements of the Securities Act and any applicable U.S. state securities laws. The Securities are being offered and sold only outside the United States to persons other than U.S. persons (as defined in Regulation S under the Securities Act) in offshore transactions that meet the requirements of Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended.

This document ("**Base Prospectus**") constitutes a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the "**Prospectus Directive**") and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the "**Financial Supervision Act**") and the regulations thereunder (together, "**Dutch Securities Laws**").

The Royal Bank of Scotland plc (the "**Issuer**" or "**RBS**") accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) ("**AFM**") in its capacity as competent authority under the Dutch Securities Laws to approve this Base Prospectus.

The AFM has been requested to provide the competent authorities in Finland for the purposes of the Prospectus Directive, with a certificate of approval attesting that this Base Prospectus has been drawn up in accordance with the Prospectus Directive. Further requests may be made in the future.

Application will be made to NYSE Euronext for Securities to be admitted to trading and listed on Euronext Amsterdam N.V. ("**Euronext Amsterdam**") by NYSE Euronext up to the expiry of 12 months from the date of this Base Prospectus. In addition, Securities may be listed or admitted to trading, as the case may be, on any other stock exchange or market specified in the applicable Final Terms. The Issuer may also issue unlisted Securities.

References in this Programme to Securities being "**listed**" (and all related references) shall mean that such Securities will be admitted to trading and will be listed on Euronext Amsterdam or any other regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or any Securities. Neither the delivery of this document nor the delivery of any other documents related to the Issuer's Retro-Finance Programme (Finland) nor any information provided in the course of a transaction in Securities shall, in any circumstances, be construed as a recommendation by the Issuer to enter into any transaction with respect to any Securities. Each prospective investor contemplating a purchase of Securities should make its own independent investigation of the risks associated with a transaction involving any Securities.

The delivery of this document does not at any time imply that there has been no change in the affairs of the Issuer since the date of this Base Prospectus. The Issuer does not intend to provide any post-issuance information.

The distribution of this document and the offering, sale and delivery of the Securities in certain jurisdictions may be restricted by law. Persons into whose possession this document comes are required by the Issuer to inform themselves about, and to observe, any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Securities and the distribution of this document and other offering material relating to the Securities please refer to the section entitled *Selling Restrictions* in this Base Prospectus.

In connection with the issue of any Series of Securities, the dealer or dealers (if any) named as the stabilising manager(s) (or any person acting on behalf of any stabilising manager(s)) in the applicable final terms may over-allot securities or effect transactions with a view to supporting the market price of the securities at a level higher than that which might otherwise prevail. However, there is no assurance that the stabilising manager(s) (or any person acting on behalf of any stabilising manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant series of securities is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant series of securities and 60 days after the date of the allotment of the relevant series of securities. Any stabilisation action or over-allotment must be conducted by the relevant stabilising manager(s) (or persons acting on behalf of any stabilisation manager(s)) in accordance with all applicable laws and rules.

No person has been authorised to give any information or to make any representations other than those contained in this Base Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer.

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

This Base Prospectus is to be read in conjunction with all documents that are deemed to be incorporated herein by reference and shall be read and construed on the basis that such documents are incorporated in and form part of this Base Prospectus.

The Issuer does not represent that this document may be lawfully distributed, or that Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, which would permit a public offering of the Securities or possession or distribution of this Base Prospectus or any offering material in relation to the Securities in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Securities, or distribution of any offering material relating to the Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligation on the Issuer. For a description of certain restrictions on offers, sales and deliveries of Securities and the distribution of this document and other offering material relating to the Securities please refer to the section entitled *Selling Restrictions* in this Base Prospectus.

For United Kingdom tax purposes, the term "**Security**" or "**Securities**" refers to instruments of the type described in this Base Prospectus and is not intended to be determinative (or indicative) of the nature of the instrument for the purposes of United Kingdom taxation.

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

TABLE OF CONTENTS

	Page
SUMMARY	1
RISK FACTORS	14
RESPONSIBILITY STATEMENT	24
DOCUMENTS INCORPORATED BY REFERENCE	25
DESCRIPTION OF THE DEPOSIT BANK.....	29
DESCRIPTION OF THE MASTER DEPOSIT AGREEMENT	30
SECURITY ARRANGEMENTS IN RESPECT OF THE SECURITIES	31
GENERAL CONDITIONS	33
ADDITIONAL TERMS AND CONDITIONS OF RETRO-FINANCE SECURITIES	41
PRODUCT CONDITIONS	46
MARKET-MAKING ARRANGEMENTS.....	243
USE OF PROCEEDS	244
TAXATION	245
SELLING RESTRICTIONS	251
FORM OF FINAL TERMS.....	255
GENERAL INFORMATION.....	345
SUMMARY CONSOLIDATED FINANCIAL INFORMATION RELATING TO THE ISSUER FOR THE YEARS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009	352

SUMMARY

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

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

Description of the Issuer

The Issuer

The Royal Bank of Scotland plc (the "**Issuer**" or "**RBS**").

History and Incorporation

The Issuer is a public limited company incorporated in Scotland. The Issuer (together with its subsidiaries, the "**Issuer Group**") is a wholly owned subsidiary of The Royal Bank of Scotland Group plc ("**RBSG**" (RBSG together with its subsidiaries consolidated in accordance with International Financial Reporting Standards, the "**Group**")). RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the Group operates in the United Kingdom, the United States and internationally through its three principal subsidiaries, the Issuer, National Westminster Bank plc ("**NatWest**") and The Royal Bank of Scotland N.V. ("**RBS N.V.**"). Both the Issuer and NatWest are major United Kingdom clearing banks. RBS N.V. is a bank regulated by the Dutch Central Bank. In the United States, the Group's subsidiary, Citizens Financial Group, Inc., is a large commercial banking organisation. Globally, the Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

Overview

The 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 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 Issuer 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 Issuer 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.

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 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 N.V. 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.

Description of the Securities

Securities will be issued by the Issuer and will be in the form of notes.

The terms and conditions (the "**Conditions**") applicable to the Securities are contained in:

- (i) the general conditions contained in *General Conditions* in this Base Prospectus (the "**General Conditions**") which are applicable to all notes;
- (ii) the additional terms and conditions contained in *Additional Terms and Conditions of Retro-Finance Securities* in this Base Prospectus;
- (iii) the product conditions for such Securities (as specified as being applicable in the relevant Final Terms) contained in *Product Conditions* in this Base Prospectus (the "**Product Conditions**") applicable to the particular type of note being issued; and
- (iv) the Final Terms (as defined in the Product Conditions) applicable to the particular Series (as defined in the Product Conditions) being issued.

The notes are investment instruments which may or may not bear interest and which, either at maturity or earlier termination, pay a cash amount which may or may not be equal to the nominal amount of the relevant note, less certain expenses (the "**Cash Amount**"). The amount of interest to be paid and/or the Cash Amount may or may not be dependent upon the performance of an Underlying, be it an underlying reference rate, commodity, fund, currency exchange, stock, index (including in the case of an index, the index and its constituent elements) or basket (together, the "**Underlying**"), in all cases, as provided in the terms of the relevant note.

As described under *Deposit Bank* below, the Securities are also linked to a deposit placed by the Issuer with the Deposit Bank. Holders are exposed to the risk of non-payment by the Deposit Bank of all or some of the deposit to the Issuer. The Issuer is not liable to the Holders for any part of the deposit that is not recovered by it from the Deposit Bank. And, as the deposit is placed by the Issuer, Holders have no benefit from any deposit protection schemes nor any other rights (except those pursuant to the security arrangements described herein) that might otherwise apply if they were direct depositors or account holders. If a Deposit Bank Event occurs, Holders may lose up to the entire amount of their investment.

Securities are Range Accrual Retro-Finance Notes, Ladder Retro-Finance Notes, Target Coupon Retro-Finance Notes, Rate Retro-Finance Notes, Zero Coupon Retro-Finance Notes, Currency Exchange Retro-Finance Notes, Yield Discovery Retro-Finance Notes, Certificate Retro-Finance Notes, Index Retro-Finance Notes, Inflation Index Retro-Finance Notes, Callable Index Retro-Finance Notes, Share Retro-Finance Notes, Multi-Asset Basket-Linked Retro-Finance Notes, Fund-Linked Retro-Finance Notes, Basket-Related Retro-Finance Notes and Commodity Retro-Finance Notes, each as described below, and each also as linked to a deposit as described below.

Indicative Issue Price

The Securities will be issued at their nominal amount or a percentage thereof.

Maturity

The Securities have a fixed maturity date, as specified in the applicable Final Terms, but may be subject to early termination in the event that the level of the Underlying breaches a level specified in the applicable Final Terms or following certain events in relation to the Deposit Bank or if the Issuer has a call option. The redemption of the Securities may also be postponed following certain events in relation to the Deposit Bank.

Interest

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

Listing and Admission to Trading

Application will be made to NYSE Euronext or any other stock exchange or market specified in the Final Terms for Securities to be admitted to trading and listed on Euronext Amsterdam by NYSE Euronext or any other stock exchange or market specified in the Final Terms up to the expiry of 12 months from the date of this Base Prospectus. The Issuer may also issue unlisted Securities.

Types of Products

The following types of products may be issued hereunder. As described in *Deposit Bank* below, all such products are also linked to a deposit placed by the Issuer with the Deposit Bank.

- *Range Accrual Retro-Finance Notes*

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

- *Ladder Retro-Finance Notes*

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

- *Target Coupon Retro-Finance Notes*

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

- *Rate Retro-Finance Notes*

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

- *Zero Coupon Retro-Finance Notes*

Zero coupon retro-finance notes are cash-settled securities which are issued at a percentage of the nominal amount and which do not bear any interest. Zero coupon retro-finance notes are redeemed at a percentage of the nominal amount; such percentage being as specified in the applicable Final Terms.

- *Currency Exchange Retro-Finance Notes*

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

- *Yield Discovery Retro-Finance Notes*

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

- *Certificate Retro-Finance Notes*

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

- *Index Retro-Finance Notes*

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

- *Inflation Index Retro-Finance Notes*

Inflation index retro-finance notes are fixed-income securities that track a consumer price index ("CPI") and may offer a real rate of return; that is, they may generate monthly interest payments that exceed the prevailing inflation rate by a specified amount.

- *Callable Index Retro-Finance Notes*

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

- *Share Retro-Finance Notes*

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

- *Multi-Asset Basket-Linked Retro-Finance Notes*

Multi-asset basket-linked retro-finance notes are cash-settled securities which may be interest-bearing. If applicable, interest may be payable at a rate specified in the applicable Final Terms. The cash amount payable at maturity on a multi-asset basket-linked retro-finance note will at least equal a specified percentage of its Nominal Amount but may be higher than that amount and may be subject to a capped maximum gain depending on the performance of the Underlying, as specified in the applicable Final Terms.

- *Fund-Linked Retro-Finance Notes*

Fund-linked retro-finance notes are cash-settled securities which may be interest-bearing. The Cash Amount payable at maturity is calculated by reference to the performance of the underlying fund(s) as specified in the applicable Final Terms. If applicable, interest may be payable at a rate specified in the applicable Final Terms.

- *Basket-Related Retro-Finance Notes*

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

- *Commodity Retro-Finance Notes*

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

Deposit Amount and consequence of default by the Deposit Bank

In respect of each Series of Securities, subject as otherwise provided in the applicable Final Terms, on (or prior to) the issue date of the Securities, the Issuer will deposit an amount to be specified in the applicable Final Terms (the "**Original Deposit Amount**") in an interest-bearing cash account in the name of the Issuer (the "**Deposit Account**") held with the Deposit Bank, on the terms of the Master Deposit Agreement. The deposit will accrue with interest at the Deposit Amount Interest Rate specified in the applicable Final Terms up to but excluding the Maturity Date. During the lifetime of the Securities, the Issuer may (but is not obliged to) reduce the balance standing to the credit of the Deposit Account to reflect any redemptions of the Securities of the relevant Series.

If, in respect of any Series of Securities, a Bankruptcy, Failure to Pay or Deposit Bank Termination (each defined as a "**Deposit Bank Event**") occurs in relation to the Deposit Bank during the period from the Issue Date to the date when the Deposit Amount (together with accrued interest earned at the Deposit Amount Interest Rate) is scheduled to be repaid by the Deposit Bank to the Issuer (as specified in the applicable Final Terms) (the date on which such Deposit Bank Event occurs being the "**Deposit Bank Event Date**"), the Issuer shall notify the Holders of the Securities of that Series as soon as practicable and each Security shall be redeemed on the following terms:

- on the tenth Business Day following the Deposit Bank Event Date, Holders of such Securities shall receive an amount (which may be zero) equal to (a) the fair market value of the Option (which amount shall be determined in accordance with the applicable Final Terms and is entirely dependent on the performance of the relevant Underlying(s) specified therein) plus (b) the pro

rata share of the balance (if any), including accrued interest, recovered by the Issuer from the Deposit Account; and

- thereafter, Holders shall receive any additional amounts recovered by the Issuer under the Master Deposit Agreement from such Deposit Account during the period of 24 months following the Deposit Bank Event Date (or, if earlier, to the date when the Calculation Agent determines that there will be no further recoveries of amounts owing to the Issuer under the Master Deposit Agreement). Such amounts (if any) will be paid to Holders as soon as reasonably practicable following receipt by the Issuer.

The Issuer's liability in respect of each Series of Securities is limited to the fair market value of the Option and any amounts of the deposit recovered from the Deposit Account of the Issuer associated with that Series (and not from any other account that the Issuer may have with the Deposit Bank). The Issuer is not liable for any part of the deposit that is not recovered by it from the Deposit Account of the Issuer in respect of a Series of Securities.

Holders are therefore exposed to the risk of non-payment by the Deposit Bank of all or some of the Deposit Amount to the Issuer. The Issuer will not have the benefit of any deposit protection schemes with regard to the Deposit Amount. And, as the deposit is placed by the Issuer, Holders have no benefit from any deposit protection schemes nor any other rights (except those pursuant to the security arrangements described herein) that might otherwise apply if they were direct depositors or account holders. Further, the security arrangements described below only apply upon an Event of Default by the Issuer under the Securities, and therefore are of no benefit to Holders upon the occurrence of a Deposit Bank Event. Accordingly, if a Deposit Bank Event occurs, Holders may lose some and up to the entire amount of investment.

Deposit Bank

The Deposit Bank shall be Nooa Savings Bank Ltd (The "**Deposit Bank**" or "**Nooa**").

Nooa was incorporated as a limited liability company under the laws of Finland on 2 May 2003. Nooa was registered under the registration number 1819908-9 and has its registered offices at Mikonkatu 2 D, 00100 Helsinki, Finland. Nooa is authorised to take deposits and is regulated by the Finnish Financial Supervision Authority (in Finnish: *Finanssivalvonta*).

Nooa's business mainly consists of offering loans and depositary services. It focuses primarily on a product range covering deposits, loans, and payments, and provides services predominantly to Finnish retail clients. Nooa is part of the Finnish Savings Banks Group which consists of 34 savings banks, each of which operates in its own region and is an independent legal entity.

Option

The Option in respect of a Series of Securities shall be as specified in the applicable Final Terms but shall generally be a derivative contract, on market-standard terms, having the following main features:

- the notional amount equalling the aggregate Nominal Amount of the relevant Series of Securities;
- the reference asset or basket of reference assets identical to the Underlying(s) in respect of the relevant Series of Securities;
- the strike price or level equal to the initial reference price or level of the Underlying in respect of the relevant Series of Securities;
- the final valuation taken on the final Valuation Date(s) in respect of the relevant Series of Securities; and
- the payout on the derivative contract matching that of the scheduled Cash Amount in respect of the relevant Series of Securities less the aggregate Nominal Amount thereof (which may or may not include a leverage factor).

Security Arrangements and consequences of default by the Issuer

In relation to each Series of Securities the Issuer shall pledge the related Deposit Account to the Holders under a master pledge agreement to be governed under Finnish law.

Enforcement of a pledge of a Deposit Account will require the occurrence and continuance of an Event of Default, as defined in General Condition 18. In such case the Deposit Bank, acting as the Security Agent, is entitled to enforce all of the rights of the Holders and for this purpose withdraw and transfer to the relevant Holders monies from the relevant Deposit Account in accordance with the General Conditions, the Additional Terms and Conditions of Retro-Finance Securities, the relevant Product Conditions, the relevant Final Terms and Finnish law.

The pledge of each Deposit Account automatically transfers together with the relevant Securities to the new Holders of the Securities, and the new Holder of the Securities shall thereby acquire the same rights and/or obligations as the original Holder. However, to ensure that the transfer of the pledge is legally effective in relation to the Deposit Bank, the new Holder of the Securities is advised to notify the Deposit Bank of the assignment or transfer.

The Original Deposit Amount is lower than the aggregate subscription price of the Securities of the relevant Series, and no security has been placed for the payment of the fair market value of the Option. Accordingly, any amount standing to the credit of a Deposit Account and available by enforcement of the pledge may not be sufficient to settle the full redemption amount of any Securities. Holders are therefore exposed to the risk of non-payment by the Issuer of the value of the Option.

The Issuer's liability in respect of each Series of Securities is limited to the fair market value of the Option and any amounts of the deposit recovered from the Deposit Account of the Issuer associated with that Series. The Issuer is not liable for any part of the deposit that is not recovered by it from the Deposit Account of the Issuer in respect of a Series of Securities.

Save as beneficiaries of the pledge of the relevant Deposit Account under the security arrangements as described herein, Holders of each Series of Securities will not have any rights with respect to the Deposit Account of the Issuer associated with such Series. Holders of a Series of Securities will have no rights with respect to the accounts held in the Issuer's name referencing any other Series of Securities or any other accounts of the Issuer held with the Deposit Bank (nor, in either case, to any amounts standing to their credit).

The security arrangements as described herein only apply upon an Event of Default by the Issuer under the Securities, and therefore are of no benefit to Holders upon the occurrence of a Deposit Bank Event.

General Conditions

Status of the Securities

The Securities constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory provisions of law (provided that if specified as applicable in the relevant Final Terms, Holders of Securities will have the benefit of certain security granted by the Issuer over its interest in the Deposit Account, as described in *Security Arrangements* above).

Early Termination

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

The Issuer may terminate any Securities if it shall have determined in its absolute discretion that payments made on the Securities are, in whole or in part, directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity and that these payments have

or will become subject to U.S. withholding tax. In such circumstances the Issuer will, to the extent permitted by law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements and of paying any required U.S. withholding tax.

Hedging Disruption

If a Hedging Disruption Event (as defined in General Condition 5(b)) 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)(ii); or (iii) make any other adjustment to the Conditions as it considers appropriate in order to maintain the theoretical value of the Securities after adjusting for the relevant Hedging Disruption Event. The Issuer may make adjustments following any event likely to have a material adverse effect on the Issuer's hedge position, subject to the conditions set out in General Condition 5(d).

Substitution

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

Issuer Events of Default

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

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

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 to be issued under this Base Prospectus.

- *Form of Securities*
Except in the case of Securities issued in dematerialised form, the Securities will be issued in global form.
- *Settlement of Securities*
Securities shall be cash-settled.

- *Market Disruption Events*

If a Market Disruption Event occurs Holders may experience a delay in settlement and the cash price paid on settlement may be adversely affected. Market Disruption Events are defined in Product Condition 4 for each type of Security and vary depending on the type of Security.

- *Emerging Market Disruption Events*

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

- *Potential Adjustment Event*

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

- *Fund Event*

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

- *De-listing*

If a De-listing occurs the Calculation Agent may adjust one or more of the Conditions, including replacing the relevant Underlying, to account for such event. De-listing is defined in Product Condition 4 for each type of Security (if applicable).

Governing Law and Jurisdiction

The Securities and any non-contractual obligations arising out of or in connection with the Securities, are governed by and shall be construed in accordance with English law.

The courts of England have exclusive jurisdiction to settle any dispute (including any dispute relating to any non-contractual obligations arising from or in connection with the Securities).

Final Terms

Each Series will be the subject of a Final Terms which will contain the final terms applicable to the Series. The form of the Final Terms applicable to each type of Security is set out below. The Final Terms applicable to each Series may specify amendments to the General Conditions, the Additional Terms and Conditions of Retro-Finance Securities and/or the relevant Product Conditions as they apply to that Series.

Risk Factors relating to the Securities

The Securities to be issued are investment instruments which may or may not bear interest and which at maturity or earlier termination pay the Cash Amount which may or may not be equal to the nominal amount of the relevant Security.

The value of the Securities may move up and down between their date of purchase and their maturity date. Holders may sustain up to a total loss of their investment, including due to the insolvency of the Issuer or insolvency or failure otherwise by the Deposit Bank to pay the Deposit Amount. Securities

where the interest amount paid is dependent upon the performance of the Underlying may result in the Holder receiving no or only a limited periodic return on his investment. Prospective purchasers should therefore ensure that they understand fully the nature of the Securities before they invest in the Securities.

The price at which a Holder will be able to sell Securities prior to their redemption may potentially be at a substantial discount to the market value of the Securities at the issue date depending upon the performance of the Underlying at the time of sale, the cost of any hedging arrangements associated with the Deposit and also depending on whether a Deposit Bank Event has occurred or is likely to occur.

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

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

- (a) providing a large bid/offer spread determined by the Issuer in its sole and absolute discretion by reference to the Issuer's own appreciation of the risks involved in providing such secondary market;
- (b) 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 if the Securities were redeemed at maturity.

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.

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.

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

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. In addition, the Issuer may elect to terminate the Securities early should U.S. withholding tax apply to any current or future payments on the Security.

Investors are exposed to the risk of non-payment by the Issuer of its payment obligations under the Securities. If such event occurs, Holders may lose some and up to the entire amount of their investment. Investors should also note that the Original Deposit Amount is lower than the aggregate subscription price of the Securities of the relevant Series, and that no security has been placed for the

payment of the fair market value of the Option. Accordingly, any amount standing to the credit of a Deposit Account and available by enforcement of the pledge may not be sufficient to settle the full redemption amount of any Securities. Holders are, therefore, exposed to the risk of non-payment by the Issuer of the value of the Option.

Investors are also exposed to the risk of a Bankruptcy, Failure to Pay or Deposit Bank Termination (each a "**Deposit Bank Event**") in relation to the Deposit Bank. Following any such event, each Security of the relevant Series shall be redeemed by payment on the tenth Business Day following the event of an amount (which may be zero) equal to (a) the fair market value of the Option (which amount shall be determined in accordance with the applicable Final Terms and is entirely dependent on the performance of the relevant Underlying(s) specified therein) plus (b)(i) the pro rata share of the balance (if any), including accrued interest, standing to the credit of and recovered by the Issuer from the Deposit Accounts relating to that Series of Securities, together with (b)(ii) any additional amounts recovered by the Issuer from the Deposit Bank in respect of the Deposit during the 24-month period following the Deposit Bank Event Date being payable as soon as reasonably practicable following receipt of such amounts (if any) by the Issuer. The Issuer is not liable for any part of the deposit that is not recovered by it from the Deposit Account of the Issuer in respect of a Series of Securities.

The Issuer will not have the benefit of any deposit protection scheme with regard to the Deposit Amount. And, as the deposit is placed by the Issuer, Holders have no benefit from any deposit protection schemes nor any other rights (except those pursuant to the security arrangements described herein) that might otherwise apply if they were direct depositors or account holders. Further, the security arrangements described herein only apply upon an Event of Default by the Issuer under the Securities, and therefore are of no benefit to Holders upon the occurrence of a Deposit Bank Event. Accordingly, if a Deposit Bank Event occurs, Holders may lose some and up to the entire amount of their investment.

Other than the information provided in this Base Prospectus, no information (including current financial information) or other developments with respect to the Deposit Bank has been or will be provided to the Holder. The Issuer has not made any investigation of the Deposit Bank specific to the Securities or on behalf of investors (including, without limitation, any investigation as to its financial condition or creditworthiness). Neither the Issuer nor the Calculation Agent shall conduct any credit monitoring of the Deposit Bank. Prospective purchasers should therefore make their own investigations in order to satisfy themselves as to the financial condition and creditworthiness of the Deposit Bank and should conduct such independent investigation and analysis regarding the Deposit Bank as they deem appropriate to evaluate the merits and risks of an investment in the Securities.

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 the Underlying, and may make determinations including whether certain specified events and/or matters so specified in the conditions relating to the Securities have occurred (including, but not limited to, determination of the occurrence of a Deposit Bank Event) which do not take into account the interests of, or may be adverse to, the Holders. In making these adjustments and determinations 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.

Risk Factors relating to the Issuer

Certain factors may affect the Issuer's 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 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.
- The Group's businesses and performance can be negatively affected by actual or perceived global economic and financial market conditions and by other geopolitical risks.
- The Group is subject to a variety of risks as a result of implementing the state aid restructuring plan and is prohibited from making discretionary dividend or coupon payments on existing hybrid capital instruments (including preference shares and B Shares) which may impair the Group's ability to raise new Tier 1 capital.
- The occurrence of a delay in the implementation of (or any failure to implement) the approved proposed transfers of a substantial part of the business activities of RBS N.V. to RBS may have a material adverse effect on the Group.
- The Group's ability to implement its strategic plan depends on the success of the Group's refocus on its core strengths and its balance sheet reduction programme.
- 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.
- The value or effectiveness of any credit protection that the Group has purchased depends on the value of the underlying assets and the financial condition of the insurers and counterparties.
- Changes in interest rates, foreign exchange rates, credit spreads, bond, equity and commodity prices, basis, volatility and correlation risks and other market factors have significantly affected and will continue to affect the Group's business and results of operations.
- The Group's borrowing costs, its access to the debt capital markets and its liquidity depend significantly on its and the United Kingdom Government's credit ratings. Any further reductions in the long-term or short-term credit ratings of RBS would further increase the Group's borrowing costs, require the Group to replace lost funding due to the downgrade, which may include the loss of customer deposits, and may also limit the Group's access to capital and money markets and trigger additional collateral requirements in derivatives and other secured funding arrangements, and also affect the Group's ability to compete in certain markets.
- 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, judgments and estimates that may change over time or may ultimately not turn out to be accurate.
- The Group operates in markets that are highly competitive and its business and results of operations may be adversely affected.
- The Group could fail to attract or retain senior management, which may include members of the board, or other key employees, and it may suffer if it does not maintain good employee relations.

- Each of the Group's businesses is subject to substantial regulation and oversight. Significant regulatory developments, including changes in tax law, could have an adverse effect on how the Group conducts its business and on its results of operations and financial condition.
- The Group is and may be subject to litigation and regulatory investigations that may impact its business.
- The Group's results have been and could be further materially adversely affected in the event of goodwill impairment.
- The Group may be required to make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations.
- Operational risks are inherent in the Group's businesses.
- HM Treasury (or UK Financial Investments Limited on its behalf) may be able to exercise a significant degree of influence over the Group and any proposed offer or sale of its interests may affect the price of the Securities.
- The Group's operations have inherent reputational risk.
- In the United Kingdom and in other jurisdictions, the Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers.
- The recoverability and regulatory capital treatment of certain deferred tax assets recognised by the Group depends on the Group's ability to generate sufficient future taxable profits and there being no adverse changes to tax legislation, regulatory requirements or accounting standards.
- The Group's participation in the Asset Protection Scheme ("APS") 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 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 APS and may have an adverse impact on the Group.
- Any changes to the expected regulatory capital treatment of the APS, the B Shares and the contingent B shares may negatively impact the Group's capital position.
- The costs of the APS may be greater than the benefits received by the Group and the fair value of the APS can impact the Group's results of operations.
- Participation in the APS may result in greater tax liabilities for the Group and the loss of potential tax benefits.
- Participation in the APS 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 Issuer Group's results.
- If the Group is unable to issue the contingent B shares to HM Treasury, it may have a material adverse impact on the Group's capital position, liquidity, operating results and future prospects.

RISK FACTORS

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

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.

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

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

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

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

Deposit Bank Event

In respect of each Series of Securities, subject as otherwise provided in the applicable Final Terms, on (or prior to) the issue date of the Securities of that Series, the Issuer will deposit an amount to be specified in the applicable Final Terms (the "**Original Deposit Amount**") in an interest-bearing cash account in the name of the Issuer (the "**Deposit Account**") held with the Deposit Bank, on the terms of the Master Deposit Agreement. The deposit will accrue with interest at the Deposit Amount Interest Rate specified in the applicable Final Terms up to but excluding the Maturity Date. During the lifetime of the Securities, the Issuer may (but is not obliged to) reduce the balance standing to the credit of the Deposit Account to reflect any redemptions of the Securities of the relevant Series.

If, in respect of any Series of Securities, a Bankruptcy, Failure to Pay or Deposit Bank Termination (each defined as a "**Deposit Bank Event**") occurs in relation to the Deposit Bank holding the Deposit Account for that Series of Securities during the period from the Issue Date to the date when the Deposit Amount (together with accrued interest earned at the Deposit Amount Interest Rate) is scheduled to be repaid by the Deposit Bank to the Issuer (as specified in the applicable Final Terms) (the date on which such Deposit Bank Event occurs being the "**Deposit Bank Event Date**"), the Issuer shall notify the Holders of the Securities of that Series as soon as practicable and each Security of that Series shall be redeemed on the following terms:

- on the tenth Business Day following the Deposit Bank Event Date, Holders of such Securities shall receive an amount (which may be zero) equal to (a) the fair market value of the Option (which amount shall be determined in accordance with the applicable Final Terms and is entirely dependent on the performance of the relevant Underlying(s) specified therein) plus (b) the pro rata share of the balance (if any), including accrued interest, and recovered by the Issuer from the Deposit Account; and
- thereafter, Holders shall receive any additional amounts recovered by the Issuer under the Master Deposit Agreement from such Deposit Account during the period of 24 months following the Deposit Bank Event Date (or, if earlier, to the date when the Calculation Agent determines that there will be no further recoveries of amounts owing to the Issuer under the Master Deposit Agreement). Such amounts (if any) will be paid to Holders as soon as reasonably practicable following receipt by the Issuer.

The Securities are credit-linked to the Deposit, and the Deposit is akin to a reference obligation type of underlying asset with regard to the Securities. The Issuer's liability in respect of each Series of Securities is limited to the fair market value of the Option and any amounts of the deposit recovered from the Deposit Account of the Issuer associated with that Series (and not from any other account that the Issuer may have with the Deposit Bank). The Issuer is not liable for any part of the deposit that is not recovered by it from the Deposit Account of the Issuer in respect of a Series of Securities.

As a result Holders are exposed to the risk of non-payment by the Deposit Bank of all or some of the Deposit Amount to the Issuer. The Issuer will not have the benefit of any deposit protection schemes with regard to the Deposit Amount. And, as the deposit is placed by the Issuer, Holders have no benefit from any deposit protection schemes nor any other rights (except those pursuant to the security arrangements described herein) that might otherwise apply if they were direct depositors or account holders. For example, if a restructuring occurs in respect of the Deposit Bank, a Holder, unlike a direct holder of the Deposit Bank's obligations, will have no right to challenge or participate in any element of such restructuring (other than as a beneficial holder of a pledge of the relevant Deposit Account under the security arrangements as described below). Further, the security arrangements described below only apply upon an Event of Default by the Issuer under the Securities, and therefore are of no benefit to Holders upon a Deposit Bank Event. **If a Deposit Bank Event occurs, Holders may lose up to the entire amount of their investment.**

Investors should therefore understand and evaluate such credit risk in relation to the Deposit Bank prior to making any investment and should conduct such independent investigation and analysis regarding the Deposit Bank as they deem appropriate to evaluate the merits and risks of an investment in the Securities. See also *Information in respect of the Deposit Bank* below.

Neither the Issuer nor the Calculation Agent shall conduct any credit monitoring of the Deposit Bank. As the Deposit Bank may not have any listed debt, there may be no problem apparent until a Failure to Pay occurs in respect of the Deposit.

Neither the Issuer nor the Calculation Agent shall have any liability for a Deposit Bank Event affecting the Deposit Bank.

Information in respect of the Deposit Bank

Details of Nooa Savings Bank Ltd's most recent financial information may be obtained from <https://www.saastopankki.fi/nooa/tulosjulkaisut-ja-vuosikertomukset?o=20>. Such website and the information in it does not form part of this Base Prospectus and the website reference is provided for convenience only. The Issuer accepts no responsibility for the information on such website.

The Issuer does not have any obligation to keep Holders informed as to any matters with respect to the Deposit Bank or any of its obligations, including whether or not circumstances exist that give rise to the possibility of the occurrence of a Deposit Bank Event.

See also *Conflicts of Interest* below – The Issuer and/or any of its affiliates may have confidential information relating to the Deposit Bank and/or the Securities and is not obliged to provide any information other than as set forth in this Base Prospectus (and related Final Terms).

Holders should make their own investigations of the Deposit Bank

Other than the information provided in this Base Prospectus, no information (including current financial information) or other developments with respect to the Deposit Bank has been or will be provided to the Holder. Prospective purchasers should therefore make their own investigations in order to satisfy themselves as to the financial condition and creditworthiness of the Deposit Bank.

The Issuer has not made any investigation of the Deposit Bank specific to the Securities or on behalf of investors (including, without limitation, any investigation as to its financial condition or creditworthiness). Neither the Issuer nor the Calculation Agent shall conduct any credit monitoring of the Deposit Bank. Prospective purchasers should obtain and evaluate the information concerning the Deposit Bank in the same way as they would obtain and evaluate it if they were investing directly in an uninsured deposit obligation or other debt of the Deposit Bank, and should conduct such independent investigation and analysis regarding the Deposit Bank as they deem appropriate to evaluate the merits and risks of an investment in the Securities.

Default by the Issuer

Enforcement of a pledge of a Deposit Account will require the occurrence and continuance of an Event of Default, as defined in General Condition 18. In such case the Deposit Bank, acting as the Security Agent, is entitled to enforce all of the rights of the Holders and for this purpose withdraw and transfer to the relevant Holders monies from the relevant Deposit Account in accordance with the General Conditions, the Applicable Terms and Conditions of Retro-Finance Securities, the relevant Product Conditions, the relevant Final Terms and Finnish law.

The Original Deposit Amount is lower than the aggregate subscription price of the Securities of the relevant Series, and no security has been placed for the payment of the fair market value of the Option. Accordingly, any amount standing to the credit of a Deposit Account and available by enforcement of the pledge may not be sufficient to settle the full redemption amount of any Securities. Holders are therefore exposed to the risk of non-payment by the Issuer of the value of the Option.

The pledge of each Deposit Account automatically transfers together with the relevant Securities to the new Holders of the Securities, and the new Holder of the Securities shall thereby acquire the same rights and/or obligations as the original Holder. However, to ensure that the transfer of the pledge is legally effective in relation to the Deposit Bank, the new Holder of the Securities is advised to notify the Deposit Bank of the assignment or transfer.

The Issuer's liability in respect of each Series of Securities is limited to the fair market value of the Option and any amounts of the deposit recovered from the Deposit Account of the Issuer associated with that Series. The Issuer is not liable for any part of the deposit that is not recovered by it from the Deposit Account of the Issuer in respect of a Series of Securities.

Save as beneficiaries of the pledge of the relevant Deposit Account under the security arrangements as described herein, Holders of each Series of Securities will not have any rights with respect to the Deposit Account of the Issuer associated with such Series. Holders of a Series of Securities will have no rights with respect to the accounts held in the Issuer's name referencing any other Series of Securities or any other accounts of the Issuer held with the Deposit Bank (nor, in either case, to any amounts standing to their credit).

The security arrangements as described herein only apply upon an Event of Default by the Issuer under the Securities, and therefore are of no benefit to Holders upon the occurrence of a Deposit Bank Event.

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

The Securities are notes which entail particular risks

The notes to be issued are investment instruments which may or may not bear interest and which at maturity or earlier termination pay the Cash Amount which may or may not be equal to the nominal amount of the relevant note. As such, each note will entail particular risks. The Notes may result in the Holder losing some or, in certain limited cases, all of his initial investment. Notes where the interest amount paid is dependent upon the performance of the Underlying may result in the Holder receiving no or only a limited periodic return on his investment.

The price at which a Holder will be able to sell notes prior to their redemption may potentially be at a substantial discount to the market value of the notes at the issue date depending upon the performance of the Underlying at the time of sale.

The Securities may not be a suitable investment for all investors

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Base Prospectus or any applicable Final Terms;

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

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

The value of the Securities may fluctuate

The value of the Securities may move up and down between their date of purchase and their maturity date. Holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand fully the nature of the Securities before they invest in the Securities.

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

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

- (c) *Volatility.* The term "volatility" refers to the actual and anticipated frequency and magnitude of changes of the market price with respect to an Underlying. Volatility is affected by a number of factors such as macro-economic factors, speculative trading and supply and demand in the options, futures and other derivatives markets. Volatility of an Underlying will move up and down over time (sometimes more sharply than others) and different Underlyings will most likely have separate volatilities at any particular time.
- (d) *Exchange Rates.* Even where payments in respect of the Securities are not expressly linked to a rate or rates of exchange between currencies, the value of the Securities could, in certain circumstances, be affected by such factors as fluctuations in the rates of exchange between any currency in which any payment in respect of the Securities is to be made and any currency in which the Underlying is traded, appreciation or depreciation of any such currencies and any existing or future governmental or other restrictions on the exchangeability of such currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of any Securities will be representative of the relevant rates of exchange used in computing the value of the relevant Securities at any time thereafter.
- (e) *Disruption.* If so indicated in the Conditions, the Calculation Agent may determine that a Market Disruption Event (which includes Emerging Market Disruption Events), Fund Event, Potential Adjustment Event and/or De-listing has occurred or exists at a relevant time. Any such determination may affect the value of the Securities and/or may delay settlement in respect of the Securities.

Prospective purchasers should review the Conditions to ascertain whether and how such provisions apply to the Securities.
- (f) *Creditworthiness.* Any person who purchases the Securities is relying upon the creditworthiness of the Issuer and of the Deposit Bank and has no recourse, in that respect, against any other person. The Securities constitute general, unsecured (save that Holders of Securities will have the benefit of certain security granted by the Issuer over its interest in the Deposit Account, as described in "Security Arrangements in respect of the Securities"), contractual obligations of the Issuer and of no other person. The Securities rank pari passu among themselves.

There may not be a secondary market in the Securities

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

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

- (a) providing a large bid/offer spread determined by the Issuer in its sole and absolute discretion by reference to the Issuer's own appreciation of the risks involved in providing such secondary market;
- (b) 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 if the Securities were redeemed at maturity.

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.

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 to be subscribed or purchased by third party investors. The Issuer (or any of its affiliates) may hold such Securities for the purpose of meeting any investor interest in the future. Prospective investors in the Securities should therefore not regard the issue size of any Series as indicative of the depth or liquidity of the market for such Series, or of the demand for such Series.

Purchasing the Securities as a hedge may not be effective

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

Conflicts of Interest

Actions taken by the Calculation Agent may affect the Deposit and/or 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 the Underlying, and may make determinations including whether certain specified events and/or matters so specified in the conditions relating to the Securities have occurred (including, but not limited to, determination of the occurrence of a Deposit Bank Event) which do not take into account the interests of, or may be adverse to, the Holders. In making these adjustments and determinations 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.

Actions taken by the Issuer in respect of the Underlying may affect the value of the Securities

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

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

The Issuer and/or any of its affiliates may engage in business activity with the Deposit Bank or other persons connected to it

The Issuer and/or any of its affiliates may currently or from time to time engage in commercial, investment banking or other business with the Deposit Bank, and/or any affiliate of the Deposit Bank, or any other person or entity having obligations relating to the Deposit Bank, and may act with respect

to such business in the same manner as if the Securities did not exist, regardless of whether any such action might have an adverse effect on the Deposit Bank or the Holders or otherwise.

In addition, the Issuer and/or any of its affiliates may publish research reports about the Deposit Bank from time to time. Prospective purchasers should undertake such independent investigation in respect of the Deposit Bank as in their judgement is appropriate to make an informed decision with respect to an investment in the Securities.

The Issuer and/or any of its affiliates may serve as issuer, arranger or dealer for additional issuances of securities with returns linked or related to the Deposit Bank. By introducing competing products into the marketplace in this manner the Issuer and/or any of its affiliates could adversely affect the value of the Securities.

The Issuer and/or any of its affiliates may have confidential information relating to the Deposit, Deposit Bank and the Securities and is not obliged to provide any information other than as set forth in this Base Prospectus (and related Final Terms)

The Issuer and/or any of its affiliates may from time to time possess or have access to confidential information relating to the relating to the Deposit Bank, the Deposit and any derivative securities referencing them, including the Securities. None of the Issuer and/or any of its affiliates will be obliged to disclose any such confidential information to a Holder of the Securities. In addition, the Issuer will not be obliged to publish or disclose to any Holder any information (including non-public information) relating to the Deposit Bank other than the information provided in this Base Prospectus, nor will the Issuer be obliged to provide any opinions or analysis as to the appropriateness or suitability of an investment linked to the Deposit.

Disruption of the Issuer's Hedge Position may affect the value of the Securities

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

In certain circumstances, including but not limited to, the insolvency of the hedging counterparty or the unenforceability of the associated hedging transaction, an investor may lose some or all of its investment as specified in General Condition 5(d) below.

Holders have no ownership interest in the Underlying

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

Other than as a result of the security arrangements described herein (which only apply upon an Event of Default by the Issuer), Holders have no interest in, or recourse to, the Deposit Amount

Whilst, as described above under *Default by the Issuer* (and as further detailed in the section entitled *Security Arrangements in respect of the Securities*), Holders have the benefit of the security arrangements (and any rights arising pursuant to these) in respect of the Deposit Amount upon an Event of Default by the Issuer under the Securities, Holders should be aware that they are investing in the Securities and are not directly investing in the deposit in respect of the Securities. Accordingly, other than as a result of enforcement of the pledge relating to the deposit (which shall only apply upon an Event of Default by the Issuer), Holders will have no interest in, or recourse to, the deposit. Therefore, if the Issuer fails to make the required payments under the Securities, the Holder will not be able to make any claim in respect of the deposit or against the Deposit Bank, unless such failure to pay constitutes the occurrence and continuance of an Event of Default, as defined in General Condition 18.

Further, whilst an amount of the net proceeds from each issue of Securities equal to the Original Deposit Amount will be deposited with the Deposit Bank, the remaining proceeds will be used by the Issuer for its general corporate purposes (subject as otherwise provided in the applicable Final Terms) and the investor will have no interest in, or recourse to any such remaining proceeds.

Investors in the Securities should also be aware that the Deposit Amount will not be held by the Issuer for the benefit of the investors in the relevant Securities, and consequently investors will not obtain any rights of ownership, including, without limitation, any rights to receive interest or other distributions or any other rights with respect to the Deposit Amount in respect of the Securities (save for any such rights arising as a result of enforcement of the pledge of a Deposit Account).

Holders will have no rights with respect to the Deposit Bank (save for any rights Holders have vis-à-vis the Deposit Bank in its capacity as Security Agent, as beneficiaries of the pledge of the relevant Deposit Account under the security arrangements)

The Issuer has no ability to control or predict the actions of the Deposit Bank, including actions that could affect the value of the Securities. The Deposit Bank will not have any obligation to consider the interests of Holders in taking any actions that might affect the value of the Securities. A Holder (in its capacity as a Holder) will not have any rights with respect to the obligations of the Deposit Bank (save for any rights Holders have vis-à-vis the Deposit Bank in its capacity as Security Agent, as beneficiaries of the pledge of the relevant Deposit Account under the security arrangements).

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 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 per cent. 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. Additionally, the Issuer may elect to terminate the Securities, in accordance with General Condition 3(b), should this U.S. withholding tax apply to any current or future payments on the Security. 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 applicable Final Terms (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, interest and any other amounts will be made through any Relevant Clearing System, where required, against presentation or surrender (as the case may be) of any relevant global Security and, in the case of a temporary global Security, certification as to non-U.S. beneficial ownership. 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, interest (if any) and any other amounts payable in respect of the Securities or any securities deliverable in respect of the Securities. Holders therefore are required to look to the Relevant Clearing System in respect of payments made to it by the Issuer in respect of Securities in global or dematerialised form.

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

Risk associated with nominee arrangements

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

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

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

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

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

Change of law and jurisdiction

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

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Deposit Bank 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.

RESPONSIBILITY STATEMENT

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

The information relating to the Deposit Bank contained in this Base Prospectus (and, if applicable, as supplemented or reproduced in an Annex to the applicable Final Terms) has been extracted from publicly available information. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from publicly available information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Prospective purchasers should make their own investigations in order to satisfy themselves as to the financial condition and creditworthiness of the Deposit Bank.

DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the documents incorporated by reference into this Base Prospectus and each supplement to this Base Prospectus. The information contained in the following documents which have previously been published and have been filed with the AFM in its capacity as competent authority under the Act on Financial Supervision (*Wet op het financieel toezicht (Wft) 2007*) (the "**Competent Authority**") is hereby incorporated by reference into this Base Prospectus and deemed to form part of this Base Prospectus:

1. The registration document of the Issuer dated 5 August 2011, which was published via the Regulatory News Service of the London Stock Exchange plc ("**RNS**") on 5 August 2011 (the "**Registration Document**"), excluding the paragraphs on page 59 under the heading "No Significant Change and No Material Adverse Change" in the section of the Registration Document entitled "General Information".
2. The Annual Report and Accounts of the Issuer (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the financial 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), which was published via RNS on 15 April 2011.
3. The Annual Report and Accounts of the Issuer (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the financial year ended 31 December 2009 (excluding the section headed "Risk factors" on pages 5 to 23), which was published via RNS on 9 April 2010.
4. The following sections of the 2010 Annual Report and Accounts of RBSG, which were published by RBSG via RNS on 17 March 2011:
 - (i) Independent auditor's report on page 267;
 - (ii) Consolidated income statement on page 268;
 - (iii) Consolidated statement of comprehensive income on page 269;
 - (iv) Balance sheets as at 31 December 2010 on page 270;
 - (v) Statements of changes in equity on pages 271 to 273;
 - (vi) Cash flow statements on page 274;
 - (vii) Accounting policies on pages 275 to 286;
 - (viii) Notes on the accounts on pages 287 to 385;
 - (ix) Essential reading – We have met, and in some cases exceeded, the targets for the second year of our Strategic Plan on page 1;
 - (x) Chairman's statement on pages 2 to 3;
 - (xi) Group Chief Executive's review on pages 4 to 5;
 - (xii) Our key targets on page 7;
 - (xiii) Our business and our strategy on pages 8 to 19;
 - (xiv) Divisional review on pages 20 to 41;
 - (xv) Business review on pages 49 to 224;
 - (xvi) Report of the Directors on pages 230 to 234;
 - (xvii) Corporate governance on pages 235 to 245;

- (xviii) Letter from the Chair of the Remuneration Committee on pages 246 to 247;
 - (xix) Directors' remuneration report on pages 248 to 263;
 - (xx) Directors' interests in shares on page 264;
 - (xxi) Financial summary on pages 387 to 395;
 - (xxii) Exchange rates on page 395;
 - (xxiii) Economic and monetary environment on page 396;
 - (xxiv) Supervision on page 397;
 - (xxv) Regulatory developments and reviews on pages 398 to 399;
 - (xxvi) Description of property and equipment on page 399;
 - (xxvii) Major shareholders on page 399;
 - (xxviii) Material contracts on pages 399 to 404; and
 - (xxix) Glossary of terms on pages 434 to 439.
5. The following sections of the 2009 Annual Report and Accounts of RBSG, which were published by RBSG via RNS 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.
6. The unaudited Interim Results 2011 of RBSG for the six months ended 30 June 2011, which were published via RNS on 5 August 2011.
 7. The unaudited Interim Results 2011 of the Issuer for the six months ended 30 June 2011, which were published via RNS on 26 August 2011 (the "**RBS Interim Results 2011**").
 8. 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.
 9. 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 RNS on 20 October 2009.
 10. 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 (the "**Press Release**").
 11. The press release entitled "Details of Part VII Scheme – Securities issued by, and guarantees granted by, RBS N.V.", which was published by RBSG via RNS on 22 July 2011.

Investors who have not previously reviewed the information contained in the above documents should do so in connection with their evaluation of the Securities. Any statement contained in a document, all or the relevant portion of which is incorporated by reference into this Base Prospectus, shall be deemed

to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in this Base Prospectus or in any supplement to this Base Prospectus filed under Article 16 of the Prospectus Directive, including any documents incorporated therein by reference, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

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

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

The Registration Document, and copies of all documents incorporated by reference as mentioned above, are accessible at <http://markets.rbs.com/EN/Showpage.aspx?pageID=1114> and can be obtained, on request, free of charge, by writing or telephoning, The Royal Bank of Scotland Group Investor Relations, 280 Bishopsgate, London EC2M 4RB, United Kingdom, telephone +44 207 672 1758, email investor.relations@rbs.com or at the registered office of the Issuer at 36 St Andrew Square, Edinburgh, EH2 2YB, Scotland and on www.rbs.com; Tel. 00 44 (0)131 523 3636.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Base Prospectus which is capable of affecting the assessment of any Securities, prepare a supplement to this Base Prospectus for use in connection with any subsequent issue of Securities. Any supplements to this Base Prospectus are accessible at <http://markets.rbs.com/EN/Showpage.aspx?pageID=1114> and can be obtained, on request, free of charge, by writing or telephoning, The Royal Bank of Scotland Group Investor Relations, 280 Bishopsgate, London EC2M 4RB, United Kingdom, telephone +44 207 672 1758, email investor.relations@rbs.com or at the registered office of the Issuer at 36 St Andrew Square, Edinburgh, EH2 2YB, Scotland and on www.rbs.com; Tel. 00 44 (0)131 523 3636.

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

DESCRIPTION OF THE DEPOSIT BANK

The information relating to the Deposit Bank contained in this Base Prospectus (and, if applicable, as supplemented or reproduced in an Annex to the applicable Final Terms) has been extracted from publicly available information. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from publicly available information, no facts have been omitted which would render the reproduced information inaccurate or misleading. Prospective purchasers should make their own investigations in order to satisfy themselves as to the financial condition and creditworthiness of the Deposit Bank.

Nooa Savings Bank Ltd

History and Incorporation

Nooa Savings Bank Ltd was incorporated as a limited liability company under the laws of Finland on 2 May 2003. Nooa Savings Bank Ltd was registered under the registration number 1819908-9 and has its registered offices at Mikonkatu 2 D, 00100 Helsinki, Finland.

Regulated Entity

Nooa Savings Bank Ltd is licensed to engage in depositary bank activities and is, accordingly, a credit institution as defined in the Finnish Act on Credit Institutions (and in the Banking Consolidation Directive, 2006/48/EC), subject to the supervision of the Finnish Financial Supervisory Authority (the "Finnish FSA"). Nooa Savings Bank Ltd has been listed as a supervised entity on the Finnish FSA's website (http://www.finanssivalvonta.fi/en/About_us/Supervised/Pages/supervisedentities.aspx) under "credit market entities".

Principal Activities

Nooa Savings Bank Ltd's business mainly consists of offering loans and depositary services. It focuses primarily on a product range covering deposits, loans and payments. Nooa Savings Bank Ltd provides services predominantly to Finnish retail clients. Nooa Savings Bank Ltd is part of the Finnish Savings Banks Group which consists of 34 savings banks, each of which operates in its own region and is an independent legal entity.

Information in respect of the Deposit Bank

Details of Nooa Savings Bank Ltd's most recent financial information may be obtained from <https://www.saastopankki.fi/nooa/tulosjulkaisut-ja-vuosikertomukset?o=20>. Such website and the information in it does not form part of this Base Prospectus and the website reference is provided for convenience only. The Issuer accepts no responsibility for the information on such website.

DESCRIPTION OF THE MASTER DEPOSIT AGREEMENT

The Issuer (as Depositor) and the Deposit Bank (as Depositary Bank) entered into a master deposit agreement dated 25 August 2011 (as supplemented and amended from time to time, the "**Master Deposit Agreement**") pursuant to which the Issuer agrees to make a deposit (as defined elsewhere herein, the "**Deposit**"), for each Series of Securities, in an amount equal to the Original Deposit Amount (as specified in the applicable Final Terms) with the Deposit Bank in an interest-bearing Deposit Account in the name of the Issuer. The Master Deposit Agreement is governed under Finnish law.

Under the terms of the Master Deposit Agreement, in respect of each Series of Securities, the Issuer (as Depositor) and the Deposit Bank (as Depositary Bank) agree to sign, execute and deliver an addendum and open the Deposit Account thereunder in relation to that Series of Securities no later than on the date of issuance of Securities of that Series of Securities.

The scheduled term of the Deposit shall be from, and including, the Issue Date of the relevant Series of Securities up to, and including, the Maturity Date (or, if applicable, the date of early redemption of the Securities).

The Issuer is entitled to withdraw funds from the Deposit Account or otherwise dispose of the funds held in the Deposit Account at any time, provided however, that:

- (i) such withdrawal may only be made in connection with and upon redemption (or irrevocable instructions to the relevant Agent to redeem Securities held by the Issuer pursuant to General Condition 6(a)) of Securities or a Deposit Bank Event; and
- (ii) the amount to be withdrawn may not exceed that proportion of the Deposit Amount equal to the pro rata proportion of the Securities of the relevant Series to be redeemed as described in paragraph (i) above, in each case determined by the Calculation Agent.

The Deposit will accrue in the Deposit Account with interest at the Deposit Amount Interest Rate specified in the applicable Final Terms up to, but excluding, the Scheduled Deposit End Date (which date shall be the Maturity Date of the relevant Series of Securities or, if applicable, the date of early redemption of such Securities).

The obligations of each of the parties to the Master Deposit Agreement are subject to the occurrence of a force majeure event.

The Deposit Amount shall not be eligible for coverage by the Finnish Deposit Compensation Scheme (or by any other depository protection scheme).

The Securities are credit-linked to the Deposit, and the Deposit is akin to a reference obligation type of underlying asset with regard to the Securities. The Issuer is not liable for any part of the deposit that is not recovered by it from the Deposit Account of the Issuer in respect of a Series of Securities. As a result, Holders are exposed to the risk of non-payment by the Deposit Bank of all or some of the Deposit Amount to the Issuer.

Investors should therefore understand and evaluate such credit risk in relation to the Deposit Bank prior to making any investment and should conduct such independent investigation and analysis regarding the Deposit Bank as they deem appropriate to evaluate the merits and risks of an investment in the Securities. See also 'Information in respect of the Deposit Bank' within the section entitled *Description of the Deposit Bank*.

The Issuer will not have the benefit of any deposit protection schemes with regard to the Deposit Amount. And, as the deposit is placed by the Issuer, Holders have no benefit from any deposit protection schemes nor any other rights (except those pursuant to the security arrangements described herein) that might otherwise apply if they were direct depositors or account holders.

Further, the security arrangements described below only apply upon an Event of Default by the Issuer under the Securities, and therefore are of no benefit to Holders upon the occurrence of a Deposit Bank Event. Accordingly, if a Deposit Bank Event occurs, Holders may lose some and up to the entire amount of investment.

SECURITY ARRANGEMENTS IN RESPECT OF THE SECURITIES

The Securities are secured by a first-ranking pledge of the Deposit Account.

The Issuer (as Pledgor) and the Pledgees (being the Holders of the relevant Series of Securities) as represented by Nooa Savings Bank Ltd (as Security Agent) entered into a master pledge agreement dated 25 August 2011 (as supplemented and amended from time to time, the "**Master Pledge Agreement**") pursuant to which the Issuer agrees to pledge each Deposit Account to the Holders of the relevant Series of Securities as security in respect of the Issuer's principal and interest payment obligations under the Securities. The Master Pledge Agreement is governed under Finnish law.

By its purchase of Securities, each Holder authorises and empowers the Deposit Bank to act as the fully authorised representative of such Holder in any matter related to or arising out of the pledge agreement relating to such Securities including, but not limited to, signing and execution of the pledge agreement, exercising the pledgees' rights and performing their obligations thereunder and enforcing the pledge on behalf of such Holder.

Under the terms of the Master Pledge Agreement, in respect of each Series, the Issuer and the Security Agent agree to sign, execute and deliver an addendum thereunder no later than on the date of issuance of Securities of that Series pursuant to which the Issuer (as Pledgor) unconditionally and irrevocably pledges the Deposit Account as continuing security to the Holders (as Pledgees) of the relevant Series of Securities.

Pursuant to the Master Pledge Agreement, the Issuer is not entitled to withdraw funds from the Deposit Accounts or otherwise dispose of the funds held in the Deposit Accounts without the prior written consent of the Security Agent. The Security Agent agrees to consent, in a timely manner, to withdrawals by the Issuer of such amounts from the Deposit Accounts as may from time to time be required for redemptions of Securities by the Issuer, provided, however, that the amount to be so withdrawn shall in no event exceed the aggregate Nominal Amount of the Securities of the relevant Series to be redeemed, as determined by the Calculation Agent.

Enforcement of a pledge of a Deposit Account will require the occurrence and continuance of an Event of Default, as defined in General Condition 18. In such case the Deposit Bank, acting as the Security Agent, is entitled to enforce all of the rights of the Holders and for this purpose withdraw and transfer to the relevant Holders monies from the relevant Deposit Account in accordance with the General Conditions, the Additional Terms and Conditions of Retro-Finance Securities, the relevant Product Conditions, the applicable Final Terms and Finnish law.

The pledge of each Deposit Account automatically transfers together with the relevant Securities to the new Holders of the Securities, and the new Holder of the Securities shall thereby acquire the same rights and/or obligations as the original Holder. However, to ensure that the transfer of the pledge is legally effective in relation to the Deposit Bank, the new Holder of the Securities is advised to notify the Deposit Bank of the assignment or transfer.

Pursuant to Finnish law (as implementing the Directive of the European Parliament and of the Council on the Reorganisation and Winding up of Credit Institutions 2001/24/EC and the Directive of the European Parliament and of the Council on Financial Collateral Arrangements 2002/47/EC), the pledge of the Deposit Account is capable of being enforced without the pledgees first being obliged to take any action or to obtain any judgment against the Issuer or to file any claim in its insolvency and without the need for the consent of the Issuer or the Court, in each case irrespective of any insolvency proceedings initiated or pending against the Issuer. The foregoing does not, however, preclude any actions for voidness, voidability or revocation under applicable law.

The Issuer's liability in respect of each Series of Securities is limited to the fair market value of the Option and any amounts of the deposit recovered from the Deposit Account of the Issuer associated with that Series. The Issuer is not liable for any part of the deposit that is not recovered by it from the Deposit Account of the Issuer in respect of a Series of Securities.

Save as beneficiaries of the pledge of the relevant Deposit Account under the security arrangements as described herein, Holders of each Series of Securities will not have any rights with respect to the Deposit Account of the Issuer associated with such Series. Holders of a Series of Securities will have no rights with respect to the accounts held in the Issuer's name referencing

any other Series of Securities or any other accounts of the Issuer held with the Deposit Bank (nor, in either case, to any amounts standing to their credit).

The security arrangements described herein only apply upon an Event of Default by the Issuer under the Securities, and therefore are of no benefit to Holders upon the occurrence of a Deposit Bank Event.

GENERAL CONDITIONS

The General Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the Product Conditions, the Additional Terms and Conditions of Retro-Finance Securities, and the applicable Final Terms. The Final Terms, the Additional Terms and Conditions of Retro-Finance Securities, the Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities.

1. Definitions

Terms in capitals which are not defined in these General Conditions shall have the meanings ascribed to them in the Product Conditions or the applicable Final Terms and, if not so defined, shall be inapplicable. References in these General Conditions to interest and Coupons (and related expressions) shall be ignored in the case of Securities which do not bear interest. References in these General Conditions to the Conditions shall mean these General Conditions and, in relation to any Securities, the Product Conditions applicable to those Securities.

2. Status

The Securities constitute unsecured (save that Holders of Securities will have the benefit of certain security granted by the Issuer over its interest in the Deposit Account pursuant to the Master Pledge Agreement), and unsubordinated obligations of the Issuer and rank pari passu among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory provisions of law.

3. Early Termination

- (a) The Issuer shall have the right to terminate the Securities if it shall have determined in its absolute discretion that its performance thereunder shall have become unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power ("**Applicable Law**"). In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of unwinding any related hedging arrangements. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4.
- (b) The Issuer shall have the right to terminate the Securities if it shall have determined in its absolute discretion that payments made on the Securities are, in whole or in part, directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity and that these payments have or will become subject to U.S. withholding tax. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements and of paying any required U.S. withholding tax. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4.

4. Notices

- (a) Notices to Holders shall be given by the delivery of the relevant notice to the Clearing Agent(s) with an instruction from the Issuer to the Clearing Agent(s) to communicate such notice to the Holders. The Issuer shall also ensure that notices are duly published, to the extent required, in a manner which complies (i) with the rules of any stock exchange or other relevant authority on which the Securities are for the time being listed or in the country in which such Securities have been admitted to trading and (ii) with any relevant legislation.
- (b) Any such notice issued pursuant to General Condition 4(a) by being delivered to the Clearing Agent(s) will be deemed to have been given on the date of the delivery of

such notice to the Clearing Agent(s). Any such notice issued pursuant to General Condition 4(a) by being published will be deemed to have been given on the date of the first publication (for the avoidance of doubt, such notice having been published by any valid means) or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

5. Hedging Disruption

- (a) Notification. The Issuer shall as soon as reasonably practicable give instructions to the Calculation Agent to notify the Holders in accordance with General Condition 4(a): (i) if it determines that a Hedging Disruption Event has occurred; and (ii) of the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to General Condition 5(c).
- (b) Hedging Disruption Event. A "**Hedging Disruption Event**" shall occur if the Issuer acting in good faith and in a commercially reasonable manner, determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer or any Hedge Provider wholly or partially to (i) hold, acquire, establish, re-establish, substitute, maintain, unwind or dispose of a relevant hedging transaction (a "**Relevant Hedging Transaction**") or asset it deems necessary, appropriate or desirable to hedge the Issuer's obligations in respect of the Securities or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s). The reasons for such determination by the Issuer may include, but are not limited to, the following:
 - (i) the Issuer or any Hedge Provider will, whether directly or indirectly, incur a material increase (as compared with circumstances existing on the Issue Date) in the amount of tax, duty, expense (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position) or fee (other than brokerage commissions) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer or the Hedge Provider shall not be considered for the purposes of this sub-paragraph (i); or
 - (ii) any material illiquidity in the market for, or any mandatory redemption in whole or in part of, the relevant instruments (the "**Disrupted Instrument**") which from time to time are included in the reference asset to which the Securities relate; or
 - (iii) a change in any applicable law or regulation (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority); or
 - (iv) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or
 - (v) the general unavailability of: (A) market participants who will agree to enter into a Relevant Hedging Transaction; or (B) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

In the Conditions:

"**Hedge Position**" means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in reference assets to which the Securities relate, securities, options, futures, derivatives or foreign exchange, (ii) securities lending transactions or (iii) other instruments or arrangements (however described) by the Issuer in order to hedge the Issuer's risk of issuing, and performing its obligations with respect to, the Securities; and

"**Hedge Provider**" includes but is not limited to the Issuer, any associate, subsidiary or affiliate thereof and/or any other party(ies) and/or any special purpose vehicle(s) holding or entering into a Hedge Position in connection with the Issuer's hedging arrangements in respect of the Securities.

- (c) Consequences. The Issuer, in the event of a Hedging Disruption Event, may determine to:
- (i) terminate the Securities. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements (provided that notwithstanding anything else the minimum amount payable shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum amount payable shall be EUR 1)). Where the Securities contain provisions which provide a minimum assured return of principal, howsoever expressed, on the Settlement Date or Maturity Date (as defined in the relevant Product Conditions, or otherwise, a date that is the Settlement Date) as applicable, or a minimum assured return of interest or coupons, howsoever expressed, on a relevant Interest Payment Date (if applicable), any such amount to be paid under this General Condition shall not be less than the present value of such minimum assured return of principal and/or interest or coupons having regard to prevailing market rates, credit spreads and market liquidity, such present value being determined by the Calculation Agent. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4;
 - (ii) make an adjustment in good faith to the relevant reference asset by removing the Disrupted Instrument at its fair market value (which may be zero). Upon any such removal the Issuer may: (A) hold any notional proceeds (if any) arising as a consequence thereof and adjust the terms of payment and/or delivery in respect of the Securities; or (B) notionally reinvest such proceeds in other reference asset(s) if so permitted under the Conditions (including the reference asset(s) to which the Securities relate);
 - (iii) make any other adjustment to the Conditions as it considers appropriate in order to maintain the theoretical value of the Securities after adjusting for the relevant Hedging Disruption Event. Where the Securities contain provisions which provide a minimum assured return of principal, howsoever expressed, on the Settlement Date or Maturity Date as applicable, or a minimum assured return of interest or coupons, howsoever expressed, on a relevant Interest Payment Date, any such adjustment will in no way affect the Issuer's obligations to make payment to the Holders not less than the minimum assured return of principal and/or interest or coupons on the relevant Settlement Date or Maturity Date, or Interest Payment Date, as applicable.
- (d) The Issuer may also make adjustments to the Conditions if it determines that an event has occurred which, whilst not a Hedging Disruption Event or other disruption event as specified in Product Condition 4, is likely to have a material adverse effect on the Issuer's Hedge Position. Where the Issuer makes adjustments to the Conditions pursuant to this General Condition 5(d), the Issuer shall notify the Holders thereof and shall offer to purchase from Holders for a period of not less than ten days any Securities held by them at their fair market value (as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and taking into account the proposed adjustment) less the cost to the Issuer of unwinding any Relevant Hedging Transaction.

6. Purchases, Further Issues by the Issuer and Prescription

- (a) Purchases. The Issuer or any affiliate may purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held, surrendered for cancellation or reissued or resold, and Securities so reissued or resold shall for all purposes be deemed to form part of the original series of Securities.
- (b) Further Issues. The Issuer shall be at liberty from time to time without the consent of the Holders or any of them to create and issue further securities so as to be consolidated with and form a single series with the Securities.

- (c) Prescription. Any Security or Coupon which is capable of presentation and is not so presented by its due date for presentation shall be void, and its value reduced to zero, if not so presented within five years of such due date. For the avoidance of doubt, any Securities which are subject to provisions relating to their exercise shall be void, and their value shall be zero, if not exercised in accordance with their provisions.

7. Determinations and Modifications

- (a) Determinations.
 - (i) In making any determinations and calculations under these Conditions, the Issuer and the Calculation Agent shall act at all times in good faith and in a commercially reasonable manner. All such determinations and calculations by the Issuer and the Calculation Agent shall, in the absence of manifest error, be final and binding.
 - (ii) Whilst it is intended that the Issuer and the Calculation Agent will employ the methodology described in the Conditions to make determinations in respect of the Securities, no assurance can be given that market, regulatory, judicial or fiscal circumstances or, without limitation, any other circumstances will not arise that would necessitate a modification or change in such methodology in order that the Securities replicate as closely as possible investments in the assets underlying the Securities and its components. The Issuer and the Calculation Agent may make any such modification or change to such methodology that it considers necessary to reflect such circumstances.
 - (iii) Calculations made by the Issuer or the Calculation Agent in respect of the Securities shall be made on the days specified herein; however, notwithstanding the foregoing or anything else contained in these Conditions, should the Issuer or the Calculation Agent determine that in order to give effect to the methodology described in these Conditions it is necessary to make calculations on a day or days other than that specified, then each of the Issuer and the Calculation Agent is permitted to make such calculations on such calendar day or days as it shall determine.
 - (iv) Due to timing considerations, process requirements and other matters that would, in the opinion of the Issuer or the Calculation Agent, be relevant in relation to the implementation of asset allocation models, the Issuer or the Calculation Agent may need to make appropriate adjustments to the methodology set out in the Conditions as it considers necessary in order to reflect the timing and amounts that would be applicable were the Issuer or the Calculation Agent physically implementing the methodology set out in the Securities.
- (b) Modifications. The Issuer may, without the consent of the Holders or any of them, modify any provision of the Conditions which is: (i) of a formal, minor or technical nature; (ii) made to correct a manifest error; or (iii) in its absolute discretion, not materially prejudicial to the interests of the Holders. Notice of any such modification will be given to the Holders in accordance with General Condition 4 but failure to give, or non-receipt of, such notice will not affect the validity of any such modification.

8. Substitution

- (a) Substitution of Issuer. The Issuer may at any time without the consent of the Holders substitute for itself as issuer of the Securities with regard to any and all rights, obligations and liabilities under and in connection with the Securities:
 - (i) any entity which (A) acquires all or substantially all of the undertaking and/or assets of the Issuer or (B) acquires the beneficial ownership of the whole of the issued voting stock and/or share capital of the Issuer or (C) into which the Issuer is amalgamated, merged or reconstructed and where the Issuer is not the continuing company (such entity, a "**Successor in**

"Business" or the **"Substitute"**) subject to the Issuer having given at least 30 days' prior notice of the date of such substitution to the Holders in accordance with General Condition 4; or

- (ii) the holding company of the Issuer (the holding company currently being The Royal Bank of Scotland Group plc, company number SC045551) (the **"Holding Company"** or the **"Substitute"**) subject to the Issuer having given at least 30 days' prior notice of the date of such substitution to the Holders in accordance with General Condition 4; or
- (iii) any entity other than a Successor in Business or the Holding Company (also, the **"Substitute"**), subject to the Issuer having given at least 30 days' prior notice of the date of such substitution to the Holders in accordance with General Condition 4; and the Issuer having issued a legal, valid and binding guarantee of the obligations and liabilities of the Substitute under the Securities for the benefit of each and any of the Holders,

and in each case subject to all actions, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Securities represent legal, valid and binding obligations of the Substitute having been taken, fulfilled and done and being in full force and effect.

In the event of any substitution of the Issuer, any reference in the Conditions to the Issuer shall from such time be construed as a reference to the Substitute.

- (b) Substitution of Office. The Issuer shall have the right upon notice to the Holders in accordance with General Condition 4 to change the office through which it is acting and shall specify the date of such change in such notice.

9. Taxation

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other similar payment which may arise as a result of the ownership, transfer or exercise of any Securities. In relation to each Security the relevant Holder shall pay all Expenses as provided in the Product Conditions. All payments or, as the case may be, deliveries in respect of the Securities will be subject in all cases to all applicable fiscal and other laws and regulations (including, where applicable, laws requiring the deduction or withholding for, or on account of, any tax duty or other charge whatsoever). The Holder shall be liable for and/or pay any tax, duty or charge in connection with the ownership of and/or any transfer, payment or delivery in respect of the Securities held by such Holder. The Issuer shall have the right, but shall not be obliged, to withhold or deduct from any amount payable such amount as shall be necessary to account for or to pay any such tax, duty, charge, withholding or other payment.

10. Replacement of Securities and Coupons

If any Security or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Agent (or such other place of which notice shall have been given to Holders in accordance with General Condition 4) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Securities and Coupons must be surrendered before replacements will be issued. This General Condition will not apply to Securities issued in dematerialised form.

11. Adjustments for European Monetary Union

- (a) Redenomination. The Issuer may, without the consent of any Holder, on giving notice to the Holders in accordance with General Condition 4 elect that, with effect from the Adjustment Date specified in such notice, certain terms of the Securities shall be redenominated in euro. The election will have effect as follows:
 - (i) where the Settlement Currency is the National Currency Unit of a country which is participating in the third stage of European Economic and Monetary Union pursuant to the Treaty, such Settlement Currency shall be deemed to be an amount of euro converted from the original Settlement Currency into euro at the Established Rate, subject to such provisions (if any) as to rounding as the Issuer may decide and as may be specified in the

notice and, after the Adjustment Date, all payments in respect of the Securities will be made solely in euro as though references in the Securities to the Settlement Currency were to euro;

- (ii) where the Conditions contain a rate of exchange or any of the Conditions are expressed in a National Currency Unit (the "**Original Currency**") of a country which is participating in the third stage of European Economic and Monetary Union pursuant to the Treaty, such rate of exchange and/or any other terms of the Conditions shall be deemed to be expressed in or, in the case of a rate of exchange, converted for or, as the case may be, into euro at the Established Rate; and
 - (iii) such other changes shall be made to the Conditions as the Issuer may decide to conform them to conventions then applicable to instruments expressed in euro.
- (b) **Adjustment to Conditions.** The Issuer may, without the consent of the Holders, on giving notice to the Holders in accordance with General Condition 4 make such adjustments to the Conditions as the Issuer may determine to be appropriate to account for the effect of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Conditions.
 - (c) **Euro Conversion Costs.** Notwithstanding General Condition 11(a) and/or General Condition 11(b), none of the Issuer, the Calculation Agent nor any Agent shall be liable to any Holder or other person for any commissions, costs, losses or expenses in relation to or resulting from the transfer of euro or any currency conversion or rounding effected in connection therewith.
 - (d) **Definitions Relating to European Economic and Monetary Union.** In this General Condition, the following expressions have the meanings set out below:

"**Adjustment Date**" means a date specified by the Issuer in the notice given to the Holders pursuant to this Condition which falls on or after the date on which the country of the Original Currency or, as the case may be, the Settlement Currency first participates in the third stage of European Economic and Monetary Union pursuant to the Treaty;

"**Established Rate**" means the rate for the conversion of the Original Currency or, as the case may be, the Settlement Currency (including compliance with rules relating to rounding in accordance with applicable European community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

"**National Currency Unit**" means the unit of the currency of a country as those units are defined on the day before the country first participates in the third stage of European Economic and Monetary Union pursuant to the Treaty; and

"**Treaty**" means the treaty establishing the European Community, as amended.

12. Agents

- (a) **Principal Agent and Agents.** The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint further or additional Agents, provided that no termination of appointment of the principal agent (the "**Principal Agent**") shall become effective until a replacement Principal Agent shall have been appointed and provided that, if and to the extent that any of the Securities are listed on any stock exchange or publicly offered in any jurisdiction, there shall be an Agent having a specified office in each country required by the rules and regulations of each such stock exchange and each such jurisdiction and provided further that, if and to the extent that any of the Securities are in registered form, there shall be a Registrar and a Transfer Agent (which may be the Registrar), if so specified in the relevant Product Conditions. Notice of any appointment, or termination of appointment, or any change in the specified office, of any Agent will be given to Holders in accordance with General Condition 4. Each Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust

for or with, the Holders or any of them. Any calculations or determinations in respect of the Securities made by an Agent shall (save in the case of manifest error) be final, conclusive and binding on the Holders.

- (b) Calculation Agent. The Issuer or such other Calculation Agent as specified in the applicable Final Terms, shall undertake the duties of calculation agent (the "**Calculation Agent**", which expression shall include any successor calculation agent or assignee as approved by the Issuer) in respect of the Securities unless the Issuer decides to appoint a successor Calculation Agent in accordance with the provisions below.

The Issuer reserves the right at any time to appoint another institution as the Calculation Agent provided that no termination of appointment of the existing Calculation Agent shall become effective until a replacement Calculation Agent shall have been appointed. Notice of any termination or appointment will be given to the Holders in accordance with General Condition 4.

The Calculation Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Holders. Any calculations or determinations in respect of the Securities made by the Calculation Agent (whether or not the Issuer) shall (save in the case of manifest error) be final, conclusive and binding on the Holders.

The Calculation Agent may, with the consent of the Issuer (if it is not the Issuer), delegate any of its obligations and functions to a third party as it deems appropriate.

13. Surrender of Unmatured Coupons

Each Security should be presented for redemption, where applicable, together with all unmatured Coupons relating to it. Upon the due date for redemption of any Security, where applicable, all unmatured Coupons relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof. This General Condition will not apply to Securities issued in dematerialised form.

14. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the English Contracts (Rights of Third Parties) Act 1999 to enforce any Condition. The preceding sentence shall not affect any right or remedy of any person which exists or is available apart from that Act.

15. Governing law and Jurisdiction

- (a) The Securities and any non-contractual obligations arising out of or in connection with the Securities, are governed by and shall be construed in accordance with English law.
- (b) The courts of England have exclusive jurisdiction to settle any dispute (including any dispute relating to any non-contractual obligations (a "**Dispute**") arising from or in connection with the Securities).
- (c) Sub-paragraph (b) is for the benefit of the Holders only. As a result, nothing prevents any Holder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.
- (d) The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

16. Method of Payment

For purposes of any payment on a Security, the Clearing Agents may not be United States persons, as defined for United States Federal income tax purposes, and their respective specified offices may not be located in the United States or any of its possessions. No payment on a Security shall be made by transfer to an account in the United States (including its possessions) or by cheque mailed to an address in the United States (including its possessions).

17. Commissions, Fees And Rebates

From time to time, the Issuer may make payments or receive the benefit of payments in relation to the issue of Securities including the following:

- (a) the Issuer may pay to a distributor, sales agent or other intermediary fees or commissions. Such fees or commissions are generally required to be disclosed by distributors, sales agents or intermediaries which, in each case, are EEA investment firms or credit institutions to their clients. Each potential investor in the Securities should satisfy itself as to the amount of any fees or commissions received by intermediaries;
- (b) the Issuer may receive or pay management or other fees from or to third parties. Where such fees are payable, further details of them will be set out in the relevant Final Terms; and
- (c) the Issuer may make payments to or receive the benefit of generic commission, discount and rebate arrangements from Hedge Providers and other transaction counterparties. Such arrangements will be as agreed between the Issuer and the third parties.

The Issuer reserves the right to retain any amounts received without any obligation to pass the benefit of the rebates to investors in the Securities.

18. Events Of Default

If any one or more of the following events (each an "**Event of Default**") shall occur and be continuing:

- (a) default is made for more than 30 days in the payment of interest or principal in respect of the Securities; or
- (b) the Issuer fails to perform or observe any of its other obligations under the Securities and such failure has continued for the period of 60 days next following the service on the Issuer of notice requiring the same to be remedied; or
- (c) an order is made or an effective resolution is passed for the winding-up of the Issuer (excluding a solvent winding-up solely for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation in connection with which The Royal Bank of Scotland Group plc or any of its subsidiaries assumes the obligations of the Issuer as principal debtor in respect of the Securities),

then any Holder may, by written notice to the Issuer at the specified office of the Principal Agent, effective upon the date of receipt thereof by the Principal Agent, declare the Security held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Termination Amount (as defined below), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

"Early Termination Amount" means an amount, calculated by the Calculation Agent immediately prior to such Event of Default, per Security equal to the product of (a) the Pro Rata Proportion multiplied by (b) the sum of (i) the fair market value of the Option and (ii) the Deposit Amount, provided that notwithstanding anything else the minimum Early Termination Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Early Termination Amount shall be EUR 1) (all such capitalised terms as defined in the Additional Terms and Conditions of Retro-Finance Securities).

ADDITIONAL TERMS AND CONDITIONS OF RETRO-FINANCE SECURITIES

The Additional Terms and Conditions of Retro-Finance Securities which follow relate to the Securities and must be read in conjunction with, and are subject to, the applicable Final Terms, the applicable Product Conditions and the General Conditions. The applicable Final Terms, the Additional Terms and Conditions of Retro-Finance Securities, the applicable Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any Definitive Securities and attached to any Global Security representing the Securities. In the case of a discrepancy or conflict with the General Conditions and/or Product Conditions, these Additional Terms and Conditions of Retro-Finance Securities shall prevail.

1. Definitions

"**Additional Terms and Conditions of Retro-Finance Securities**" means these additional terms and conditions as set out in this section *Additional Terms and Conditions of Retro-Finance Securities*.

"**Bankruptcy**" means the Deposit Bank (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4)(A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (I) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (II) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) above (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

"**Credit Event Monitoring Period**" means the period from, and including, the Issue Date to, and including, the Scheduled Deposit End Date.

"**Deposit**" means, in respect of any Securities, the deposit by the Issuer with the Deposit Bank of the Deposit Amount in the Deposit Account under the Master Deposit Agreement in relation to such Securities.

"**Deposit Account**" means, in respect of any Securities, the interest-bearing account in the name of the Issuer held with the Deposit Bank in relation to such Securities.

"**Deposit Amount**" means, in respect of any Securities and at any time on any day, the amount standing to the credit of the Deposit Account in relation to such Securities at such time (being the Original Deposit Amount less any withdrawals therefrom plus any accrued interest thereon (earned at the Deposit Amount Interest Rate), in each case up to, and including, the close of business in Finland on such day).

"Deposit Amount Interest Rate" means, in respect of any Securities and at any time, the rate per annum specified under the Master Deposit Agreement in relation to such Securities and as set forth in the applicable Final Terms.

"Deposit Bank" means, in respect of any Securities, Nooa Savings Bank Ltd (or any successor, replacement or assigns thereto under the Master Deposit Agreement).

"Deposit Bank Event" means (and shall be deemed to have occurred) on any date and in respect of any Securities, if the Calculation Agent determines that a Bankruptcy, Failure to Pay or Deposit Bank Termination has occurred (whether or not such event is then continuing), in each case during the Credit Event Monitoring Period in respect of the Deposit Bank and/or Master Deposit Agreement in relation to such Securities.

"Deposit Bank Event Date" means, in respect of a Deposit Bank Event (if any), the date on which the Calculation Agent determines that such Deposit Bank Event occurs.

"Deposit Bank Initial Redemption Amount" means an amount in the Settlement Currency calculated by the Calculation Agent as being the sum of (a) the fair market value of the Option on the Initial Determination Date, as determined by the Calculation Agent, plus (b) the Recovered Deposit (Initial).

"Deposit Bank Redemption Amount Determination Period" means the period commencing on, but excluding, the Initial Determination Date and ending on, and including, the Final Determination Date.

"Deposit Bank Termination" means, in relation to any Securities, that the Master Deposit Agreement entered into in respect of such Securities is terminated by the Deposit Bank, or is terminated by the Issuer following any default thereunder by the Deposit Bank.

"Deposit Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, registration, and/or other taxes or duties, legal fees, court fees, trustee fees, administration expenses incurred by or on behalf of the Issuer, the Calculation Agent or their respective agents in connection with the repayment of the Deposit Amount (including any accrued interest thereon) following the occurrence of a Deposit Bank Event, as determined by the Calculation Agent.

"Failure to Pay" means, in relation to any Securities, a failure by the Deposit Bank under the Master Deposit Agreement entered into in relation to such Securities to make, when and where due, any payment or repayment to the Issuer under the Master Deposit Agreement, in accordance with the terms of the Master Deposit Agreement at the time of such failure. For the avoidance of doubt, "Failure to Pay" may be for any reason, including (but not limited to) currency controls, government restrictions, force majeure or war (and following demand for withdrawal of the Deposit Amount by the Issuer following an event giving rise under the Conditions of the Securities to their early termination or redemption or for any other reason), or any other reason directly or indirectly leading to a default in payment by the Deposit Bank.

"Final Determination Date" means, in respect of any Securities, the earlier to occur of:

- (a) the date on which the Issuer or any member of the Group receives any formal notification, report or statement from any administrator or liquidator (or equivalent officeholder in any jurisdiction) or from a court or supervisory body or other person of a type referred to in the definition of Bankruptcy indicating that the probability that any further payments will be made in respect of the Deposit Amount in relation to such Securities is insignificantly low; and
- (b) the date falling 24 months from, and including, the Deposit Bank Event Date,

subject to section 3(c) (*Extension of the Final Determination Date*) of these Additional Terms and Conditions of Retro-Finance Securities.

"Final Settlement Date" means the date falling two (2) Business Days following the Final Determination Date.

"Group" means The Royal Bank of Scotland Group plc and its subsidiaries.

"Initial Determination Date" means the date falling eight (8) Business Days following the Deposit Bank Event Date.

"Initial Settlement Date" means the date falling ten (10) Business Days following the Deposit Bank Event Date.

"Master Deposit Agreement" means the master deposit agreement dated 25 August 2011 (as may be supplemented and amended from time to time) entered into between the Issuer (as Depositor) and the Deposit Bank (as Depositary Bank) pursuant to which the Issuer agrees to open the Deposit Account thereunder in relation to that Series of Securities, including, in respect of the relevant Series of Securities, the Addendum thereto executed pursuant to such master deposit agreement in respect of such Series of Securities.

"Option" has the meaning given to it in the applicable Final Terms.

"Original Deposit Amount" means, in respect of any Securities and at any time, the amount specified as such in the applicable Final Terms.

"Pro Rata Proportion" means, in relation to a Security on any day, a fraction equal to the Nominal Amount represented by such security over the aggregate Nominal Amount of the entire Series of Securities on such day.

"Recovered Deposit" means, in respect of any Securities and any period of time, the aggregate of the amount that is actually received or recovered by the Issuer during that period of time in respect of the Deposit Amount from the Deposit Bank under the Master Deposit Agreement in relation to such Securities (as determined by the Calculation Agent) less any Deposit Expenses incurred in respect of such Recovered Deposit (or any Recovered Deposit from a prior period without deduction of such amount twice).

"Recovered Deposit (Initial)" means the Recovered Deposit (if any) for the period from, and including, the Deposit Bank Event Date, to, and including, the Initial Determination Date.

"Recovered Deposit (Interim)" means, on any day after the Initial Determination Date, the Recovered Deposit (if any) for the period from, and including, the Deposit Bank Event Date to, and including, such day.

"Scheduled Deposit End Date" means, in respect of any Securities, the Maturity Date (being the date on which the full and final Deposit Amount (together with all accrued interest thereon) is scheduled to be paid under the Master Deposit Agreement in relation to the Securities).

"Scheduled Settlement Date" means, in respect of any Securities, the original Settlement Date of the Securities as specified in the applicable Final Terms that, but for the occurrence of the Deposit Bank Event, would have been a Settlement Date.

"Unrecovered Deposit" means, in respect of the Initial Determination Date, the Deposit Amount in respect of the Initial Determination Date less the Recovered Deposit (Initial).

2. Redemption on the Settlement Date

Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, in the event that the Calculation Agent determines that:

- (a) a Deposit Bank Event has not occurred on or prior to the Scheduled Deposit End Date, each Security will be redeemed by the Issuer, in respect of each Nominal Amount, at the Cash Amount, such redemption to occur on the Settlement Date; or
- (b) a Deposit Bank Event has occurred on or prior to the Scheduled Deposit End Date, each Security will be redeemed by the Issuer, in respect of each Nominal Amount, in accordance with section 3(b) (*Redemption following a Deposit Bank Event*) of these Additional Terms and Conditions of Retro-Finance Securities.

3. Deposit Bank Event

- (a) **Notice:** If a Deposit Bank Event occurs, the Issuer shall notify the Holders thereof as soon as practicable in accordance with General Condition 4 (*Notices*) of such occurrence.
- (b) **Redemption following a Deposit Bank Event:** Following the occurrence of a Deposit Bank Event, each Security will be redeemed in accordance with the following terms:
 - (i) On the Initial Settlement Date, an amount equal to the Pro Rata Proportion multiplied by the Deposit Bank Initial Redemption Amount shall be payable in respect of each Security.
 - (ii) If there is any Unrecovered Deposit amount and the Calculation Agent anticipates that further proceeds may be received or recovered by the Issuer from the Deposit Bank in respect of the Deposit Amount during the Deposit Bank Redemption Amount Determination Period, the Issuer shall pay in respect of each Security an amount equal to the Pro Rata Proportion multiplied by the amount of all Recovered Deposit (Interim) (if any, and excluding any Recovered Deposit (Interim) previously paid to Holders under this paragraph (ii)) as soon as reasonably practicable following receipt thereof by the Issuer. For the avoidance of doubt, notwithstanding that there may be no amount payable by way of Recovered Deposit (Interim) (either during the Deposit Bank Redemption Amount Determination Period or on the Final Settlement Date), the Securities will be deemed to be fully redeemed on the Final Settlement Date.
- (c) **Extension of the Final Determination Date:** If the Issuer or any member of the Group receives any formal notification, report or statement from any administrator or liquidator (or equivalent officeholder in any jurisdiction) or from a court or supervisory body or other person of a type referred to in the definition of Bankruptcy indicating that there is a reasonable prospect or probability that further payments or distributions will be made to creditors in general to a class or classes of creditors of which the Issuer is a member, then the Final Determination Date may (in the sole and arbitrary discretion of the Issuer) by notice thereof to the Holders be extended for a period which the Issuer (in its sole and arbitrary discretion) reasonably thinks is sufficient to allow such payments or distributions to be made.

There shall be no amount payable on account of accrued interest in respect of the Securities in the event of postponement of redemption following a Deposit Bank Event as set forth in this section 3 of these Additional Terms and Conditions of Retro-Finance Securities.

For the purposes of General Condition 3(a) (*Early Termination*), the Master Deposit Agreement shall constitute an arrangement by the Issuer to hedge its obligations under the Securities, provided that this shall not exclude any other arrangements of the Issuer from also constituting such hedging arrangements.

4. Security Arrangements

The Securities will be secured pursuant to the terms of the Master Pledge Agreement.

5. Date of Deposit with Deposit Bank and Restrictions on withdrawal of Deposit Amount

- (a) **Date of Deposit with Deposit Bank:** Subject as otherwise provided in the applicable Final Terms, the Original Deposit Amount shall be deposited by or on behalf of the Issuer with the Deposit Bank by not later than the Issue Date of the relevant Securities.
- (b) **Restrictions on withdrawal of Deposit Amount:** Subject as provided in the Master Pledge Agreement in respect of the relevant Series of Securities, the Issuer is entitled to withdraw funds from the Deposit Account or otherwise dispose of the funds held in the Deposit Account at any time, provided however, that:
 - (i) such withdrawal may only be made in connection with and upon redemption (or irrevocable instructions to the relevant Agent to redeem Securities held by the Issuer pursuant to General Condition 6(a)) of Securities or a Deposit Bank Event; and

- (ii) the amount to be withdrawn may not exceed that proportion of the Deposit Amount equal to the Pro Rata Proportion of the Securities to be redeemed as described in paragraph (i) above, in each case determined by the Calculation Agent.

6. Additional Clearing and Settlement Arrangements

The following paragraphs apply to Securities cleared through Euroclear Finland (as specified in the applicable Final Terms):

The Finnish book-entry securities system is centralised at Euroclear Finland, the Finnish Central Securities Depository Euroclear Finland provides clearing and registration services for securities in Finland.

In order to effect entries in the Euroclear Finland book-entry system, a Holder or such Holder's nominee must establish a book-entry account with Euroclear Finland. A book-entry account may be established via a credit institution or a securities intermediary acting as an account operator for Euroclear Finland. All transactions in book-entry securities are executed as computerised book-entry transfers.

Transfers of Securities may only be effected within Euroclear Finland and will be effected in accordance with the rules and procedures of Euroclear Finland.

Additional definitions

"**Euroclear Finland**" means Euroclear Finland Oy, Urho Kekkosen katu 5 C 00101 Helsinki Finland.

7. General Conditions and/or Product Conditions

In the event of a conflict between these Additional Terms and Conditions of Retro-Finance Securities and the General Conditions and/or Product Conditions, these provisions will prevail.

In the event of the occurrence of a Deposit Bank Event at any time prior to termination or redemption of the Securities and the occurrence of another event under the General Conditions and/or Product Conditions, then the terms of the Deposit Bank Event shall prevail (even where such event occurs after the other early termination or redemption event) including that the Securities will be redeemed pursuant to section 3(b) (*Redemption following a Deposit Bank Event*) of these Additional Terms and Conditions of Retro-Finance Securities and not General Condition 3 (*Early Termination*) or the applicable Product Condition, provided that if an Event of Default occurs in respect of the Issuer pursuant to General Condition 18 prior to the occurrence of a Deposit Bank Event, the terms of General Condition 18 (*Events of Default*) shall govern.

PRODUCT CONDITIONS

CONDITIONS: PRODUCT CONDITIONS RELATING TO RANGE ACCRUAL RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Coupon" means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as

such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms,

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4(a), any Additional Market Disruption Event specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Rate 1" means, subject to Product Condition 4, the rate specified as such in the definition of the relevant Series in the applicable Final Terms.

"Rate 2" means, if applicable and subject to Product Condition 4, the rate specified as such in the definition of the relevant Series in the applicable Final Terms.

"Reference Banks" means the entities specified as such in the definition of the relevant Series in the applicable Final Terms.

"Reference Spread" means, if applicable, the spread of Rate 1 over Rate 2, to be fixed by the Calculation Agent at the Valuation Time on each day by reference to information published on the Reference Spread Screen Page specified in the definition of the relevant Series in the applicable Final Terms, except that (i) if any day is not a Business Day, the fixing for the immediately preceding

Business Day shall be used, (ii) the last fixing of Rate 1 and Rate 2 in each Interest Period will be the fifth Business Day prior to the Interest Payment Date falling at the end of that Interest Period and this fixing will be used for the remaining days of the Interest Period (whether or not they are Business Days) and (iii) if, in the determination of the Calculation Agent, a Market Disruption Event has occurred on any day, then the Reference Spread will be fixed by the Calculation Agent in accordance with Product Condition 4(a) below.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("**ADR**") or Global Depositary Receipt ("**GDR**"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Securities" means each Series of the range accrual retro-finance notes specified in the applicable Final Terms and each such note a "**Security**". References to the terms "**Securities**" and "**Security**" shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Target Rate" means the rate determined by the Calculation Agent on the Pricing Date. The indicative Target Rate (the "**Indicative Target Rate**") means the rate specified as such in the definition of the relevant Series in the applicable Final Terms.

"Valuation Time" means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the "**Global Security**") which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest

error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.

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

3. Rights and Procedures

- (a) Redemption on the Maturity Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Maturity Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any

Clearing Agent in relation to the performance of its duties in relation to the Securities.

- (h) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) **Presentation and Surrender.** The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A "**Market Disruption Event**" means the situation in which Rate 1 and/or Rate 2, if applicable, is not available on the relevant Reference Spread Screen Page, in which case the relevant rate shall be determined by the Calculation Agent, on the basis of quotations for the relevant rate or such other related rate as the Calculation Agent shall in its sole and absolute discretion specify provided by the Reference Banks at the Valuation Time for the relevant Business Day. The Issuer will request each Reference Bank to provide a quotation of the relevant rate. If at least three quotations are provided, the relevant rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If it is not possible to obtain quotations of the relevant rate by at least three of the Reference Banks then the Calculation Agent will determine Rate 1 and/or Rate 2 (if applicable) and/or the Reference Spread, if applicable, at its sole and absolute discretion.
- (b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determination. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO LADDER RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Coupon" means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect each Interest Period, the rate per annum specified as

such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4(a), any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Reference Banks" means the entities specified as such in the definition of the relevant Series in the applicable Final Terms.

"Reference Rate" means any Reference Rate specified as such in the definition of Interest Rate of the relevant Series in the applicable Final Terms.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by

reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"**Securities**" means each Series of the ladder retro-finance notes specified in the applicable Final Terms and each such note a "**Security**". References to the terms "**Securities**" and "**Security**" shall be construed severally with respect to each Series specified in the applicable Final Terms.

"**Series**" mean each series of Securities set out in the applicable Final Terms.

"**Settlement Currency**" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"**Standard Currency**" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"**Target Fixed Rate**" means the rate specified as such in the definition of the relevant Series in the applicable Final Terms.

"**Trading Day**" means any day that is (or but for the occurrence of a Market Disruption Event, would have been) a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Settlement Currency.

"**Valuation Date**" means the date specified as such in the definition of the relevant Series in the applicable Final Terms or, if such day is not a Trading Day, the first succeeding Trading Day.

"**Valuation Time**" means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the "**Global Security**") which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the "**Rules**"). Accordingly, in these Conditions, the term "**Holder**" means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) Redemption on the Maturity Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Maturity Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be

prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

A "**Market Disruption Event**" means the situation in which the Reference Rate is not available on the relevant Screen Page specified in the definition of Interest Rate of the relevant Series in the applicable Final Terms, in which case the relevant rate shall be determined by the Calculation Agent, on the basis of the quotations for the Reference Rate or such other related rate as the Calculation Agent shall in its sole and absolute discretion specify provided by the Reference Banks at the Valuation Time on the relevant Valuation Date. The Issuer will request each Reference Bank to provide a quotation of the relevant rate. If at least three quotations are provided, the relevant rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If it is not possible to obtain quotations of the relevant rate from at least three of the Reference Banks then the Calculation Agent will determine the Reference Rate at its sole and absolute discretion.

- (b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determination. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO TARGET COUPON RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Averaging Dates" means, unless "Averaging Dates" is specified as "Not Applicable" in the applicable Final Terms, with respect to any Valuation Date, such Valuation Date and each of the four Scheduled Trading Days immediately following such Valuation Date, provided that, if any of the Averaging Dates is a Disrupted Day in respect of a Share, the Averaging Date for each Share not affected by the occurrence of a Disrupted Day shall be the scheduled Averaging Date and the Averaging Date for each Share affected by the occurrence of a Disrupted Day (the **"Affected Share"**) shall be the first succeeding Valid Averaging Date in relation to an Affected Share. If the first succeeding Valid Averaging Date in relation to an Affected Share has not occurred (i) as of the Valuation Time on the Relevant Number of Scheduled Trading Days immediately following the originally designated Averaging Date or (ii) as of the Valuation Time on the relevant Cut-Off Date, then the Calculation Agent shall determine the closing price in respect of such Share in its absolute discretion acting in good faith and in a commercially reasonable manner on that day regardless of whether that day is a Valid Averaging Date. If the Exchange fails to publish the closing price in respect of any Shares on any of the Averaging Dates and such day is not a Disrupted Day, the closing price of such Shares on such day shall be determined by the Calculation Agent in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner.

"Basket" means, unless "Basket" is specified as "Not Applicable" in the applicable Final Terms, the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Bonus Coupon Amount" means the amount, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"C_k" means the Coupon Amount payable in respect of a Coupon Amount Payment Date.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Coupon Amount" means, subject to the occurrence of an Early Termination Event, the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Coupon Amount Payment Dates" means, the dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Business Day, the next following Business Day.

"Cumulative Coupon Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Cut-Off Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Disrupted Day" means any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders, in accordance with General Condition 4, of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been an Averaging Date, a Valuation Date or an Initial Fixing Date (as the case may be). Without limiting the obligation of the Calculation Agent to notify the Holders as set forth in the preceding sentence, the failure by the Calculation Agent to notify the Holders of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day hereunder.

"Early Closure" means the closure on any Exchange Business Day of the Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one-hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

"Early Termination Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Early Termination Event" means the event specified as such in the definition of the relevant Series in the applicable Final Terms.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (d) **Inconvertibility/non-transferability.** The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to

accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or

- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

"Exchange" means, with respect to each Share, the exchange or quotation system specified as such in the definition of Basket for the relevant Series in the applicable Final Terms or specified as such in the definition of the relevant Series in the applicable Final Terms, or any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system on the original Exchange).

"Exchange Business Day" means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Fixing Cut-Off Date" means the date (if any) specified as such in the definition of the relevant Series in the applicable Final Terms.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Initial Fixing Dates" means (if applicable) a total of five Initial Fixing Dates, the First Initial Fixing Date being the date (if any) specified as such in the definition of the relevant Series in the applicable Final Terms and, if such day is not a Scheduled Trading Day in respect of all the Shares, then the immediately following Scheduled Trading Day in respect of all the Shares and the remaining Initial Fixing Dates shall be the four consecutive Scheduled Trading Days immediately following the first Initial Fixing Date, provided that if any of such days is a Disrupted Day in respect of a Share the Initial Fixing Date for each Share not affected by the occurrence of a Disrupted Day shall be the scheduled Initial Fixing Date and the Initial Fixing Date for each Share affected by the occurrence of a Disrupted Day (the **"Affected Share"**) shall be the first succeeding Valid Fixing Date in relation to such Affected Share. If the first succeeding Valid Fixing Date in relation to a Share has not occurred (i) as of the

Valuation Time on the fifth Scheduled Trading Day immediately following that originally designated Initial Fixing Date or (ii) as of the Valuation Time on the Fixing Cut-Off Date, then the Calculation Agent shall determine the closing price in respect of such Share in its absolute discretion acting in good faith and in a commercially reasonable manner on that day regardless of whether it is not a Valid Fixing Date on that day. For the avoidance of doubt, if the Exchange fails to publish the closing price in respect of any Shares on any Initial Fixing Date and such day is not a Disrupted Day, the closing price of such Shares on such day shall be determined by the Calculation Agent in its sole and absolute discretion, acting in good faith and in a commercially reasonable manner.

"Initial Reference Spot" means, if applicable, regarding the relevant Share, the price specified as such in the definition of Basket for the relevant Series in the applicable Final Terms or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located or (ii) the occurrence or existence of any of:

- (a) any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share on the Exchange or (ii) in options contracts or futures contracts relating to the Share on any relevant Related Exchange; or
- (b) any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to (i) effect transactions in or obtain market values for the Shares on the Exchange or (ii) to effect transactions in, or obtain market values for, options contracts or futures contracts relating to the Share on any relevant Related Exchange;

which, in either of the above cases, the Calculation Agent determines is material and which occurs at any time during the one-hour period that ends at the relevant Valuation Time; or

- (c) an Early Closure; or
- (d) any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms; or

(e) any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms or, if such day is not a Business Day, the next following Business Day.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open.

"Reference Spot" means the price specified as such in the definition of the relevant Series in the applicable Final Terms.

"Related Exchange" means, in respect of each Share, each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for futures or options contracts relating to such Share.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("**ADR**") or Global Depositary Receipt ("**GDR**"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Scheduled Trading Days" means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Residual Coupon Amount" means the amount (if any) specified as such in the definition of the relevant Series in the applicable Final Terms.

"Scheduled Closing Time" means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, any scheduled weekday closing time of such Exchange or Related Exchange, without regard to after-hours or any other trading outside of the regular trading-session hours.

"Scheduled Fixing Date" means, if applicable, any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Fixing Date.

"Scheduled Trading Day" means any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective trading-session hours.

"Securities" means each Series of the target coupon retro-finance notes specified in the applicable Final Terms and each such note a "**Security**". References to the terms "**Securities**" and "**Security**" shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" means each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"**Share**" means each of the shares specified as such in the definition of the Basket or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4 and "Shares" shall be construed accordingly.

"**Share Company**" means, in relation to each Share, the share company specified as such in the definition of the Basket or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"**S_i**" means the price determined in respect of each Share on the dates specified as S_i Dates in the definition of the relevant Series in the applicable Final Terms.

"**Standard Currency**" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"**Target Coupon Level**" means the level specified as such in the definition of the relevant Series in the applicable Final Terms.

"**Valid Averaging Date**" means, if applicable, a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date in relation to the relevant Valuation Date does not or is not deemed to occur.

"**Valid Fixing Date**" means, if applicable, a Scheduled Trading Day that is not a Disrupted Day and on which another Initial Fixing Date does not or is not deemed to occur with respect to a Share.

"**Valuation Date**" means, subject to the occurrence of an Early Termination Event, the dates set out in the definition of the relevant Series in the applicable Final Terms, each being a Valuation Date, provided that, if any such date is not a Scheduled Trading Day in respect of all Shares, the Valuation Date shall be the immediately following day which is a Scheduled Trading Day in respect of all Shares.

"**Valuation Time**" means close of trading on the relevant Exchange in relation to each Share.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the "**Global Security**") which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the "**Rules**"). Accordingly, in these Conditions, the term "**Holder**" means a person in whose name

a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer, in respect of each Nominal Amount, at the Cash Amount, subject as provided below, on the Settlement Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Early Termination. If an Early Termination Event has occurred, each Security will be redeemed by the Issuer, in respect of each Nominal Amount, at the Cash Amount, such redemption to occur, subject as provided below, on the Settlement Date.
- (d) Interest. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, the Holder is entitled to receive the amounts specified, on the dates specified, under Interest Entitlement in the definition of the relevant Series in the applicable Final Terms.
- (e) Interest Accrual. Each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (f) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (g) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount or any amount specified under Interest Entitlement in the definition of the relevant Series in the applicable Final Terms.
- (h) The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.
- (i) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (j) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a

bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (k) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) Potential Adjustment Events. Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will:
 - (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
 - (ii) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

"Potential Adjustment Event" means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders of the relevant Shares by way of bonus, capitalisation or similar issue, (B) a distribution, issue or dividend to existing holders of the relevant Shares of (aa) such Shares, (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, (cc) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Share Company as a result of a spin-off or other similar transaction or (dd) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Calculation Agent, (C) an extraordinary dividend, (D) a call by the Share Company in respect of relevant Shares that are not fully paid, (E) a repurchase by the Share Company or any of its subsidiaries of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise, (F) with respect to the Share Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Share Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value (as determined by the Calculation Agent) provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights or (G) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Share.

- (b) Merger Event, Hedging Disruption, Nationalisation, Insolvency, Insolvency Filing or De-listing. If a Merger Event (i) which is a Reverse Merger or (ii) under which the

consideration for the relevant Shares consists (or, at the option of the holder of such Shares, will consist) solely of New Shares, occurs in relation to a Share Company, the Calculation Agent shall make such adjustments to the terms and conditions of the Securities as it determines appropriate to account for the economic effect on the Securities of such Merger Event (provided that the Issuer may, but need not, determine the adjustment by reference to the adjustment in respect of such event made by an options exchange to options on the Shares traded on that options exchange) and determine the effective date of that adjustment. If the Calculation Agent determines that, as a result of the application of this provision, the number of different Shares in the Basket is reduced, Share Substitution will apply. Share Substitution shall also apply where a Merger Event other than those as set out in (i) and/or (ii) of this Product Condition 4(b) occurs.

If any of Hedging Disruption, Nationalisation, Insolvency, Insolvency Filing or De-listing occurs in relation to a Share Company, Share Substitution shall apply.

"De-listing" means the Exchange announces that, pursuant to the rules of the Exchange, the Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Shares have been listed on an exchange or quotation system within the European Union, in any member state of the European Union).

"Hedging Disruption" means the inability of the Issuer to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations with respect to any Securities or (B) realise, recover or remit the proceeds of any such transaction or asset.

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Share Company (A) all the Shares of that Share Company are required to be transferred to a trustee, liquidator or other similar official or (B) holders of the Shares of that Share Company become legally prohibited from transferring them.

"Insolvency Filing" means (A) a Share Company institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, (B) a Share Company consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, (C) a petition is presented for the winding-up or liquidation of a Share Company by it or such regulator, supervisor or similar official or (D) a Share Company consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by such Share Company shall not be deemed to be an Insolvency Filing.

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as is determined by the Calculation Agent.

"Merger Event" means any (A) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of the outstanding Shares, (B) consolidation, amalgamation, merger or binding share exchange of the Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in a reclassification or change to all of the outstanding Shares), (C) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of, or an irrevocable commitment to transfer a majority of, the voting power of the Share Company to the offeror or (D) consolidation, amalgamation, merger or binding share exchange of the Share Company or its subsidiary with or into another entity in which

the Share Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the holders of the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively owning less than 50 per cent. of the outstanding Shares immediately following such event (a "**Reverse Merger**"), in each case if the Merger Date is on or before the final Valuation Date.

"**Nationalisation**" means that all the Shares of a Share Company or all or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity or instrumentality thereof.

"**New Share**" means ordinary or common shares, whether of the entity or person (other than the Merger Company) involved in the Merger Event or a third party, that are, or that as of the Merger Date are promptly scheduled to be, (A) publicly quoted, traded or listed on an exchange or quotation system located in the same country as the Exchange and (B) not subject to any currency exchange controls, trading restrictions or other trading limitations.

"**Share Substitution**" means on or after the relevant Merger Date or the date of the Nationalisation, Insolvency or De-listing or the date of the Insolvency Filing or Hedging Disruption (as the case may be), the Calculation Agent will adjust the Basket to include a share selected by it in good faith in accordance with the criteria for share selection set out below (the "**Substitute Shares**") in place of the Shares which are affected by the Merger Event, Nationalisation, Insolvency, De-listing, Insolvency Filing or Hedging Disruption, and the Substitute Shares and their respective issuers will be deemed "**Shares**" and a "**Share Company**", respectively, and the Calculation Agent will adjust any relevant terms and conditions hereunder accordingly, provided that (for the avoidance of doubt) the Initial Reference Spot of each Substitute Share will be determined in accordance with the formula set out below:

$$\text{Initial Reference Spot} = A \times (B / C)$$

Where:

"A" is the official closing price of the relevant Substitute Share on the Substitution Date;

"B" is the Initial Reference Spot of the relevant affected Share; and

"C" is the official closing price of the relevant affected Share on the Substitution Date.

In order to be selected as Substitute Shares, the relevant shares shall (if practicable as selected by the Calculation Agent on a best efforts basis) meet all or some of the following criteria:

- (aa) a share which is not already comprised in the Basket;
- (bb) a share which belongs to a similar economic sector as the affected Share; and
- (cc) a share which is of comparable market capitalisation, international standing and exposure as the affected Share.

After selecting each Substitute Share, the Calculation Agent will, as soon as reasonably practicable, notify the Holders in accordance with General Condition 4 of the occurrence of the relevant events and the identity of each affected share and the relevant adjustment to the Basket will be deemed to be effective as of the date selected by the Calculation Agent in its absolute discretion acting in good faith and in a commercially reasonable manner and specified in such notice (the "**Substitution Date**") which may, but need not, be the day upon which the relevant event occurred.

"**Tender Offer**" means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining, by conversion or other means, greater than ten

per cent. and less than 100 per cent. of the outstanding voting shares of a Share Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

- (c) In the event that any price quoted on the Exchange and which is utilised for any calculation or determination made hereunder is subsequently corrected and quoted or published by the Exchange within two Scheduled Trading Days of the previously published or quoted price, to the extent that the Calculation Agent is aware of the same, the Calculation Agent will take into account such correction when determining the relevant Coupon Amount and, to the extent necessary, the Calculation Agent will adjust the terms and conditions of the Securities to account for such correction.
- (d) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt by it of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO RATE RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of "Cash Amount" for the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Coupon" means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as

such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Reference Banks" means the entities specified as such in the definition of the relevant Series in the applicable Final Terms.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR"), the

constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Days" means the number of days, if any, specified as such in the definition of "Underlying Rate" for the relevant Series in the applicable Final Terms.

"Screen Page" means each page, if any, specified as such in the definition of "Underlying Rate" for the relevant Series in the applicable Final Terms or any successor to any such page which contains the same information.

"Securities" means each Series of the rate retro-finance notes specified in the applicable Final Terms and each such note a **"Security"**. References to the terms **"Securities"** and **"Security"** shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Underlying Rate" means each rate specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by the Calculation Agent by reference to the Screen Page (if any) unless in the determination of the Calculation Agent, a Market Disruption Event has occurred, in which case the Underlying Rate shall be calculated in accordance with Product Condition 4.

"Valuation Time" means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

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

2. Form

(a) **Global Form.** Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term **"Holder"** shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.

(b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be

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

3. Rights and Procedures

- (a) Redemption on the Maturity Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Maturity Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such

amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (i) **Presentation and Surrender.** The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

A "**Market Disruption Event**" means the situation in which an Underlying Rate is not available on the relevant Screen Page, in which case the relevant rate shall be determined by the Calculation Agent on the basis of quotations for the relevant rate, or such other related rate as the Calculation Agent shall in its sole and absolute discretion specify, provided by the Reference Banks at the Valuation Time for the relevant day. The Issuer will request the principal London office of each Reference Bank to provide a quotation of the relevant rate. The relevant rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) if more than three quotations are provided. If it is not possible to obtain quotations of the relevant rate by at least three of the Reference Banks then the Calculation Agent will determine the relevant Underlying Rate at its sole and absolute discretion, which determination may be delayed for up to 180 days following the occurrence of an Emerging Market Disruption Event.

- (b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determination. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO ZERO COUPON RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of "Cash Amount" for the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms;

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open.

"Securities" means each Series of the zero coupon retro-finance notes specified in the applicable Final Terms and each such note a **"Security"**. References to the terms **"Securities"** and **"Security"** shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

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

2. Form

- (a) **Global Form.** Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term **"Holder"** shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the **"Rules"**). Accordingly, in these Conditions, the term **"Holder"** means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) **Redemption on the Maturity Date.** Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Maturity Date.
- (b) **Payment Day.** If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (c) **General.** In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount.
- (d) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.

- (e) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (f) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO CURRENCY EXCHANGE RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of "Cash Amount" for the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Coupon" means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (g) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

"Exchange Rate" means each rate of exchange specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by the Calculation Agent by reference to the Screen Page (if any) or to such other sources as the Calculation Agent may reasonably determine to be appropriate.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR"), the

constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of "Exchange Rate" for the relevant Series in the applicable Final Terms.

"Screen Page" means each page, if any, specified as such in the definition of "Exchange Rate" for the relevant Series in the applicable Final Terms or any successor to any such page which contains the same information.

"Securities" means each Series of the currency exchange retro-finance notes specified in the applicable Final Terms and each such note a **"Security"**. References to the terms **"Securities"** and **"Security"** shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Trading Day" means any day that is (or but for the occurrence of a Market Disruption Event, would have been) a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Settlement Currency.

"Underlying Currency" means each currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Valuation Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms or, in the case of an Issuer Call, the date specified as such in the notice delivered in accordance with Product Condition 3(b), or if such day is not a Trading Day, the first succeeding Trading Day unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the relevant Exchange Rate(s) having regard to the then prevailing market conditions, the last reported rate(s) for the relevant Exchange Rate(s) and such other factors as the Calculation Agent determines to be relevant.

"Valuation Time" means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the

applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.

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

3. Rights and Procedures

- (a) Redemption on the Maturity Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Maturity Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any

errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.

- (g) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) **Presentation and Surrender.** The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A "**Market Disruption Event**" means:

- (a) **Price Source Disruption.** If it becomes impossible to obtain any one or more Exchange Rates on the Valuation Date; or
- (b) **Governmental Default.** If with respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (c) **Inconvertibility/non-transferability.** The occurrence of any event which (i) generally makes it impossible to convert the currencies in any one or more Exchange Rates through customary legal channels for conducting such conversion in the principal financial centre of an Underlying Currency or (ii) generally makes it impossible to deliver an Underlying Currency from accounts in the country of the principal financial centre of that Underlying Currency to accounts outside such jurisdiction or

the Settlement Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or

- (d) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates), of all or substantially all of its assets in the country of the principal financial centre of an Underlying Currency; or
- (e) Illiquidity. Any impossibility in obtaining a firm quote for any one or more Exchange Rates or the Settlement Currency for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (f) Change in Law. A change in law in the country of the principal financial centre of an Underlying Currency which may affect the ownership in and/or the transferability of that Underlying Currency; or
- (g) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of an Underlying Currency; or
- (h) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of an Underlying Currency; or
- (i) Other Events. Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

For this purpose a "**Governmental Authority**" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of the Settlement Currency.

The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO YIELD DISCOVERY RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Basket" means the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Coupon" means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged

lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

"Exchange" means, with respect to each Share, either the exchange or quotation system specified as such in the definition of Basket for the relevant Series in the applicable Final Terms or, if none is so specified, the exchange on which the Share has its primary listing.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Initial Reference Price" means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, in relation to each Share, an amount equal to the price of the Share quoted on the Exchange at the Valuation Time on the Pricing Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) a price determined by the Calculation Agent as its good faith estimate of the price of the Share on such date having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series or, in the event that any Valuation Date is delayed in relation to any of the Shares due to a Market Disruption Event, such later date being not more than four Business Days after the relevant Valuation Date as the Calculation Agent may in its sole and absolute discretion determine.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the

Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Reference Price" means, in relation to each Share, an amount equal to the price of a Share quoted on the Exchange at the Valuation Time on the relevant Valuation Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) a price determined by the Calculation Agent as its good faith estimate of the price of the Share on such date having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines relevant.

"Related Exchange" means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Shares are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("**ADR**") or Global Depositary Receipt ("**GDR**"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Securities" means each Series of the yield discovery retro-finance notes specified in the applicable Final Terms and each such note a "**Security**". References to the terms "**Securities**" and "**Security**" shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Share" means each share specified as such in the definition of Basket for the relevant Series in the applicable Final Terms or, if none is so specified, each share within the Basket, subject to Product Condition 4, and "**Shares**" shall be construed accordingly.

"Share Company" means, with respect to each Share, the share company specified as such in the definition of Basket for the relevant Series in the applicable Final Terms or, if none is so specified, the issuer of the Share.

"Standard Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Trading Day" means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange and each Related Exchange other than a day on which

trading on the Exchange or any Related Exchange is scheduled to close prior to its regular weekday closing time.

"Valuation Date" means, in relation to each Share, each of the dates specified in the definition of the relevant Series in the applicable Final Terms or, if any such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day, in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines to be relevant.

"Valuation Time" means the close of trading on the relevant Exchange in relation to a Share or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

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

2. Form

- (a) **Global Form.** Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term **"Holder"** shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the **"Rules"**). Accordingly, in these Conditions, the term **"Holder"** means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) **Redemption on the Settlement Date.** Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) **Issuer Call.** If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer

Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- (c) **Interest Amount.** If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) **Interest Accrual.** If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) **Payment Day.** If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) **General.** In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent, or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount. The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.
- (g) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) **Presentation and Surrender.** The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

"Market Disruption Event" means:

- (i) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
 - (A) in the Shares on the Exchange or any other exchange on which the Shares are listed; or
 - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Shares on any Related Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (ii) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (b) **Potential Adjustment Events.** Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:
- (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
 - (ii) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

"Potential Adjustment Event" means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of such Shares to existing holders of the relevant Shares by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to existing holders of the relevant Shares of (aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than eight per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital

and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

- (c) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the Issuer in its sole and absolute discretion may take the action described in (i), (ii) or (iii) below:
- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or
 - (ii) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or
 - (iii) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

Upon the occurrence of a De-listing, Merger Event, Nationalisation or Insolvency, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the occurrence of such De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) and action proposed to be taken in relation thereto.

"De-listing" means a Share for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchange on which the Shares are listed (and such cessation or suspension is continuing and such Share is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

"Merger Event" means any (A) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of outstanding Shares; (B) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares); or (C) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of or an irrevocable commitment to transfer a majority of the voting power of the Share Company to the offeror, in each case if the Merger Date is on or before the Valuation Date.

"Nationalisation" means that all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company (A) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or (B) holders of the Shares of that Share Company become legally prohibited from transferring them.

- (d) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO CERTIFICATE RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Basket" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Certificate" means the Certificate specified as such in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Coupon" means, if the Securities are interest-bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such

security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

"Exchange" means, with respect to each Certificate, the exchange specified as such in the definition of "Basket" or specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Reference Price" means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to (i) the level of the Basket at the Valuation Time on the Valuation Date calculated as the sum of, for each Certificate, its Weight multiplied by the level of such Certificate at the Valuation Time on the Valuation Date, or (ii) for the relevant Series, if "Basket" is specified in the applicable Final Terms as being "Not Applicable", the price of the Certificate, in each case quoted on the Exchange at the close of trading on the Valuation Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) a price determined by the Calculation Agent as its good faith estimate of the closing price of the Basket or the Certificate, as applicable, on such date having regard to the then prevailing market conditions, the last reported trading price of the Certificate(s) on the Exchange and such other factors as the Calculation Agent determines relevant.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Initial Reference Price" means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to (i) the level of the Basket at the Valuation Time on the Pricing Date calculated as the sum of, for each Certificate, its Weight multiplied by the level of such Certificate at the Valuation Time on the Pricing Date, or (ii) for the relevant Series, if "Basket" is specified in the applicable Final Terms as being "Not Applicable", the price of the Certificate, in each case quoted on the Exchange at the close of trading on the Pricing Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) a price determined by the Calculation Agent as its good faith estimate of the closing price of the Basket or the Certificate, as applicable, on such date having regard to the then prevailing market conditions, the last reported trading price of the Certificate(s) on the Exchange and such other factors as the Calculation Agent determines relevant.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Participation" means the rate specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Related Exchange" means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Certificates are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Business Days" means the number of Business Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Securities" means each Series of the certificate retro-finance notes specified in the applicable Final Terms and each such note a "Security". References to the terms "Securities" and "Security" shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each Series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means the Maturity Date or if later, the Relevant Number of Business Days following the Valuation Date.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Trading Day" means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time.

"Valuation Date" means the date or dates specified in the definition of the relevant Series in the applicable Final Terms or, if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Certificate(s) and such other factors as the Calculation Agent determines to be relevant.

"Valuation Time" means the close of trading on the relevant Exchange in relation to a Certificate or such other time as the Issuer may determine in its absolute discretion and notify to Holders in accordance with General Condition 4.

"Weight" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", for each Certificate, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the "**Global Security**") which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the "**Rules**").

Accordingly, in these Conditions, the term "**Holder**" means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent, or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if

applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (i) **Presentation and Surrender.** The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A "**Market Disruption Event**" means:

- (i) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
 - (A) in the Certificates on the Exchange or any other exchange on which the Certificates are traded; or
 - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Certificates on any Related Exchange, if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (ii) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (b) **Potential Adjustment Events.** Following a declaration by the issuer of the Certificates of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Certificates and, if so, will:
 - (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
 - (ii) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Certificates traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

"**Potential Adjustment Event**" means any event that may have a diluting or concentrative effect on the theoretical value of the Certificates.

- (c) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of

any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO INDEX RETRO-FINANCE NOTES

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

1. Definitions

"**Agent**" means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the "**Agents**" shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"**Basket**" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"**Business Day**" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"**Cash Amount**" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"**Clearing Agent**" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a "**Clearing Agent**" and together the "**Clearing Agents**").

"**Coupon**" means, if the Securities are interest-bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"**Emerging Market Disruption Event**" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged

lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

"Exchange" means each exchange or quotation system from which each Index Sponsor takes the prices of the shares or other securities that comprise the Index (the **"Shares"**) to compute the Index or any successor to such exchange or quotation system.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Reference Price" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) the level of the Basket at the Valuation Time on the Valuation Date calculated as the sum of, for each Index, its Weight multiplied by the level of such Index at the Valuation Time on the Valuation Date or (ii) for the relevant Series, if "Basket" is specified in the applicable Final Terms as being "Not Applicable", the level of the Index at the Valuation Time on the Valuation Date, all as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Basket or the Index, as applicable, on such date having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines relevant.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Index" means each index specified as such in the definition of Basket in the applicable Final Terms or, if for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable" the index specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Index Sponsor" means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4.

"Initial Reference Price" means the level specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so required.

"Related Exchange" means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Index are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("**ADR**") or Global Depositary Receipt ("**GDR**"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Securities" means each Series of the index retro-finance notes specified in the applicable Final Terms and each such note a "**Security**". References to the terms "**Securities**" and "**Security**" shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means the Maturity Date or, if later, the third Business Day following the Valuation Date.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Trading Day" means any day on which the Index Sponsor should calculate and publish the closing level of the relevant Index according to its rules.

"Valuation Date" means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or if such day is not a Trading Day, the next succeeding Trading Day, unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines to be relevant.

"Valuation Time" means the time with reference to which the Index Sponsor calculates the closing level of the relevant Index or such other time as the Issuer may determine in its absolute discretion and notify to Holders in accordance with General Condition 4.

"Weight" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", for each Index, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term **"Holder"** shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the **"Rules"**). Accordingly, in these Conditions, the term **"Holder"** means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (i) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A "**Market Disruption Event**" means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
 - (i) on any Exchange(s) in securities that comprise 20 per cent. or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
 - (ii) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index. In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.
- (b) Adjustments to Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (i), (ii), (iii) or (iv) below.
 - (i) If any Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the "**Successor Sponsor**") acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index, then (in either case) the relevant Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
 - (ii) If (A) on or prior to the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating any Index or in any other way materially modifies an Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or (B) on or prior to the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish any Index; then (in either case) the Calculation Agent shall determine the Final Reference Price using, in lieu of a published level for the relevant Index on the Valuation Date, the level for the relevant Index as determined by the Calculation Agent in accordance with the formula for and method of

calculating the relevant Index last in effect prior to the change or failure, but using only those securities that comprised the relevant Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so calculated and announced or shall terminate the Securities by giving notice in accordance with General Condition 4.

- (iii) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the relevant Index in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the relevant Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Shares of (aa) the Shares; or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Valuation Date; (G) a distribution of cash dividends on the Shares equal to or greater than eight per cent. per annum of the then current market value of the Shares; and (H) any other similar event having a dilutive or concentrative effect on the theoretical value of the Shares.
- (iv) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange.
- (c) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO INFLATION INDEX RETRO-FINANCE NOTES

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

1. Definitions

"**Agent**" means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the "**Agents**" shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"**Business Day**" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"**Cash Amount**" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"**Clearing Agent**" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a "**Clearing Agent**" and together the "**Clearing Agents**").

"**Coupon**" means, if the Securities are interest-bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"**Expenses**" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"**Final Terms**" means the document containing the specific terms relating to the Securities.

"**Fixed Spread**" means the rate specified as such in the definition of the relevant Series in the applicable Final Terms.

"**Inflation Index**" means the inflation index specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"**Inflation Index Level**" means the non-revised level of the Inflation Index, as determined by the Calculation Agent in its sole and absolute discretion. Any revision or amendment to the Inflation Index Level after the initial publication thereof shall be disregarded for the purposes of determining the corresponding Interest Rate unless the Inflation Index is re-based as a result of such revision or amendment, in which case the definition shall be subject to such amendments as the Calculation Agent, acting in its sole and absolute discretion, considers appropriate to preserve the economic features of the Securities.

"**Interest Amount**" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"**Interest Payment Date** _(N)" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each relevant Interest Payment Date.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4 and any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so required.

"**Securities**" means each Series of the inflation index retro-finance notes specified in the applicable Final Terms and each such note a "**Security**". References to the terms "**Securities**" and "**Security**" shall be construed severally with respect to each Series specified in the applicable Final Terms.

"**Series**" mean each series of Securities set out in the applicable Final Terms.

"**Settlement Currency**" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms. and

"**Settlement Date**" means the Maturity Date or, if later, the third Business Day following the Valuation Date.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the "**Global Security**") which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the "**Rules**"). Accordingly, in these Conditions, the term "**Holder**" means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.

- (d) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A "**Market Disruption Event**" means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or (ii) the occurrence or existence during the one-hour period that ends at the official close of trading on any relevant exchanges of any suspension of or limitation imposed on trading in relation to the relevant Inflation Index or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchanges or otherwise):

- (i) on any relevant exchanges(s) in securities that comprise 20 per cent. or more of the level of the relevant Inflation Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Inflation Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Inflation Index shall be based on a comparison of (x) the portion of the level of the Inflation Index attributable to that security relative to (y) the overall level of the Inflation Index, in each case immediately before that suspension or limitation; or
 - (ii) on any relevant exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Inflation Index. In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.
- (b) Adjustments to Inflation Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (i), (ii) or (iii) below.
 - (i) If any Inflation Index is (A) not calculated and announced in its usual way but is calculated and published in a different way but a in a way acceptable to the Calculation Agent; or (B) replaced by a successor inflation index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Inflation Index, then (in either case) the relevant Inflation Index will be deemed to be the inflation index so calculated and announced by that successor inflation index, as the case may be.
 - (ii) If (A) on or prior to the Interest Payment Date there is a material change in the formula for or the method of calculating any Inflation Index or in any other way an Inflation Index is materially modified (other than a modification prescribed in that formula or method to maintain the Inflation Index in the event of changes in constituent securities and other routine events); or (B) on the Interest Payment Date there is a failure to calculate and/or publish any Inflation Index; then (in either case) the Calculation Agent shall determine the Inflation Index Level using, in lieu of a published level for the relevant Inflation Index on the Interest Payment Date, the level for the relevant Inflation Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the relevant Inflation Index last in effect prior to the change or failure, but using only those securities that comprised the relevant Inflation Index immediately prior to the change or failure (other than those securities that have since ceased to be included in the Inflation Index) or, in the case of a material modification of the Inflation Index only, shall deem such modified Inflation Index to be the Inflation Index so calculated and announced or shall terminate the Securities by giving notice in accordance with General Condition 4.
 - (iii) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other

consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the relevant exchange.

- (c) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO INFLATION INDEX RETRO-FINANCE NOTES II

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

1. Definitions

"**Agent**" means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the "**Agents**" shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"**Business Day**" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"**Cash Amount**" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"**Clearing Agent**" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a "**Clearing Agent**" and together the "**Clearing Agents**").

"**Coupon**" means, if the Securities are interest-bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"**Expenses**" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"**Final Reference Price**" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index for the Valuation Month, published by the Index Sponsor, as determined by the Calculation Agent without regard to any subsequently published correction. Any revision or amendment to the level of the Index after the initial publication thereof shall be disregarded for the purposes of determining the corresponding Interest Rate unless the Index is re-based as a result of such revision or amendment, in which case the level of the Index shall be subject to such amendments as the Calculation Agent, acting in its sole and absolute discretion, considers appropriate to preserve the economic features of the Securities. If, in the determination of the Calculation Agent, no such level can be determined (and no Market Disruption Event has occurred and is continuing), level of the Index shall be a level determined by the Calculation Agent as its good faith estimate of the level of the Index for the relevant Valuation Month having regard to the last published level of the Index and such other factors as the Calculation Agent determines relevant.

"**Final Terms**" means the document containing the specific terms relating to the Securities.

"**Index**" means the index specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"**Index Sponsor**" means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the rate per annum specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Market Disruption Event" means each event specified as such in Product Condition 4 and any Additional Market Disruption Event specified in the definition of the relevant Series in the applicable Final Terms.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Relevant Number of Months" means the number of months specified as such in the definition of the relevant Series in the applicable Final Terms.

"Securities" means each Series of the inflation index retro-finance notes specified in the applicable Final Terms and each such note a "Security". References to the terms "Securities" and "Security" shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means the Maturity Date or such other date as specified in the definition of the relevant Series in the applicable Final Terms.

"Valuation Month" means each month specified as such in the definition of the relevant Series in the applicable Final Terms unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred with respect to any month in which case that Valuation Month shall be the first succeeding calendar month for which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event

occurring on each of the Relevant Number of Months immediately following the original month which (but for the Market Disruption Event) would have been the Valuation Month. In that case (i) the last month of the Relevant Number of Months shall be deemed to be the Valuation Month (regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine the level of the Index having regard to the then prevailing market conditions, the last published level of the Index and such other factors as the Calculation Agent determines to be relevant.

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

2. Form

- (a) **Global Form.** Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the "**Global Security**") which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the "**Rules**"). Accordingly, in these Conditions, the term "**Holder**" means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) **Redemption on the Settlement Date.** Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) **Interest Amount.** If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date.
- (c) **Interest Accrual.** If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date in the event that payment of any amount is postponed due to a Market Disruption Event.
- (d) **Payment Day.** If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable

Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.

- (e) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount or any Interest Amount.
- (f) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (g) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (h) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A "Market Disruption Event" means the Index Sponsor fails to calculate and announce the level of the Index.
- (b) Adjustments to Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (i), (ii) or (iii) below.
 - (i) If the Index is (A) not calculated and announced in its usual way but is calculated and published in a different way but in a way acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index, then (in either case) the relevant Index will be deemed to be the Index so calculated and announced by that successor index, as the case may be.
 - (ii) If (A) on or prior to the Interest Payment Date there is a material change in the formula for or the method of calculating the Index or the Index Sponsor, in any other way, materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or (B) on the Interest Payment Date there is a failure to calculate and/or publish any Index, then (in either case) the Calculation Agent shall (A) determine the Final Reference Price using, in lieu of a published level for the Index, the

level for the Index as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner or, (B) shall deem such modified Index to be the Index so calculated and announced or (C) shall terminate the Securities by giving notice in accordance with General Condition 4.

(iii) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the relevant exchange.

(c) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO CALLABLE INDEX RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Barrier Level" means, if applicable, the level determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means in relation to the final Valuation Date an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Early Redemption Amount" means in relation to each Early Redemption Date, an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Early Redemption Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards, provided that notwithstanding anything else the minimum Early Redemption Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Early Redemption Amount shall be EUR 1).

"Early Redemption Date" means each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Early Redemption Event" occurs as specified in the definition of the relevant Series in the applicable Final Terms, as determined by or on behalf of the Calculation Agent.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or

- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (d) **Inconvertibility/non-transferability.** The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) **Nationalisation.** Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) **Illiquidity.** It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) **Change in Law.** A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) **Imposition of Tax/Levy.** The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) **Unavailability of Settlement Currency.** The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) **Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.**

"Exchange" means each exchange or quotation system from which the Index Sponsor takes the prices of the shares or other securities that comprise the Index (the **"Shares"**) to compute the Index or any successor to such exchange or quotation system.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Reference Price" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on a Valuation Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing

market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines relevant.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Index" means the Index specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Index Sponsor" means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4.

"Initial Reference Price" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on the Pricing Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Market Disruption Event" means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Related Exchange" means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Index are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("**ADR**") or Global Depositary Receipt ("**GDR**"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Relevant Percentage" means, if applicable, the percentage specified as such in the definition of the relevant Series in the applicable Final Terms.

"Securities" means each Series of the callable index retro-finance notes specified in the applicable Final Terms and each such note a **"Security"**. References to the terms **"Securities"** and **"Security"** shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Trading Day" means any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules.

"Valuation Date" means each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day, in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines to be relevant.

"Valuation Time" means the time with reference to which the Index Sponsor calculates the closing level of the Index or such other time as the Issuer may determine in its absolute discretion and notify to Holders in accordance with General Condition 4.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent

as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.

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

3. Rights and Procedures

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at:
 - (i) if an Early Redemption Event has not occurred, the Cash Amount; or
 - (ii) if an Early Redemption Event has occurred, the Early Redemption Amount, such redemption to occur on the Settlement Date.
- (b) Interest. The Securities bear no interest and no payment shall be made on account thereof.
- (c) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (d) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount or the Early Redemption Amount.
- (e) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (f) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified

by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (g) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. A "**Market Disruption Event**" means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
 - (i) on any Exchange(s) in securities that comprise 20 per cent. or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
 - (ii) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index. In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.
- (b) Adjustments to Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (i), (ii), (iii) or (iv) below.
 - (i) If the Index is: (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the "**Successor Sponsor**") acceptable to the Calculation Agent; or (B) replaced by a successor index using in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then (in either case) the Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
 - (ii) If (A) on or prior to the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or (B) on or prior to the Valuation Date the Index Sponsor

or, if applicable, the Successor Sponsor fails to calculate and/or publish the Index; then (in either case) the Calculation Agent shall determine the Final Reference Price using, in lieu of a published level for the Index on the Valuation Date, the level for the Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to the change or failure, but using only those securities that comprised the Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so calculated and announced or shall terminate the Securities by giving notice in accordance with General Condition 4.

- (iii) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the Index in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Shares of (aa) the Shares; or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Valuation Date; (G) a distribution of cash dividends on the Shares equal to or greater than eight per cent. per annum of the then current market value of the Shares; and (H) any other similar event having a dilutive or concentrative effect on the theoretical value of the Shares.
- (iv) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange.
- (c) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the

date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO SHARE RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Basket" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Business Day" means, unless otherwise specified in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Coupon" means an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of

default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

"Exchange" means, with respect to each Share, the exchange or quotation system specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange or quotation system.

"Exchange Rate" means the rate of exchange between the Underlying Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Averaging Dates" means, unless for the relevant Series "Final Averaging Dates" is specified in the applicable Final Terms as being "Not Applicable", in relation to each Share, each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms, unless in the determination of the Calculation Agent a Market Disruption Event has occurred on any such day, in which case such Final Averaging Date shall be the first succeeding Valid Averaging Date on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Specified Valid Averaging Dates immediately following the original date which (but for the Market Disruption Event) would have been a Final Averaging Date. In that case (i) the last Specified Valid Averaging Date shall be deemed to be the Final Averaging Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the price of the Share for such Final Averaging Date, having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines to be relevant.

"Final Reference Price" means, unless for the relevant Series "Final Reference Price" is specified in the applicable Final Terms as being "Not Applicable", the price determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Initial Averaging Dates" means, unless for the relevant Series "Initial Averaging Dates" is specified in the applicable Final Terms as being "Not Applicable", in relation to each Share, each of the dates specified as such in the definition of the relevant Series in the applicable Final Terms, unless in the determination of the Calculation Agent a Market Disruption Event has occurred on any such day, in which case such Initial Averaging Date shall be the first succeeding Valid Averaging Date on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Specified Valid Averaging Dates immediately following the original date which (but for the Market Disruption Event) would have been an Initial Averaging Date. In that case (i) the last Specified Valid Averaging Date shall be deemed to be the Initial Averaging Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the price of the Share for such Initial Averaging Date, having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines to be relevant.

"Initial Reference Price" means, unless for the relevant Series "Initial Reference Price" is specified in the applicable Final Terms as not applicable, the price specified as such in the definition of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross-settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Related Exchange" means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Shares are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Securities" means each Series of the share retro-finance notes specified in the applicable Final Terms and each such note a **"Security"**. References to the terms **"Securities"** and **"Security"** shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" means each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Share" means each of the shares specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4, and **"Shares"** shall be construed accordingly.

"Share Company" means, in relation to each Share, the share company specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Specified Trading Days" means the number of Trading Days specified as such in the definition of the relevant Series in the applicable Final Terms.

"Specified Valid Averaging Dates" means the number of Valid Averaging Dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Trading Day" means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time.

"Underlying Currency" means, in relation to each Share, the currency specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms.

"Valid Averaging Date" means a Trading Day which is not an Initial Averaging Date or a Final Averaging Date.

"Valuation Date" means, unless for the relevant Series "Valuation Date" is specified in the applicable Final Terms as being "Not Applicable", the date specified as such in the definition of the relevant Series in the applicable Final Terms, unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Specified Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case the last Specified Trading Day shall be deemed to be the Valuation Date (regardless of the Market Disruption Event).

"Valuation Time" means the close of trading on the relevant Exchange in relation to a Share or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

"Weight" means, if applicable, in relation to each Share, the percentage specified as such in the definition of Basket in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the "**Global Security**") which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) Dematerialised Form. Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the "**Rules**"). Accordingly, in these Conditions, the term "**Holder**" means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur, subject as provided below, on the Settlement Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for

the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.

- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount. The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

"Market Disruption Event" means:

- (i) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
 - (A) in the Shares on the Exchange or any other exchange on which the Shares are listed; or
 - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Shares on any Related Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material; or

- (ii) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (b) Potential Adjustment Events. Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:

- (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
- (ii) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

"Potential Adjustment Event" means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of such Shares to existing holders of the relevant Shares by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to existing holders of the relevant Shares of (aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than eight per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

- (c) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the Issuer in its sole and absolute discretion may take the action described in (i), (ii) or (iii) below:

- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or
- (ii) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay

an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or

- (iii) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

Upon the occurrence of a De-listing, Merger Event, Nationalisation or Insolvency, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the occurrence of such De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) and the action proposed to be taken in relation thereto.

"De-listing" means a Share for any reason ceases to be listed or is suspended from listing on the Exchange (and such cessation or suspension is continuing and such Share is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

"Merger Event" means any (A) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of the outstanding Shares; (B) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares); or (C) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of, or an irrevocable commitment to transfer, a majority of the voting power of the Share Company to the offeror, in each case if the Merger Date is on or before the Issuer Call Date or Valuation Date, as applicable.

"Nationalisation" means that all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company, (A) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or (B) holders of the Shares of that Share Company become legally prohibited from transferring them.

- (d) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO MULTI-ASSET BASKET-LINKED RETRO-FINANCE NOTES

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

1. Definitions

"Additional Disruption Events" means those events specified as such in the definition of the relevant Series in the applicable Final Terms.

"Additional Fund Events" means those events specified as such in the definition of the relevant Series in the applicable Final Terms.

"Agent" means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Basket" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Best Performing Reference Asset" means, unless specified otherwise in the applicable Final Terms, on each anniversary of the Issue Date, the Reference Asset that performed the best compared to the other Reference Asset in the Basket according to the formula as specified in the applicable Final Terms.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Coupon" means, if the Securities are interest-bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Disruption Event" means each event specified as such in Product Condition 4 and any Emerging Market Disruption Event.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other

similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, Event of Default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

"Exchange" means in respect of each Fund that is an exchange-traded fund, each exchange or quotation system specified as such in the definition of Basket or specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to that exchange or quotation system.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Reference Value" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the NAV of each Reference Asset as quoted by the fund manager of the Reference Asset or, where such Fund is an exchange-traded fund, the trading price of the Fund Reference Asset quoted on the Exchange, in each case for each Valuation Date or the Issuer Call Date, as the case may be, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price or NAV can be determined and no Disruption Event or Fund Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the NAV of the Reference Asset or, where such Fund is an exchange-traded fund, the trading price of the Fund Reference Asset on the Exchange, in each case for such date having regard to the then prevailing market conditions, the last reported NAV or price of the Reference Asset or, where such Fund is an

exchange-traded fund, the last reported trading price of the Fund Reference Asset on the Exchange and such other factors as the Calculation Agent determines relevant.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Fund" means each fund (including exchange-traded funds) specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Fund Administrator" means, in respect of the Fund, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such Fund according to the Fund Documents.

"Fund Adviser" means, in respect of any Fund, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Fund.

"Fund Documents" means, with respect to any Fund or Fund Reference Asset, the constitutive and governing documents, subscription agreements and other agreements of the related Fund or Fund Reference Asset specifying the terms and conditions relating to such Fund or Fund Reference Asset and which shall include any Hedging Agreement, each as amended from time to time.

"Fund Event" means each event specified as such in Product Condition 4(d) and any Additional Fund Event specified in the definition of the relevant Series in the applicable Final Terms.

"Fund Prospectus" means the disclosure document howsoever described prepared in connection with the marketing of the Fund and, in relation to any Replacement Fund, means the disclosure document howsoever described prepared in connection with the marketing of the Replacement Fund and that, as of the Inclusion Date, was the most recent version thereof, each as amended from time to time.

"Fund Reference Asset" means the relevant interests in each Fund or if the Fund is an exchange-traded fund the relevant interests specified as "Fund Reference Assets" in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Fund Service Provider" means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, for that Fund, whether or not specified in the Fund Documents or the Fund Prospectus, including but not limited to any Fund Adviser, Fund Administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar and transfer agent or domiciliary agent.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Hedging Agreement" means any agreement, whether by way of side letter or otherwise, in respect of any hedging arrangement entered into between: (i) the Issuer, any of its affiliates or any Hedge Provider; and (ii) the Fund, the Fund Adviser, any other Fund Service Provider or the directors of the Fund.

"Inclusion Date" means (i) in respect of the Fund, the Issue Date and (ii) in respect of any Replacement Fund, means the Substitution Date of that Fund.

"Index" means each index specified as such in the definition of the Basket in the applicable Final Terms, subject to Product Condition 4.

"Index Sponsor" means, in relation to each Index, the sponsor specified as such in the definition of the Basket in the applicable Final Terms and shall include any successor index sponsor pursuant to Product Condition 4.

"Initial Reference Value" means the level specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Initial Reference Values" means the level specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, the date specified as such in the notice delivered by the Issuer in accordance with Product Condition 3(b) and, if such day is not a Trading Day, means the first succeeding Trading Day unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

- (a) a Disruption Event has occurred on that day with respect to any Reference Asset in which case the Issuer Call Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Disruption Event, unless the Issuer or the Calculation Agent on its behalf determines that there is a Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Disruption Event) would have been the Issuer Call Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Disruption Event); and (ii) the Issuer or the Calculation Agent on its behalf shall determine the Issuer Call Cash Amount having regard to the then prevailing market conditions, the last reported trading price of the Reference Asset and such other factors as the Issuer or the Calculation Agent on its behalf deems relevant; or

- (b) a Fund Event has occurred on any such day, in which case the provisions of Product Condition 4(e) shall apply and the Issuer Call Date shall be adjusted accordingly;

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Merger Event" means, in respect of any relevant shares, units or interests issued by a Relevant Party, any (i) reclassification or change of such shares, units or interests that results in a transfer of or an irrevocable commitment to transfer all of such shares, units or interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of such Relevant Party with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Party is the continuing entity and which does not result in a reclassification or change of all of such shares, units or interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding shares, units or interests of such Relevant Party that results in a transfer of or an irrevocable commitment to transfer all such shares, units or interests (other than such shares, units or interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Relevant Party or its subsidiaries with or into another entity in which the Relevant Party is the continuing entity and which does not result in a reclassification or change of all such shares, units or interests outstanding but results in the outstanding shares, units or interests (other than shares, units or interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding shares, units or interests immediately following such event.

"NAV" means net asset value.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open.

"Portfolio Guidelines" means the investment guidelines and restrictions specified in respect of a Fund and as set out in the relevant Fund Prospectus and/or the relevant Fund Documents.

"Pricing Date" means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer or the Calculation Agent on its behalf in adverse market conditions if, in the opinion of the Issuer or the Calculation Agent on its behalf, circumstances so require.

"Reference Asset" means each Fund or Index, as the case may be, and **"Reference Assets"** means each or all of the Funds and Indexes as the case may be.

"Reference Asset Currency" means, in relation to each Index in the applicable Final Terms, the currency specified as such in the definition of the Basket.

"Reference Asset Exchange Rate" means, in relation to each Reference Asset and, where applicable, the rate of exchange between the relevant Reference Asset Currency and the Settlement Currency taken from Reuters page "WX=" or as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Reference Banks" means the entities, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Related Exchange" means, in respect of each Index, an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Index are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful

currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of Underlying Rate for the relevant Series in the applicable Final Terms.

"Relevant Party" means each of the Fund and the Fund Adviser.

"Replacement Fund" means, in relation to a Fund, the fund selected by the Issuer or the Calculation Agent on its behalf to replace that Fund in accordance with Product Condition 4(e)(ii). Such Replacement Fund will have a similar risk profile as the Fund replaced, as determined by the Issuer or the Calculation Agent on its behalf.

"Re-Weighting" means, with respect to each Index, if "Re-weighting" is specified as being "Applicable" in the applicable Final Terms, the percentage specified as such in the definition of the relevant Series in the applicable Final Terms.

"Screen Page" means each page, if any, specified as such in the definition of Underlying Rate for the relevant Series in the applicable Final Terms or any successor to any such page which contains the same information.

"Securities" means each Series of the notes specified in the applicable Final Terms and each such note a "Security". References to the terms "Securities" and "Security" shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the third Business Day following the Valuation Date.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Substitution Date" means, in relation to a Fund, the date selected by the Issuer or the Calculation Agent on its behalf for the replacement of the Fund by a Replacement Fund.

"Trading Day" means such days as specified in the definition of the relevant Series in the applicable Final Terms.

"Underlying Rate" means each rate, if any, specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by the Calculation Agent by reference to the Screen Page (if any) unless in the determination of the Calculation Agent, a Market Disruption Event has occurred, in which case the underlying rate shall be calculated in accordance with Product Condition 4.

"Valuation Date" means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Trading Day, the next following Trading Day, unless, in the determination of the Issuer or the Calculation Agent on its behalf, either:

- (a) a Disruption Event has occurred on that day with respect to any Reference Asset, in which case the Valuation Date shall be the first succeeding Trading Day on which the Issuer or the

Calculation Agent on its behalf determines that there is no Disruption Event, unless the Issuer or the Calculation Agent on its behalf determines that there is a Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Disruption Event); and (ii) the Issuer or the Calculation Agent on its behalf shall determine the Cash Amount having regard to the then prevailing market conditions, the last reported NAV or price-trading price of the Reference Asset or, where the Reference Asset is an exchange-traded fund, the last reported trading price of the Fund Reference Asset on the Exchange and such other factors as the Issuer or the Calculation Agent on its behalf determines to be relevant; or

- (b) a Fund Event has occurred on that day in which case the provisions of Product Condition 4(e) shall apply and the Valuation Date shall be adjusted accordingly.

"Valuation Time" means, in relation to the Underlying Rate, at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select and notify to Holders in accordance with General Condition 4.

"Weight" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", for each Reference Asset, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

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

2. Form

- (a) **Global Form.** Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term **"Holder"** shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the **"Rules"**). Accordingly, in these Conditions, the term **"Holder"** means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) **Redemption on the Settlement Date.** Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) **Issuer Call.** If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in

whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.

- (c) **Interest Amount.** If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) **Interest Accrual.** If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (e) **Payment Day.** If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) **General.** In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) **Presentation and Surrender.** The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) **Disruption Event.** Following a Disruption Event, the Calculation Agent will determine the effect of such Disruption Event and shall as soon as reasonably practicable under the circumstances notify the Issuer of such occurrence. The Calculation Agent will account for such occurrence as it sees fit which may include but is not limited to delaying calculation of the Cash Amount, the Issuer Call Cash Amount or any Interest Amount or making the appropriate adjustment to the calculation of the Cash Amount or any Interest Amount, all in the determination of the Calculation Agent.

"Disruption Event" means:

- (i) a Market Disruption Event; or
 - (ii) an Index Adjustment Event; or
 - (iii) an Additional Disruption Event.
- (b) **Market Disruption.** The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(b), **"Market Disruption Event"** means:

- (i) in respect of the Index, (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located or (ii) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
 - (A) on any Exchange(s) in securities that comprise 20 per cent. or more of the level of the relevant Index, if in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
 - (B) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index.

In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event; and

- (ii) in respect of the Strategy:
 - (A) **Price Source Disruption.** The failure by the Index Sponsor to announce or publish the price for the relevant Strategy Component (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Index Sponsor; or

- (B) Trading Suspension. The material suspension of trading on any Exchange or any Related Exchange; or
 - (C) Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of each relevant Strategy Component on the relevant Exchange; or
 - (D) Material Change in Formula. The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of calculating the price of each Strategy Component; or
 - (E) Material Change in Content. The occurrence, since the Issue Date, of a material change in the content, composition of each Strategy Component; or
 - (F) De Minimis Trading. The number of contracts traded on the relevant Exchange with respect to each Strategy Component is such that the Issuer declares that its ability to enter into hedging transactions with respect to the relevant Strategy Component has been impaired due to a lack of, or a material reduction in, trading in the relevant Strategy Component on the relevant Exchange; or
 - (G) Tax Disruption. The imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Strategy Component (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the relevant Strategy Component on the Valuation Date and/or on each of the three Trading Days following the Valuation Date from what it would have been without that imposition, change or removal; or
 - (H) Trading Limitation. The material limitation imposed on trading in the relevant Strategy Component with respect to it or any contract with respect thereto on any exchange or principal trading market; or
 - (I) any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (c) Index Adjustment Event. The Issuer or the Calculation Agent on its behalf shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (i), (ii), (iii) or (iv) below:
- (i) If the Index is: (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the "**Successor Sponsor**") acceptable to the Calculation Agent; or (B) replaced by a successor index using in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then (in either case) the Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
 - (ii) If: (A) on or prior to the Valuation Date or, if applicable, the Issuer Call Date, as the case may be, the Index Sponsor or, if applicable, the Successor Sponsor, makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or (B) on or prior to the Valuation Date or, if applicable, the Issuer Call Date, as the case may be, the Index Sponsor or, if applicable, the

Successor Sponsor, fails to calculate and/or publish the Index; then (in either case) the Calculation Agent shall determine the Final Reference Value using, in lieu of a published level(s) for the Index on the Valuation Date or, if applicable, the Issuer Call Date, as the case may be, the level for the Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to the change or failure, but using only those securities that comprised the Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed) or in the case of a material modification of the Index only, the Calculation Agent shall deem such modified Index to be the Index so calculated and announced or shall terminate the Securities by giving notice in accordance with General Condition 4.

- (iii) If, at any time, any of the events specified in (A) to (I) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor, has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the Index in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor, pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the Index as it considers appropriate in order so to account for: (A) (aa) a distribution or dividend to existing holders of the Shares; or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (C) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (D) an extraordinary dividend; (E) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (F) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (G) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Valuation Date or the Issuer Call Date, if applicable; (H) a distribution of cash dividends on the Shares equal to or greater than eight per cent. per annum of the then current market value of the Shares; (I) any other similar event having dilutive or concentrative effect on the theoretical value of the Shares.
- (iv) The Issuer reserves the right to make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or is required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange.

Paragraphs (i), (ii) and (iv) above shall apply in the same context to the Strategy.

- (d) Fund Events. Each of the following events constitutes a "**Fund Event**". The Fund Events are for the benefit of the Issuer in order that the Issuer is protected against any adverse effects of such Fund Events on its Hedge Position. The Issuer, or the Calculation Agent on its behalf, shall make all determinations in respect of such Fund Events including as to whether such Fund Event has occurred and the effective date of such occurrence. In order to constitute a Fund Event, the Issuer or the Calculation Agent on its behalf must conclude that the event in question either has resulted or is reasonably likely to result in an adverse effect on the value of the Fund Reference Assets or the NAV of the Fund or on the rights of any investor therein with respect to the Fund Reference Assets or the Fund or otherwise has materially adversely affected its Hedge Position.

(i) Global Events:

- (A) Any of: (aa) the investment strategy and/or the investment objective of the Fund has changed so that it is materially different from that applicable at its Inclusion Date or (bb) a material change has been made to the underlying nature, strategy or risk of the Fund's portfolio from that which prevailed at its Inclusion Date and that is over and above that expected by the Issuer or the Calculation Agent on its behalf as of the Inclusion Date with respect to the trading strategies employed by the Fund as of that date or (cc) the operation or organisation of the Fund or the Fund Adviser (including, without limitation, its organisational structure and its procedures, processes or policies in respect of investment selection, due diligence, asset allocation, risk management or investment monitoring) has changed from that at the Inclusion Date or are other than as represented at such Inclusion Date or (dd) any such procedures, processes or policies as are referred to in (cc) above are either not being applied or are not being applied consistently with their application on the Inclusion Date or (ee) an event or change affecting any of the structure, ownership, management or reputation or liquidity of the Fund or the Fund Reference Assets and/or any other units in the capital of the Fund and/or any Fund Service Provider occurs or (ff) any other amendments, changes, modifications or variations are made after the Inclusion Date to any of the Fund Documents, the Fund Prospectus or the Portfolio Guidelines.
- (B) (aa) The Fund is not being managed in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date, and no action satisfactory to the Issuer or the Calculation Agent on its behalf has been taken by the Fund or any person on its behalf with a view towards correcting such breach within five calendar days from the date on which the Fund was notified of the breach, or (bb) any event occurs which causes, or will with the passage of time (in the opinion of the Issuer or the Calculation Agent on its behalf) cause, the failure of the Fund and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents.
- (C) The Issuer or the Calculation Agent on its behalf determines that (aa) the obligations of any of the Fund or any Fund Service Provider or the directors of the Fund under any Hedging Agreement do not comprise legal, valid and binding obligations of such person, enforceable in accordance with their terms or (bb) any of the Fund or any Fund Service Provider was acting outside its powers or authority in executing any Hedging Agreement or in making any agreement or undertaking therein. Each of (aa) and (bb) shall be conclusively presumed to be the case if the Issuer or the Calculation Agent on its behalf is advised that such is the case by reputable legal counsel having expertise in such matters.

- (D) The activities of the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents are placed under review or become subject to any investigation, proceeding or litigation by any relevant governmental, legal, administrative or regulatory authority or court of competent jurisdiction and/or are subject to any charges or actions by any governmental, legal, administrative or regulatory authority for reasons of wrongdoing, suspected wrongdoing, alleged engagement in fraudulent activities, breach of any rule or regulation or other similar reason and/or the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents have any of their respective registrations, approvals, authorisations, licences or memberships with any administrative or regulatory authorities revoked, suspended, terminated, limited or qualified.
- (E) Written notification is given by the Fund or any Fund Service Provider (or any person acting on behalf thereof) to holders of Fund Reference Assets or to the Fund Administrator of a proposed cessation of operation of the Fund or the Fund or any Fund Service Provider (aa) is dissolved or has a resolution passed for its dissolution, winding-up or official liquidation; (bb) makes a general assignment or arrangement with or for the benefit of its creditors; (cc) (I) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (II) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in Product Condition 4(d)(i)(E)(cc)(I) above and in the case of this Product Condition 4(d)(i)(E)(cc)(II) either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (dd) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a substantial part of its assets; (ee) any security granted by the Fund or any Fund Service Provider over any of its assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Issuer or the Calculation Agent on its behalf is comparable to security over any such assets (including without limitation any repurchase agreement or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repurchase agreement, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or capable of early termination by reason of any event of default (howsoever described) relating to the Fund or the relevant Fund Service Provider; or (ff) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in Product Conditions 4(d)(i)(E)(aa) through 4(d)(i)(E)(ff) above.

- (F) The Fund or any Fund Service Provider becomes party to any litigation or dispute.
- (G) Any Merger Event occurs or is threatened.
- (H) The Fund or any Fund Service Provider has experienced or is experiencing a material adverse change in its business, assets, operations or financial condition which adversely impacts its ability to provide services to the Fund and/or the quality of such services.
- (I) In respect of any Fund Reference Assets, any fraudulent or negligent entry is made on the register of such Fund Reference Assets maintained by or on behalf of the Fund or there is a reduction in the number of such Fund Reference Assets held for the account of any investor in the Fund for reasons beyond the control of that investor.
- (J) (aa) Any change occurs in the legal, tax, accounting or regulatory treatment of (I) the Issuer, any of its affiliates or any Hedge Provider by reason of its investment in the Fund or the Fund Reference Assets or (II) the Fund or any Fund Service Provider, in each case from that which was applicable at the Inclusion Date or (bb) the Issuer or the Calculation Agent on its behalf determines that any of the Issuer, its affiliates or any Hedge Provider, is or may in the future be unable, or it may be unduly onerous or impractical for any such entity, to perform any obligation (including, without limitation, any regulatory or accounting reporting obligation) imposed on any such entity by the law or regulation of any relevant jurisdiction, any relevant regulatory or administrative body or any court of competent jurisdiction, in each case by reason of its investment in the Fund or the Fund Reference Assets or (cc) the Issuer, any of its affiliates or any Hedge Provider, deems it necessary or appropriate, in order to comply with or remain within (I) any applicable legal and/or regulatory limits on the amounts of Fund Reference Assets that it may hold and/or (II) any internal exposure limits governing the maximum exposure (direct and indirect) that the Issuer, any relevant affiliate or the Hedge Provider as the case may be, is permitted to have to the Fund, to redeem all or some of the Fund Reference Assets held by them.
- (K) A cross-contamination or other failure effectively to segregate the portfolio of assets occurs between different series, classes and/or sub-funds in relation to the Fund (if the Fund is part of an umbrella structure with more than one sub-fund).
- (L) A significant market, trading or exchange disruption and/or crisis in the major financial markets occurs.
- (ii) NAV/Price and Reporting:
 - (A) There is (aa) a failure to calculate and/or publish the NAV of the Fund on any day on which such calculation or publication was scheduled to be made in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (bb) a failure to calculate and publish the NAV of the Fund with the frequency set out in the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (cc) where the Fund is an exchange-traded fund, a failure to publish the trading price of the Fund Reference Assets on the Exchange.
 - (B) (aa) Any change is made to the methodology used for calculating either the NAV of the Fund or any estimate of the NAV of the Fund from that which prevailed on the Inclusion Date or (bb) there is a failure to calculate and deliver any estimate of the NAV of the

Fund in accordance with the timing within which such information has previously been provided to the Issuer, the Calculation Agent, any of its affiliates or any Hedge Provider.

- (C) (aa) The time delay between calculation of the NAV (or any estimated NAV) of the Fund and the publication of such NAV (or estimated NAV) is changed so that it is no longer the same as set out in the Fund Prospectus as it prevailed on the Inclusion Date or (bb) any other information relating to the Fund that was specified to be published in accordance with the Fund Documents or the Fund Prospectus as they respectively prevailed on the Inclusion Date is not published in accordance with the timetable therefor set out in such documents.
- (D) The audited NAV of the Fund varies by more than 0.50 per cent. from the related NAV previously published by or on behalf of the Fund, or the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund, or the Issuer or the Calculation Agent on its behalf considers that the unaudited official NAV of the Fund published by or on behalf of the Fund in respect of any date does not reflect the NAV of such Fund as it would have been determined by the independent auditors of that Fund using the generally accepted accounting standards adopted by the Fund.
- (E) (aa) In respect of any Fund Reference Asset, the occurrence of any event affecting such Fund Reference Asset that, in the determination of the Issuer or the Calculation Agent on its behalf, would make it impossible or impracticable for the Issuer or the Calculation Agent to determine the value of such Fund Reference Asset, and the Issuer or the Calculation Agent on its behalf determines that such event will not be, or has not been, resolved within 15 calendar days from the occurrence of such event; (bb) any failure of the Fund, any Fund Service Provider or any director of the Fund to deliver, or cause to be delivered, (I) information that such person has agreed to deliver, or cause to be delivered, to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider in respect of the Fund (including, without limitation, any information required by the Issuer or the Calculation Agent in the execution of its duties and obligations under the Securities or required by the Issuer or the Calculation Agent in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities) or (II) information that has been previously delivered to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider, in accordance with such person's, or its authorised representative's, normal practice and that the Issuer or the Calculation Agent deems necessary for it to perform its duties and obligations under the Securities or that the Issuer or the Calculation Agent deems is required by it in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities (including, in either case, monitoring the Fund's compliance with any Portfolio Guidelines, asset allocation methodologies, the occurrence of any Fund Event or any other similar policies relating to such Fund Reference Assets).

(iii) Fund Reference Assets:

Any of the following events relating to the Fund Reference Assets occurs:

- (A) a subdivision, reclassification or distribution of Fund Reference Assets which has a diluting or concentrative or other effect on the value (theoretical or otherwise) of the Fund Reference Assets;
 - (B) a portion of each Fund Reference Asset is converted (whether by way of redemption and re-issue or otherwise) into new securities participating in the capital of the Fund, which securities are subject to lock-up periods during which they may not be redeemed and which relate to any segregated assets of the Fund, or the Fund creates any other form of "side-pocket" which affects the Fund Reference Assets;
 - (C) a (aa) dividend (including cash and whether ordinary or extraordinary), (bb) distribution or (cc) issue of Fund Reference Assets, capital, securities, rights or other assets or interests to existing holders of Fund Reference Assets which has or is likely to have an adverse effect on the value (theoretical or otherwise) of the Fund Reference Assets;
 - (D) any suspension or limitation on the trading of the relevant currencies in which the Fund Reference Assets are denominated or any amendment to the currency of denomination of the Fund Reference Assets so that their price is no longer calculated in the same currency as at the Inclusion Date of the Fund; or
- (iv) Trading and Fees:
- (A) In respect of the Fund Reference Assets, the Fund or any Fund Service Provider increases the level of any redemption fee, subscription fee, management fee, performance fee or a bid/offer spread (or other charge however described) above the level that would have been applicable to any Fund Reference Assets held by any of the Issuer, any affiliate of the Issuer or any Hedge Provider on the Inclusion Date (regardless of whether any such person actually holds any Fund Reference Assets as of such date).
 - (B) Any suspension of or limitation imposed on trading of the Fund or on trading in the Fund Reference Assets (for any reason, including, without limitation, by reason of liquidity restrictions) or any dealing request made by any investor or prospective investor in the Fund or the Fund Reference Assets is deferred in whole or in part or is made at a value other than the related NAV or price, as applicable.
 - (C) The frequency at which Fund Reference Assets can be traded is amended or the timing for subscription or redemption of Fund Reference Assets is amended, in each case so that it is no longer that specified in the Fund Documents and/or Fund Prospectus as they prevailed on the Inclusion Date, including, without limitation, an amendment to the timetable for payment of redemption proceeds upon redemption.
 - (D) If any of the Issuer, any of its affiliates or any Hedge Provider redeems Fund Reference Assets or is entitled to any other amount and:
 - (aa) does not receive the full proceeds of such redemption or amount in cash in accordance with the timing set out in the Fund Documents or the Fund Prospectus; or
 - (bb) receives any in-kind distribution in full or part satisfaction of the redemption proceeds or such other amount paid or payable to it,

or the Issuer or the Calculation Agent on its behalf determines that either (aa) or (bb) above would be applicable were the Issuer, any of its affiliates or any Hedge Provider to redeem Fund Reference Assets or be entitled to actual payment of any such other amount.

- (v) Fund Adviser and Fund Service Provider Failures:
 - (A) The Fund Adviser indicates or acknowledges that in its opinion the strategy/investment objective of the Fund will not be, or is no longer able to be, met.
 - (B) Any representations, covenants or agreements of the Fund Adviser under the investment management agreement or investment advisory agreement (howsoever described) relating to the Fund have been breached and not cured.
 - (C) Any of: (aa) the resignation, termination of appointment or replacement of the Fund Adviser from its role as such occurs or the resignation, termination of appointment or replacement of any other Fund Service Provider from its role as such occurs with respect to the Fund or (bb) any change in the personnel of any Fund Service Provider occurs which the Issuer or the Calculation Agent on its behalf considers materially adversely affects the ability of such Fund Service Provider to carry out its duties with respect to the Fund.
 - (D) The Issuer or the Calculation Agent on its behalf becomes aware of any failure by the Fund or any person on its behalf to disclose to the Issuer or the Calculation Agent on its behalf, on or before the Inclusion Date, any information, event or circumstance that was in existence on such date and that would have been necessary to enable the Issuer or the Calculation Agent to make an informed assessment of the assets and liabilities, financial position and prospects of the Fund and of the rights attaching to the Fund Reference Assets.
- (vi) General: Any other event occurs which the Issuer or the Calculation Agent on its behalf determines is analogous to any of the events specified in subparagraphs (i) to (v) above.
- (e) Consequences of a Fund Event. In respect of each Fund Event, following the occurrence of such an event (and regardless of whether or not such event is then continuing) the Issuer or the Calculation Agent on its behalf may take any of following actions (each, a "**Permitted Action**"):
 - (i) (A) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines appropriate to account for the economic effect on the Securities of such Fund Event and (B) determine the effective date of the relevant adjustments; or
 - (ii) select a Replacement Fund and a Substitution Date. Following any such selection (A) the Replacement Fund shall replace the affected Fund on the Substitution Date, (B) references herein to the name of the affected Fund shall be deemed to be references to the name of the Replacement Fund with effect from the Substitution Date and (C) the Issuer or the Calculation Agent on its behalf may make such adjustment as it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions in relation to the Securities to reflect such substitution; or
 - (iii) accelerate all, but not some only, of the Securities, on the date notified to Holders in accordance with General Condition 4; or

- (iv) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines are necessary to reflect a notional liquidation of all of the Fund Reference Assets (with the timing of such notional liquidations being the same timing as would be the case on an actual liquidation of Fund Reference Assets at the relevant time) and a notional investment of the liquidation proceeds in either (A) a zero coupon bond, or equivalent, such that the amount payable at redemption of such zero coupon bond is at least an amount per Security equal to the Issue Price of the Security or, where this is not possible or practicable (as determined by the Issuer or the Calculation Agent on its behalf) (B) an interest-bearing deposit bearing interest at prevailing rates that would be offered by the Issuer in respect of such a deposit as determined by the Issuer or the Calculation Agent on its behalf or, if it is not possible or practicable to comply with sub-paragraph (A) or (B) of this Product Condition 4(e)(iv) (as determined by the Issuer or the Calculation Agent on its behalf), (C) a commercial paper rated at least A1/P1 or above by Moody's Investors Service, Inc. (any transaction costs that would be incurred in respect of an actual such investment may be notionally charged to the Securities) (any of (A), (B) or (C), a "**Suspension Asset**").

Notwithstanding that the Issuer or the Calculation Agent on its behalf may have previously determined not to take a Permitted Action, or to take one Permitted Action, it shall not be prevented from subsequently or concurrently deciding to adopt an additional or different Permitted Action in respect of the same Fund Event (whether on one or any number of occasions). In such respect, the Issuer or the Calculation Agent on its behalf may make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as it determines appropriate to account for the decision subsequently or concurrently made.

Notwithstanding anything in this sub-paragraph 4(e), neither the Issuer nor the Calculation Agent is under any obligation to determine that a Fund Event has occurred or to take any or all of the Permitted Actions. Any determinations made by the Issuer or the Calculation Agent on its behalf in respect of any of the Permitted Actions shall, in the absence of manifest error, be binding.

(f) Fund Event Methodology and Determinations.

- (i) If, in respect of any determination or calculation hereunder which is made by reference to an official or estimated NAV of a Fund provided or published by or on behalf of the Fund or, where the Fund is an exchange-traded fund, the last reported trading price of the Fund Reference Asset on the Exchange in respect of a particular date, the Issuer or the Calculation Agent on its behalf determines that such value does not fairly represent the value of the Fund or Fund Reference Asset as of such date, or that no such value is provided or published, then the Issuer or the Calculation Agent on its behalf may use such other value as it determines as representing a fair NAV or price, as applicable, as of such date or, alternatively, may use a preceding official or estimated value where it believes that such preceding official or estimated value gives a fairer representation than the more recent figure.
- (ii) Should the Fund operate equalisation procedures in respect of performance or incentive-based fees, the Issuer or the Calculation Agent on its behalf may make such adjustments to these Product Conditions as the Issuer or the Calculation Agent on its behalf determines appropriate to account for such equalisation in an equitable manner and, where such equalisation procedures operate by the issuance of different classes of shares in the Fund, then each of the Issuer and the Calculation Agent is permitted to deem any notional subscription or redemption on behalf of the Securities to be in such order

and in respect of such classes as appear to it to be equitable and reasonable or to deem the return of such shares to be based on a benchmark or average of the different classes.

- (iii) For the avoidance of doubt and notwithstanding any other Condition, the Issuer and the Calculation Agent on its behalf shall be entitled to make any determination, waiver, declaration or decision with regard to a Fund Event and, without limitation, may make such determination, waiver, declaration or decision by reference to the establishment, operation and/or efficacy (whether actual or anticipated) of any Relevant Hedging Transaction. Neither the Issuer nor the Calculation Agent is under any obligation to monitor or determine whether or not a Fund Event has occurred and will not be required to, and will not be responsible for any failure to, make any determination, waiver, declaration or decision whatsoever in relation to a Fund Event. In making or omitting to make any such determination, waiver, declaration or decision, neither the Issuer nor the Calculation Agent shall be under any fiduciary duty towards the Holders and, for the avoidance of doubt, neither the Issuer nor the Calculation Agent shall be responsible for any loss, underperformance or opportunity cost suffered or incurred by Holders in connection with the Securities as a result thereof, howsoever arising. The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO MULTI-ASSET BASKET-LINKED RETRO-FINANCE NOTES II

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

1. Definitions

"Additional Fund Events" means those events specified as such in the definition of the relevant Series in the applicable Final Terms.

"Additional Market Disruption Events" means those events specified as such in the definition of the relevant Series in the applicable Final Terms.

"Agent" means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Basket" means the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Basket Constituent" means each Share, Fund (including, where the Fund is an exchange-traded fund, the Reference Asset), Index Future or Index, as the case may be, specified as such in the definition of Basket, and **"Basket Constituents"** means each or all of the Shares, Funds (including, where the Fund is an exchange-traded fund, the Reference Assets), Index Futures and Indexes as the case may be.

"Basket Constituent Currency" means, in relation to each Basket Constituent in the applicable Final Terms, the currency specified as such in the definition of the Basket.

"Basket Return" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount calculated in accordance with the following formula:

Weight of Share x Share Return + Weight of Index x Index Return + Weight of Fund x Fund Return + Weight of Index Future x Index Future Return.

"Business Day" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Coupon" means, if the Securities are interest-bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (d) **Inconvertibility/non-transferability.** The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) **Nationalisation.** Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) **Illiquidity.** It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) **Change in Law.** A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) **Imposition of Tax/Levy.** The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) **Unavailability of Settlement Currency.** The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

"Exchange" means, (i) with respect to each Share, each Index Future and each Fund which is an exchange-traded fund, the exchange or quotation system specified as such in the definition of Basket in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange or quotation system and (ii) with respect to each Index, each exchange or quotation system from which the Index Sponsor takes the prices of the shares or other securities that comprise the Index (the **"Index Shares"**) to compute the Index or any successor to such exchange or quotation system.

"Exchange Rate" means, in relation to each Basket Constituent and where applicable, the rate of exchange between the relevant Basket Constituent Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Fund" means each fund (including exchange-traded funds) specified as such in the definition of Basket in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Fund Administrator" means, in respect of the Fund, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such Fund according to the Fund Documents.

"Fund Adviser" means, in respect of any Fund, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Fund.

"Fund Documents" means, with respect to any Fund or Reference Asset, the constitutive and governing documents, subscription agreements and other agreements of the related Fund or Reference Asset specifying the terms and conditions relating to such Fund or Reference Asset and which shall include any Hedging Agreement, each as amended from time to time.

"Fund Event" means each event specified as such in Product Condition 4(g) and any Additional Fund Events specified in the definition of the relevant Series in the applicable Final Terms.

"Fund Final Reference Price" means in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms (i) the Fund Reference Price on the Valuation Date or (ii) if "Final Averaging" is specified as being "Applicable" in the definition of the relevant Series in the relevant Final Terms, an amount equal to the arithmetic mean of the Fund Reference Prices on each of the Valuation Dates.

"Fund Initial Reference Price" means, in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Fund Reference Price on the Pricing Date.

"Fund Prospectus" means the disclosure document howsoever described prepared in connection with the marketing of the Fund and, in relation to any Replacement Fund, means the disclosure document howsoever described prepared in connection with the marketing of the Replacement Fund and that, as of the Inclusion Date, was the most recent version thereof, each as amended from time to time.

"Fund Reference Price" means in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the NAV of such Fund as quoted by the fund manager or, where such Fund is an exchange-traded fund, the trading price of the Reference Asset on the Exchange, in each case at the Valuation Time on a Trading Day, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction, or (if in the determination of the Calculation Agent, no such price or NAV (as the case may be) can be determined and no Emerging Market Disruption Event or Fund Event has occurred and is continuing) an amount determined by the Calculation Agent as its estimate of the NAV of such Fund or, where such Fund is an exchange-traded fund, the trading price of the Reference Asset on the Exchange, in each case having regard to the then prevailing market conditions, the last reported NAV of such Fund or, where such Fund is an exchange-traded fund, the trading price of the Reference Asset on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4.

"Fund Return" means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount calculated by the Calculation Agent in accordance with the following formula:

Fund Final Reference Price / Fund Initial Reference Price -1.

"Fund Service Provider" means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, for that Fund, whether or not specified in the Fund Documents or the Fund Prospectus, including but not limited to any Fund Adviser, Fund Administrator, operator,

management company, depository, custodian, sub-custodian, prime broker, trustee, registrar and transfer agent or domiciliary agent.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Hedging Agreement" means any agreement, whether by way of side letter or otherwise, in respect of any hedging arrangement entered into between: (i) the Issuer, any of its affiliates or any Hedge Provider; and (ii) the Fund, the Fund Adviser, any other Fund Service Provider or the directors of the Fund.

"Inclusion Date" means (i) in respect of the Fund, the Issue Date and (ii) in respect of any Replacement Fund, means the Substitution Date of that Fund.

"Index" means each index specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Index Final Reference Price" means in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) the Index Reference Price on the Valuation Date or (ii) if "Final Averaging" is specified as being "Applicable" in the definition of the relevant Series in the relevant Final Terms, an amount equal to the arithmetic mean of the Index Reference Prices on each of the Valuation Dates.

"Index Future" means each index future specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Index Future Final Reference Price" ("IFFRP") means, in respect of each Index Future, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) the Index Future Reference Price on the Valuation Date or (ii) if "Final Averaging" is specified as being "Applicable" in the definition of the relevant Series in the relevant Final Terms, an amount equal to the arithmetic mean of the Index Future Reference Prices on each of the Valuation Dates.

"Index Future Initial Reference Price" ("IFIRP") means, in respect of each Index Future, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Index Future Reference Price on the Pricing Date.

"Index Future Price" means in respect of each Index Future, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the current price of the Index Future. For the avoidance of any doubt, this shall not be the futures contract value but the futures contract value divided by the applicable contract factor (the value of 1.0 futures point) specified on the applicable Bloomberg page referred to in the definition of the Basket, and if no such page reference exists, such other page reference as the Calculation Agent determines.

"Index Future Reference Price" means, in respect of each Index Future, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the Index Future Price quoted on the Exchange at the Valuation Time on a Trading Day as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the closing Index Future Price on such date having regard to the then prevailing market conditions, the last reported Index Future Price on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4.

"Index Future Return" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount calculated by the Calculation Agent in accordance with the following formula:

$$\text{Index Future Final Reference Price} / \text{Index Future Initial Reference Price} - 1.$$

"Index Initial Reference Price" means, in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Index Reference Price on the Pricing Date.

"Index Reference Price" means in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on a

Trading Day, as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price of the Index Shares and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4.

"Index Return" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount calculated by the Calculation Agent in accordance with the following formula:

Index Final Reference Price / Index Initial Reference Price - 1.

"Index Sponsor" means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, the date specified as such in the notice delivered by the Issuer in accordance with Product Condition 3(b) and, if such day is not a Trading Day, means the first succeeding Trading Day unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

- (a) a Market Disruption Event has occurred on that day with respect to any Basket Constituent in which case the Issuer Call Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Market Disruption Event unless the Issuer or the Calculation Agent on its behalf determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Issuer Call Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Market Disruption Event); and (ii) the Issuer or the Calculation Agent on its behalf shall determine the Issuer Call Cash Amount having regard to the then prevailing market conditions, the last reported trading price of the Basket Constituent or, where the Basket Constituent is an exchange-traded fund, the last reported trading price of the Reference Asset on the Exchange, and such other factors as the Issuer or the Calculation Agent on its behalf deems relevant; or
- (b) a Fund Event has occurred on any such day, in which case the provisions of Product Condition 4(h) shall apply and the Issuer Call Date shall be adjusted accordingly;

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Merger Event" means, in respect of any relevant shares, units or interests issued by a Relevant Party, any (i) reclassification or change of such shares, units or interests that results in a transfer of or an irrevocable commitment to transfer all of such shares, units or interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of such Relevant Party with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Party is the continuing entity and which does not result in a reclassification or change of all of such shares, units or interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding shares, units or interests of such Relevant Party that results in a transfer of or an irrevocable commitment to transfer all such shares, units or interests (other than such shares, units or interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Relevant Party or its subsidiaries with or into another entity in which the Relevant Party is the continuing entity and which does not result in a reclassification or change of all such shares, units or interests outstanding but results in the outstanding shares, units or interests (other than shares, units or interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding shares, units or interests immediately following such event.

"NAV" means net asset value.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Participation" means the amount specified as such in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open.

"Portfolio Guidelines" means the investment guidelines and restrictions specified in respect of a Fund and as set out in the relevant Fund Prospectus and/or the relevant Fund Documents.

"Pricing Date" means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer or the Calculation Agent on its behalf in adverse market conditions if, in the opinion of the Issuer or the Calculation Agent on its behalf, circumstances so required.

"Reference Asset" means the relevant interests specified as such in the definition of the relevant Series in the Applicable Final Terms, subject to Product Condition 4 or, where the Reference Asset is not specified in the definition of the relevant Series in the applicable Final Terms and the Fund is not an exchange-traded fund, the relevant interests in each Fund, subject to Product Condition 4.

"Related Exchange" means in respect of each Share, Index Future, Index or each Fund which is an exchange-traded fund, an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Shares, Index Futures, Index or Funds are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("**ADR**") or Global Depositary Receipt ("**GDR**"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Relevant Party" means each of the Fund and the Fund Adviser.

"Replacement Fund" means, in relation to a Fund, the fund selected by the Issuer or the Calculation Agent on its behalf to replace that Fund in accordance with Product Condition 4(h)(ii). Such Replacement Fund will have a similar risk profile as the Fund replaced, as determined by the Issuer or the Calculation Agent on its behalf.

"Securities" means each Series of the notes specified in the applicable Final Terms and each such note a "**Security**". References to the terms "**Securities**" and "**Security**" shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the third Business Day following the Valuation Date or Issuer Call Date, as applicable.

"Share" means each share specified as such in the definition of Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4 and "**Shares**" shall be construed accordingly.

"Share Company" means for each Share, the share company specified as such in the applicable Final Terms, subject to Product Condition 4.

"Share Final Reference Price" means in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) the Share Reference Price on the Valuation Date or (ii) if "Final Averaging" is specified as being "Applicable" in the relevant Final Terms, an amount equal to the arithmetic mean of each of the Share Reference Prices on each of the Valuation Dates.

"Share Initial Reference Price" means, in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Share Reference Price on the Pricing Date.

"Share Reference Price" means in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the price determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction unless, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing an amount determined by the Calculation Agent as its good faith estimate of the price of the Share on such date having regard to the then prevailing market conditions, the last reported trading price of such Share on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4.

"Share Return" means in respect of each Share, unless specified otherwise in the applicable Final Terms, an amount calculated in accordance with the following formula:

Share Final Reference Price / Share Initial Reference Price - 1.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Substitution Date" means, in relation to a Fund, the date selected by the Issuer or the Calculation Agent on its behalf for the replacement of the Fund by a Replacement Fund.

"Trading Day" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) with respect to each Share or Index Future, any day that is (or but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time, (ii) with respect to a Fund, any day (or, but for the occurrence of a Fund Event, would have been a day) on which trading in the Fund or the Reference Asset, as applicable, can take place and (iii) with respect to an Index, any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules.

"Valuation Date" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Trading Day, the next following Trading Day, unless, in the determination of the Issuer or the Calculation Agent on its behalf, either:

- (a) a Market Disruption Event has occurred on that day with respect to any Basket Constituent, in which case the Valuation Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Market Disruption Event unless the Issuer or the Calculation Agent on its behalf determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (ii) the Issuer or the Calculation Agent on its behalf shall determine the Cash Amount having regard to the then prevailing market conditions, the last reported trading price of the Basket Constituent and such other factors as the Issuer or the Calculation Agent on its behalf determines to be relevant; or
- (b) a Fund Event has occurred on that day in which case the provisions of Product Condition 4(h) shall apply and the Valuation Date shall be adjusted accordingly;

"Valuation Time" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) with respect to each Index the time with reference to which the Index Sponsor calculates the closing level of the Index, (ii) with respect to each Share or Index Future the official close of trading on the relevant Exchange and (iii) with respect to each Fund (other than those Funds which are exchange-traded funds) the time with reference to which the fund manager publishes

the NAV or value and (iv) with respect to Funds which are exchange-traded funds the time specified as such in the definition of the relevant series in the applicable Final Terms. Or, such other time as the Issuer or the Calculation Agent on its behalf may select and notify to Holders in accordance with General Condition 4.

"Weight" means, for each Basket Constituent, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

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

2. Form

- (a) **Global Form.** Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form and represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term **"Holder"** shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the **"Rules"**). Accordingly, in these Conditions, the term **"Holder"** means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) **Redemption on the Settlement Date.** Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) **Issuer Call.** If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) **Interest Amount.** If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) **Interest Accrual.** If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after

the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event or Fund Event, as applicable.

- (e) **Payment Day.** If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) **General.** In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) **Presentation and Surrender.** The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) **Market Disruption in relation to a Share.** The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(a), a "**Market Disruption Event**" means:

- (i) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise);

- (A) in the Shares on the Exchange or any other exchange on which the Shares are listed; or
- (B) in any options contracts or futures contracts or other derivatives contracts relating to the Shares on any Related Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (ii) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (b) Market Disruption in relation to an Index. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(b) a "**Market Disruption Event**" means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or Relevant Exchange is located or (ii) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

- (i) on any Exchange(s) in securities that comprise 20 per cent. or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
- (ii) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index. In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.
- (c) Market Disruption in relation to an Index Future. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. In this Product Condition 4(c), a Market Disruption Event means:
 - (i) Price Source Disruption. The failure by the Exchange to announce or publish the Index Future Price (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Exchange on a Valuation Date; or
 - (ii) Trading Suspension. The material suspension of trading on the Exchange or any Related Exchange; or

- (iii) Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of the Index Future on the Exchange; or
 - (iv) Material Change in Formula. The occurrence, since the Pricing Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of, calculating the Index Future Price; or
 - (v) Material Change in Content. The occurrence, since the Pricing Date, of a material change in the content or composition of the Index Future Price; or
 - (vi) De Minimis Trading. The number of contracts traded on the Exchange with respect to the Index Future is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Index Future has been impaired due to a lack of, or a material reduction in, trading in the Index Future on the Exchange; or
 - (vii) Tax Disruption. The imposition of, change in, or removal of, an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the Index Future (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Pricing Date, if the direct effect of such imposition, change or removal is to raise or lower the Index Future Price on a Valuation Date and/or on each of the three Trading Days following a Valuation Date from what it would have been without that imposition, change or removal; or
 - (viii) Trading Limitation. The material limitation imposed on trading in the Index Future with respect to it or any contract with respect to it on any exchange or principal trading market; or
 - (ix) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located; or
 - (x) Other Events. Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (d) Potential Adjustment Events in relation to a Share. Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:
- (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
 - (ii) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

"Potential Adjustment Event" in this Product Condition 4(d) means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of such Shares to existing holders of the relevant Shares by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to existing holders of the relevant Shares of (aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment

(cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than eight per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

- (e) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the Issuer in its sole and absolute discretion may take the action described in (i), (ii) or (iii) below:
- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or
 - (ii) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or
 - (iii) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

Upon the occurrence of a De-listing, Merger Event, Nationalisation or Insolvency, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the occurrence of such De-listing, Merger Event, Nationalisation or

Insolvency (as the case may be) and the action proposed to be taken in relation thereto.

"De-listing", in this Product Condition 4(e) only, means a Share for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchange on which the Shares are listed (and such cessation or suspension is continuing and such Share is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

"Merger Event", in this Product Condition 4(e) only, means any (A) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of outstanding Shares; (B) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares); or (C) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of, or an irrevocable commitment to transfer, a majority of the voting power in the Share Company to the offeror, in each case if the Merger Date is on or before the relevant Valuation Date.

"Nationalisation" means that all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company (A) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or (B) holders of the Shares of that Share Company become legally prohibited from transferring them.

- (f) Potential Adjustment Events in relation to an Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (i), (ii), (iii) or (iv) below. In this Product Condition 4(f) **"Potential Adjustment Event"** means:

- (i) If any Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the **"Successor Sponsor"**) acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index, then (in either case) the relevant Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
- (ii) If (A) on or prior to the relevant Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating any Index or in any other way materially modifies an Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or (B) on or prior to the relevant Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish any Index; then (in either case) the Calculation Agent shall determine the Index Final Reference Price using, in lieu of a published level for the relevant Index on the relevant Valuation Date, the level for the relevant Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the relevant Index last in effect prior to the change or failure, but using only those securities that comprised the relevant Index immediately prior to the

change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so calculated and announced or shall terminate the Securities by giving notice in accordance with General Condition 4.

- (iii) If, at any time, any of the events specified in (A) to (H) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the relevant Index in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the relevant Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Index Shares of (aa) the Index Shares; or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Index Shares equally or proportionately with such payments to holders of Index Shares or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Index Shares to existing holders of the Index Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Index Shares at a time when the relevant issuer of the Index Shares has not previously declared or paid dividends on such Index Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Index Shares at a time when the relevant issuer of the Index Shares has not previously declared or paid dividends on such Index Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Index Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Index Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the relevant Valuation Date; (G) a distribution of cash dividends on the Index Shares equal to or greater than eight per cent. per annum of the then current market value of the Index Shares; and (H) any other similar event having a dilutive or concentrative effect on the theoretical value of the Index Shares.
- (iv) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange.
- (g) Fund Events. Each of the following events constitutes a "Fund Event". The Fund Events are for the benefit of the Issuer in order that the Issuer is protected against any adverse effects of such Fund Events on its Hedge Position. The Issuer, or the Calculation Agent on its behalf, shall make all determinations in respect of such Fund Events including as to whether such Fund Event has occurred and the effective date of such occurrence. In order to constitute a Fund Event, the Issuer or the Calculation Agent on its behalf must conclude that the event in question either has resulted or is reasonably likely to result in an adverse effect on the value of the Reference Assets

or the NAV of the Fund or on the rights of any investor therein with respect to the Reference Assets or the Fund or otherwise has materially adversely affected its Hedge Position.

- (i) Global Events:
 - (A) Any of: (aa) the investment strategy and/or the investment objective of the Fund has changed so that it is materially different from that applicable at its Inclusion Date or (bb) a material change has been made to the underlying nature, strategy or risk of the Fund's portfolio from that which prevailed at its Inclusion Date and that is over and above that expected by the Issuer or the Calculation Agent on its behalf as of the Inclusion Date with respect to the trading strategies employed by the Fund as of that date or (cc) the operation or organisation of the Fund or the Fund Adviser (including, without limitation, its organisational structure and its procedures, processes or policies in respect of investment selection, due diligence, asset allocation, risk management or investment monitoring) has changed from that at the Inclusion Date or is other than as represented at such Inclusion Date or (dd) any such procedures, processes or policies as are referred to in (cc) above are either not being applied or are not being applied consistently with their application on the Inclusion Date or (ee) an event or change affecting any of the structure, ownership, management or reputation or liquidity of the Fund or the Reference Assets and/or any other units in the capital of the Fund and/or any Fund Service Provider occurs or (ff) any other amendments, changes, modifications or variations are made after the Inclusion Date to any of the Fund Documents, the Fund Prospectus or the Portfolio Guidelines.
 - (B) (aa) The Fund is not being managed in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date, and no action satisfactory to the Issuer or the Calculation Agent on its behalf has been taken by the Fund or any person on its behalf with a view towards correcting such breach within five calendar days from the date on which the Fund was notified of the breach, or (bb) any event occurs which causes, or will with the passage of time (in the opinion of the Issuer or the Calculation Agent on its behalf) cause, the failure of the Fund and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents.
 - (C) The Issuer or the Calculation Agent on its behalf determines that (aa) the obligations of any of the Fund or any Fund Service Provider or the directors of the Fund under any Hedging Agreement do not comprise legal, valid and binding obligations of such person, enforceable in accordance with their terms or (bb) any of the Fund or any Fund Service Provider was acting outside its powers or authority in executing any Hedging Agreement or in making any agreement or undertaking therein. Each of (aa) and (bb) shall be conclusively presumed to be the case if the Issuer or the Calculation Agent on its behalf is advised that such is the case by reputable legal counsel having expertise in such matters.
 - (D) The activities of the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents are placed under review or become subject to any investigation, proceeding or litigation by any relevant governmental, legal, administrative or regulatory authority or court of competent jurisdiction and/or are subject to any charges or actions by any governmental, legal, administrative or regulatory authority for reasons of wrongdoing, suspected wrongdoing, alleged engagement

in fraudulent activities, breach of any rule or regulation or other similar reason and/or the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents have any of their respective registrations, approvals, authorisations, licences or memberships with any administrative or regulatory authorities revoked, suspended, terminated, limited or qualified.

- (E) Written notification is given by the Fund or any Fund Service Provider (or any person acting on behalf thereof) to holders of Reference Assets or to the Fund Administrator of a proposed cessation of operation of the Fund or the Fund or any Fund Service Provider (aa) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation; (bb) makes a general assignment or arrangement with or for the benefit of its creditors; (cc) (I) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (II) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in Product Condition 4(g)(i)(E)(cc)(I) above and in the case of this Product Condition 4(g)(i)(E)(cc)(II) either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (dd) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a substantial part of its assets; (ee) any security granted by the Fund or any Fund Service Provider over any of its assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Issuer or the Calculation Agent on its behalf is comparable to security over any such assets (including without limitation any repurchase agreement or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repurchase agreement, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or capable of early termination by reason of any event of default (howsoever described) relating to the Fund or the relevant Fund Service Provider; or (ff) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in Product Condition 4(g)(i)(E)(aa) through 4(g)(i)(E)(ff) above.
- (F) The Fund or any Fund Service Provider becomes party to any litigation or dispute.
- (G) Any Merger Event occurs or is threatened.
- (H) The Fund or any Fund Service Provider has experienced or is experiencing a material adverse change in its business, assets, operations or financial condition which adversely impacts its

ability to provide services to the Fund and/or the quality of such services.

- (I) In respect of any Reference Assets, any fraudulent or negligent entry is made on the register of such Reference Assets maintained by or on behalf of the Fund or there is a reduction in the number of such Reference Assets held for the account of any investor in the Fund for reasons beyond the control of that investor.
- (J) (aa) Any change occurs in the legal, tax, accounting or regulatory treatment of (I) the Issuer, any of its affiliates or any Hedge Provider by reason of its investment in the Fund or the Reference Assets or (II) the Fund or any Fund Service Provider, in each case from that which was applicable at the Inclusion Date or (bb) the Issuer or the Calculation Agent on its behalf determines that any of Issuer, its affiliates or any Hedge Provider, is or may in the future be unable, or it may be unduly onerous or impractical for any such entity, to perform any obligation (including, without limitation, any regulatory or accounting reporting obligation) imposed on any such entity by the law or regulation of any relevant jurisdiction, any relevant regulatory or administrative body or any court of competent jurisdiction, in each case by reason of its investment in the Fund or the Reference Assets or (cc) the Issuer, any of its affiliates or any Hedge Provider deems it necessary or appropriate, in order to comply with or remain within (I) any applicable legal and/or regulatory limits on the amounts of Reference Assets that it may hold and/or (II) any internal exposure limits governing the maximum exposure (direct and indirect) that the Issuer, any relevant affiliate or the Hedge Provider, as the case may be, is permitted to have to the Fund, to redeem all or some of the Reference Assets held by them.
- (K) A cross-contamination or other failure effectively to segregate the portfolio of assets occurs between different series, classes and/or sub-funds in relation to the Fund (if the Fund is part of an umbrella structure with more than one sub-fund).
- (L) A significant market, trading or exchange disruption and/or crisis in the major financial markets occurs.
- (ii) NAV/Price and Reporting:
 - (A) There is (aa) a failure to calculate and/or publish the NAV of the Fund on any day on which such calculation or publication was scheduled to be made in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (bb) a failure to calculate and publish the NAV of the Fund with the frequency set out in the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (cc) where the Fund is an exchange-traded fund, a failure to publish the trading price of the Reference Assets on the Exchange.
 - (B) (aa) Any change is made to the methodology used for calculating either the NAV of the Fund or any estimate of the NAV of the Fund from that which prevailed on the Inclusion Date or (bb) there is a failure to calculate and deliver any estimate of the NAV of the Fund in accordance with the timing within which such information has previously been provided to the Issuer, the Calculation Agent, any of its affiliates or any Hedge Provider.
 - (C) (aa) The time delay between calculation of the NAV (or any estimated NAV) of the Fund and the publication of such NAV (or estimated NAV) is changed so that it is no longer the same as set out in the Fund Prospectus as it prevailed on the Inclusion Date or

(bb) any other information relating to the Fund that was specified to be published in accordance with the Fund Documents or the Fund Prospectus as they respectively prevailed on the Inclusion Date is not published in accordance with the timetable therefor set out in such documents.

(D) The audited NAV of the Fund varies by more than 0.50 per cent. from the related NAV previously published by or on behalf of the Fund, or the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund, or the Issuer or the Calculation Agent on its behalf considers that the unaudited official NAV of the Fund published by or on behalf of the Fund in respect of any date does not reflect the NAV of such Fund as it would have been determined by the independent auditors of that Fund using the generally accepted accounting standards adopted by the Fund.

(E) (aa) In respect of any Reference Asset, the occurrence of any event affecting such Reference Asset that, in the determination of the Issuer or the Calculation Agent on its behalf, would make it impossible or impracticable for the Issuer or the Calculation Agent to determine the value of such Reference Asset, and the Issuer or the Calculation Agent on its behalf determines that such event will not be, or has not been, resolved within 15 calendar days from the occurrence of such event; (bb) any failure of the Fund, any Fund Service Provider or any director of the Fund to deliver, or cause to be delivered, (I) information that such person has agreed to deliver, or cause to be delivered, to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider in respect of the Fund (including, without limitation, any information required by the Issuer or the Calculation Agent in the execution of its duties and obligations under the Securities or required by the Issuer or the Calculation Agent in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities) or (II) information that has been previously delivered to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider, in accordance with such person's, or its authorised representative's, normal practice and that the Issuer or the Calculation Agent deems necessary for it to perform its duties and obligations under the Securities or that the Issuer or the Calculation Agent deems is required by it in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities (including, in either case, monitoring the Fund's compliance with any Portfolio Guidelines, asset allocation methodologies, the occurrence of any Fund Event or any other similar policies relating to such Reference Assets).

(iii) Reference Assets:

Any of the following events relating to the Reference Assets occurs:

- (A) a subdivision, reclassification or distribution of Reference Assets which has a diluting or concentrative or other effect on the value (theoretical or otherwise) of the Reference Assets;
- (B) a portion of each Reference Asset is converted (whether by way of redemption and re-issue or otherwise) into new securities participating in the capital of the Fund, which securities are subject to lock-up periods during which they may not be redeemed and which relate to any segregated assets of the Fund, or the Fund creates any other form of "side-pocket" which affects the Reference Assets;

- (C) a (aa) dividend (including cash and whether ordinary or extraordinary), (bb) distribution or (cc) issue of Reference Assets, capital, securities, rights or other assets or interests to existing holders of Reference Assets which has or is likely to have an adverse effect on the value (theoretical or otherwise) of the Reference Assets;
 - (D) any suspension or limitation on the trading of the relevant currencies in which the Reference Assets are denominated or any amendment to the currency of denomination of the Reference Assets so that their price is no longer calculated in the same currency as at the Inclusion Date of the Fund; or
- (iv) Trading and Fees:
- (A) In respect of the Reference Assets, the Fund or any Fund Service Provider increases the level of any redemption fee, subscription fee, management fee, performance fee or a bid/offer spread (or other charge however described) above the level that would have been applicable to any Reference Assets held by any of the Issuer, any affiliate of the Issuer or any Hedge Provider on the Inclusion Date (regardless of whether any such person actually holds any Reference Assets as of such date).
 - (B) Any suspension of or limitation imposed on trading of the Fund or on trading in the Reference Assets (for any reason, including, without limitation, by reason of liquidity restrictions) or any dealing request made by any investor or prospective investor in the Fund or the Reference Assets is deferred in whole or in part or is made at a value other than the related NAV or price, as applicable.
 - (C) The frequency at which Reference Assets can be traded is amended or the timing for subscription or redemption of Reference Assets is amended, in each case so that it is no longer that specified in the Fund Documents and/or Fund Prospectus as they prevailed on the Inclusion Date, including, without limitation, an amendment to the timetable for payment of redemption proceeds upon redemption.
 - (D) If any of the Issuer, any of its affiliates or any Hedge Provider redeems Reference Assets or is entitled to any other amount and:
 - (aa) does not receive the full proceeds of such redemption or amount in cash in accordance with the timing set out in the Fund Documents or the Fund Prospectus; or
 - (bb) receives any in-kind distribution in full or part satisfaction of the redemption proceeds or such other amount paid or payable to it,
 or the Issuer or the Calculation Agent on its behalf determines that either (aa) or (bb) above would be applicable were the Issuer, any of its affiliates or any Hedge Provider to redeem Reference Assets or be entitled to actual payment of any such other amount.
- (v) Fund Adviser and Fund Service Provider Failures:
- (A) The Fund Adviser indicates or acknowledges that in its opinion the strategy/investment objective of the Fund will not be, or is no longer able to be, met.
 - (B) Any representations, covenants or agreements of the Fund Adviser under the investment management agreement or investment advisory agreement (howsoever described) relating to the Fund have been breached and not cured.

- (C) Any of: (aa) the resignation, termination of appointment or replacement of the Fund Adviser from its role as such occurs or the resignation, termination of appointment or replacement of any other Fund Service Provider from its role as such occurs with respect to the Fund or (bb) any change in the personnel of any Fund Service Provider occurs which the Issuer or the Calculation Agent on its behalf considers materially adversely affects the ability of such Fund Service Provider to carry out its duties with respect to the Fund.
- (D) The Issuer or the Calculation Agent on its behalf becomes aware of any failure by the Fund or any person on its behalf to disclose to the Issuer or the Calculation Agent on its behalf, on or before the Inclusion Date, any information, event or circumstance that was in existence on such date and that would have been necessary to enable the Issuer or the Calculation Agent to make an informed assessment of the assets and liabilities, financial position and prospects of the Fund and of the rights attaching to the Reference Assets.
- (vi) General: Any other event occurs which the Issuer or the Calculation Agent on its behalf determines is analogous to any of the events specified in sub-paragraphs (i) to (v) above.
- (h) Consequences of a Fund Event. In respect of each Fund Event, following the occurrence of such an event (and regardless of whether or not such event is then continuing) the Issuer or the Calculation Agent on its behalf may take any of following actions (each, a "**Permitted Action**"):
 - (i) (A) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines appropriate to account for the economic effect on the Securities of such Fund Event and (B) determine the effective date of the relevant adjustments; or
 - (ii) select a Replacement Fund and a Substitution Date. Following any such selection (A) the Replacement Fund shall replace the affected Fund on the Substitution Date, (B) references herein to the name of the affected Fund shall be deemed to be references to the name of the Replacement Fund with effect from the Substitution Date and (C) the Issuer or the Calculation Agent on its behalf may make such adjustment as it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions in relation to the Securities to reflect such substitution; or
 - (iii) accelerate all, but not some only, of the Securities, on the date notified to Holders in accordance with General Condition 4; or
 - (iv) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines are necessary to reflect a notional liquidation of all of the Reference Assets (with the timing of such notional liquidations being the same timing as would be the case on an actual liquidation of Reference Assets at the relevant time) and a notional investment of the liquidation proceeds in either (A) a zero coupon bond, or equivalent, such that the amount payable at redemption of such zero coupon bond is at least an amount per Security equal to the Issue Price of the Security or, where this is not possible or practicable (as determined by the Issuer or the Calculation Agent on its behalf) (B) an interest-bearing deposit bearing interest at prevailing rates that would be offered by the Issuer in respect of such a deposit as determined by the Issuer or the Calculation Agent on its behalf or, if it is not possible or practicable to comply with sub-paragraphs (A) or (B) of this

Product Condition 4(h)(iv) (as determined by the Issuer or the Calculation Agent on its behalf), (C) commercial paper rated at least A1/P1 or above by Moody's Investors Service, Inc. (any transaction costs that would be incurred in respect of an actual such investment may be notionally charged to the Securities) (any of (A), (B) or (C), a "**Suspension Asset**").

Notwithstanding that the Issuer or the Calculation Agent on its behalf may have previously determined not to take a Permitted Action, or to take one Permitted Action, it shall not be prevented from subsequently or concurrently deciding to adopt an additional or different Permitted Action in respect of the same Fund Event (whether on one or any number of occasions). In such respect, the Issuer or the Calculation Agent on its behalf may make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as it determines appropriate to account for the decision subsequently or concurrently made.

Notwithstanding anything in this sub-paragraph 4(h), neither the Issuer nor the Calculation Agent is under any obligation to determine that a Fund Event has occurred or to take any or all of the Permitted Actions. Any determinations made by the Issuer or the Calculation Agent on its behalf in respect of any of the Permitted Actions shall, in the absence of manifest error, be binding.

(i) Fund Event Methodology and Determinations:

- (i) If, in respect of any determination or calculation hereunder which is made by reference to an official or estimated NAV of a Fund provided or published by or on behalf of the Fund or, where the Fund is an exchange-traded fund, the last reported trading price of the Reference Asset on the Exchange in respect of a particular date, the Issuer or the Calculation Agent on its behalf determines that such value does not fairly represent the value of the Fund or Reference Asset as of such date, or that no such value is provided or published, then the Issuer or the Calculation Agent on its behalf may use such other value as it determines as representing a fair NAV or price, as applicable, as of such date or, alternatively, may use a preceding official or estimated value where it believes that such preceding official or estimated value gives a fairer representation than the more recent figure.
- (ii) Should the Fund operate equalisation procedures in respect of performance or incentive-based fees, the Issuer or the Calculation Agent on its behalf may make such adjustments to these Product Conditions as the Issuer or the Calculation Agent on its behalf determines appropriate to account for such equalisation in an equitable manner and, where such equalisation procedures operate by the issuance of different classes of shares in the Fund, then each of the Issuer and the Calculation Agent is permitted to deem any notional subscription or redemption on behalf of the Securities to be in such order and in respect of such classes as appear to it to be equitable and reasonable or to deem the return of such shares to be based on a benchmark or average of the different classes.
- (iii) For the avoidance of doubt and notwithstanding any other Condition, the Issuer and the Calculation Agent on its behalf shall be entitled to make any determination, waiver, declaration or decision with regard to a Fund Event and, without limitation, may make such determination, waiver, declaration or decision by reference to the establishment, operation and/or efficacy (whether actual or anticipated) of any Relevant Hedging Transaction. Neither the Issuer nor the Calculation Agent is under any obligation to monitor or determine whether or not a Fund Event has occurred and will not be required to, and will not be responsible for any failure to, make any determination, waiver, declaration or decision whatsoever in relation to a Fund Event. In making or omitting to make any such determination, waiver, declaration or decision, neither the Issuer nor the Calculation Agent shall be

under any fiduciary duty towards the Holders and, for the avoidance of doubt, neither the Issuer nor the Calculation Agent shall be responsible for any loss, underperformance or opportunity cost suffered or incurred by Holders in connection with the Securities as a result thereof, howsoever arising.

- (j) Adjustments to the Basket. If a De-Listing occurs with respect to a Fund or a Share, as applicable, or a Fund or a Share, as applicable, is for any reason cancelled or ceases to exist, the Calculation Agent may determine in its sole discretion to either (A) replace the de-listed or cancelled Fund or Share, as applicable, by a successor fund or share, as applicable, which has in the determination of the Calculation Agent the same or substantially similar structure and a substantially similar economic impact, and is linked to the same asset as such Fund or Share, as applicable, (B) remove the de-listed or cancelled Fund or Share, as applicable, and allocate the Fund Final Reference Price or Share Final Reference Price, as applicable, of such Fund or Share, as applicable, as of the effective date of the de-listing or cancellation, pro rata to the remaining Funds or Shares, as applicable, or (C) make such other adjustments to the Conditions as the Calculation Agent sees fit, acting in its absolute discretion.

The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made pursuant to the foregoing paragraph.

"De-listing" means, for the purpose of the foregoing paragraph, a Basket Constituent for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchanges on which the Basket Constituents are listed (and such cessation or suspension is continuing and such Basket Constituent is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

- (k) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO MULTI-ASSET BASKET-LINKED RETRO-FINANCE NOTES III

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

1. Definitions

"Additional Fund Events" means those events specified as such in the definition of the relevant Series in the applicable Final Terms.

"Additional Market Disruption Events" means those events specified as such in the definition of the relevant Series in the applicable Final Terms.

"Agent" means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Basket" means the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Basket Constituent" means each Certificate, Commodity, FX Rate, Share, Fund (including, where the Fund is an exchange-traded fund, the Reference Asset) or Index, as the case may be, specified as such in the definition of Basket, and **"Basket Constituents"** means each or all of the Certificates, Commodities, FX Rates, Shares, Funds (including, where the Fund is an exchange-traded fund, the Reference Assets) and Indexes as the case may be.

"Basket Constituent Currency" means, in relation to each Basket Constituent in the applicable Final Terms, the currency specified as such in the definition of the Basket.

"Basket Return" means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Business Day" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Certificate" means each certificate specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Certificate Final Reference Price" ("CertFRP") means in respect of each Certificate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Certificate Reference Price on the Valuation Date.

"Certificate Initial Reference Price" ("CertIRP") means, in respect of each Certificate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Certificate Reference Price on the Pricing Date.

"Certificate Reference Price" means in respect of each Certificate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to the price of the Certificate at the Valuation Time on a Trading Day, as determined by or on behalf of the Calculation Agent without regard to any

subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the price of the Certificate on such date having regard to the then prevailing market conditions, the last reported trading price of the Certificate on the Exchange and such other factors as the Calculation Agent determines to be relevant.

"Certificate Return" means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Commodity" means each commodity specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Commodity Final Reference Price" (**"CFRP"**) means in respect of each Commodity, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Commodity Reference Price on the Valuation Date.

"Commodity Initial Reference Price" (**"CIRP"**) means, in respect of each Commodity, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Commodity Reference Price on the Pricing Date.

"Commodity Reference Price" means in respect of each Commodity, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to the price of the Commodity at the Valuation Time on a Trading Day, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the price of the Commodity on such date having regard to the then prevailing market conditions, the last reported trading price of the Commodity on the Exchange and such other factors as the Calculation Agent determines to be relevant.

"Commodity Return" means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Coupon" means, if the Securities are interest-bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

"Exchange" means, (i) with respect to each Certificate, Commodity, Fund which is an exchange-traded fund or Share, the exchange or quotation system specified as such in the definition of Basket in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange or quotation system and (ii) with respect to each Index, each exchange or quotation system from which the Index Sponsor takes the prices of the shares that comprise the Index (the **"Index Shares"**) to compute the Index or any successor to such exchange or quotation system.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Exchange Rate" means, in relation to each Basket Constituent and where applicable, the rate of exchange between the relevant Basket Constituent Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Form" means Global.

"Fund" means each fund (including exchange-traded funds) specified as such in the definition of **"Basket"** in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Fund Administrator" means, in respect of the Fund, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such Fund according to the Fund Documents.

"Fund Adviser" means, in respect of any Fund, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Fund.

"Fund Documents" means, with respect to any Fund or Reference Asset, the constitutive and governing documents, subscription agreements and other agreements of the related Fund or Reference Asset specifying the terms and conditions relating to such Fund or Reference Asset and which shall include any Hedging Agreement, each as amended from time to time.

"Fund Event" means each event specified as such in Product Condition 4(j) and any Additional Fund Event specified in the definition of the relevant Series in the applicable Final Terms.

"Fund Final Reference Price" ("FFRP") means in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Fund Reference Price on the Valuation Date.

"Fund Initial Reference Price" ("FIRP") means, in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms the Fund Reference Price on the Pricing Date.

"Fund Prospectus" means the disclosure document howsoever described prepared in connection with the marketing of the Fund and, in relation to any Replacement Fund, means the disclosure document howsoever described prepared in connection with the marketing of the Replacement Fund and that, as of the Inclusion Date, was the most recent version thereof, each as amended from time to time.

"Fund Reference Price" means in respect of each Fund, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the NAV of such Fund as quoted by the fund manager or, where such Fund is an exchange-traded fund, the trading price of the Reference Asset on the Exchange, in each case at the Valuation Time on a Trading Day, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction, or (if in the determination of the Calculation Agent, no such price on NAV (as the case may be) can be determined and no Emerging Market Disruption Event or Fund Event has occurred and is continuing) an amount determined by the Calculation Agent as its estimate of the NAV of such Fund or, where such Fund is an exchange-traded fund, the trading price of the Reference Asset on the Exchange, in each case having regard to the then prevailing market conditions, the last reported NAV of such Fund or, where such Fund is an exchange-traded fund, the trading price of the Reference Asset on the Exchange and such other factors as the Calculation Agent determines relevant.

"Fund Return" means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Fund Service Provider" means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, for that Fund, whether or not specified in the Fund Documents or the Fund Prospectus, including but not limited to any Fund Adviser, Fund Administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar and transfer agent or domiciliary agent.

"FX Rate" means each rate of exchange specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, as determined by the Calculation Agent by reference to the Screen Page (if any) or to such other sources as the Calculation Agent may reasonably determine to be appropriate at such time, subject to Product Condition 4.

"FX Rate Final Reference Price" ("FXFRP") means in respect of each FX Rate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the FX Rate Reference Price on the Valuation Date.

"FX Rate Initial Reference Price" ("FXIRP") means, in respect of each FX Rate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the FX Rate Reference Price on the Pricing Date.

"FX Rate Reference Price" means in respect of each FX Rate, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to the FX Rate at the Valuation Time on a Trading Day, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the FX Rate on such date having regard to the then prevailing market conditions, the last reported FX Rate and such other factors as the Calculation Agent determines to be relevant.

"FX Rate Return" means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Government Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Hedging Agreement" means any agreement, whether by way of side letter or otherwise, in respect of any hedging arrangement entered into between: (a) the Issuer, any of its affiliates or any Hedge Provider, and (b) the Fund, the Fund Adviser, any other Fund Service Provider or the directors of the Fund.

"Inclusion Date" means (i) in respect of the Fund, the Issue Date and (ii) in respect of any Replacement Fund, means the Substitution Date of that Fund.

"Index" means each index specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Index Final Reference Price" ("IFRP") means in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Index Reference Price on the Valuation Date.

"Index Initial Reference Price" ("IIRP") means, in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Index Reference Price on the Pricing Date.

"Index Reference Price" means in respect of each Index, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on a Trading Day, as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price of the Index Shares and such other factors as the Calculation Agent determines relevant.

"Index Return" means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Index Sponsor" means the corporation or other entity that (i) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Index and (ii) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day and references to Index Sponsor shall include any successor index sponsor pursuant to Product Condition 4.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, the date specified as such in the notice delivered by the Issuer in accordance with Product Condition 3 and, if such day is not a Trading Day, means the first succeeding Trading Day unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

- (a) a Market Disruption Event has occurred on that day with respect to any Basket Constituent in which case the Issuer Call Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Market Disruption Event unless the Issuer or the Calculation Agent on its behalf determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Issuer Call Date. In that case (A) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Market Disruption Event) and (B) the Issuer or the Calculation Agent on its behalf shall determine the Issuer Call Cash Amount having regard to the then prevailing market conditions, the last reported trading price of the Basket Constituent or, where the Basket Constituent is an exchange-traded fund, the last reported trading price of the Reference Asset on the Exchange, and such other factors as the Issuer or the Calculation Agent on its behalf deems relevant; or
- (b) a Fund Event has occurred on any such day, in which case the provisions of Product Condition 4(k) shall apply and the Issuer Call Date shall be adjusted accordingly;

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Merger Event" means, in respect of any relevant shares, units or interests issued by a Relevant Party, any (i) reclassification or change of such shares, units or interests that results in a transfer of or an irrevocable commitment to transfer all of such shares, units or interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of such Relevant Party with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Party is the continuing entity and which does not result in a reclassification or change of all of such shares, units or interests outstanding), (iii) takeover offer,

tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding shares, units or interests of such Relevant Party that results in a transfer of or an irrevocable commitment to transfer all such shares, units or interests (other than such shares, units or interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Relevant Party or its subsidiaries with or into another entity in which the Relevant Party is the continuing entity and which does not result in a reclassification or change of all such shares, units or interests outstanding but results in the outstanding shares, units or interests (other than shares, units or interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding shares, units or interests immediately following such event.

"NAV" means net asset value.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Participation" means the amount specified as such in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open.

"Portfolio Guidelines" means the investment guidelines and restrictions specified in respect of a Fund and as set out in the relevant Fund Prospectus and/or the relevant Fund Documents.

"Pricing Date" means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer or the Calculation Agent on its behalf in adverse market conditions if, in the opinion of the Issuer or the Calculation Agent on its behalf, circumstances so required.

"Real Estate Index Return" means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Reference Asset" means the relevant interests in each Fund or if the Fund is an exchange traded fund the relevant interests specified as "Reference Assets" in the definition of Basket in the applicable Final Terms, subject to Product Condition 4.

"Related Exchange" means in respect of each Commodity, Share or each Index, an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Commodity, Shares or the Index are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Relevant Party" means each of the Fund and the Fund Adviser.

"Replacement Fund" means, in relation to a Fund, the fund selected by the Issuer or the Calculation Agent on its behalf to replace that Fund in accordance with Product Condition 4(k)(ii). Such

Replacement Fund will have a similar risk profile as the Fund replaced, as determined by the Issuer or the Calculation Agent on its behalf.

"Screen Page" means each page, if any, specified as such in the definition of the Basket in the relevant Series in the applicable Final Terms or any successor to any such page which contains the same information.

"Securities" means each Series of the notes specified in the applicable Final Terms and each such note a **"Security"**. References to the terms **"Securities"** and **"Security"** shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the third Business Day following the Valuation Date or Issuer Call Date, as applicable.

"Share" means each share specified as such in the definition of **"Basket"** in the relevant Series in the applicable Final Terms, subject to Product Condition 4 and **"Shares"** shall be construed accordingly.

"Share Company" means for each Share, the share company specified as such in the applicable Final Terms, subject to Product Condition 4.

"Share Final Reference Price" (**"SFRP"**) means in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Share Reference Price on the Valuation Date.

"Share Initial Reference Price" (**"SIRP"**) means, in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Share Reference Price on the Pricing Date.

"Share Reference Price" means in respect of each Share, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the price determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction unless, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing an amount determined by the Calculation Agent as its good faith estimate of the price of the Share on such date having regard to the then prevailing market conditions, the last reported trading price of such Share on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4.

"Share Return" means an amount calculated by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time-to-time.

"Substitution Date" means, in relation to a Fund, the date selected by the Issuer or the Calculation Agent on its behalf for the replacement of the Fund by a Replacement Fund.

"Trading Day" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, (i) with respect to each Certificate, Commodity or Share, any day that is (or but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time, (ii) with respect to a Fund, any day (or, but for the occurrence of a Fund Event, would have been a day) on which trading in the Fund or the Reference Asst, as applicable, can take place, (iii) with respect to an Index, any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules and (iv) with respect to an FX Rate, any day that is (or but for the occurrence of a Market Disruption Event, would

have been) a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Settlement Currency.

"Valuation Date" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Trading Day, the next following Trading Day, unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

- (a) a Market Disruption Event has occurred on that day with respect to any Basket Constituent, in which case the Valuation Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Market Disruption Event unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (a) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event) and (b) the Issuer or the Calculation Agent on its behalf shall determine the price, level or NAV, as applicable, having regard to the then prevailing market conditions, the last reported trading price of the Basket Constituent and such other factors as the Issuer or the Calculation Agent on its behalf determines to be relevant; or
- (b) a Fund Event has occurred on that day in which case the provisions of Product Condition 4(k) shall apply and the Valuation Date shall be adjusted accordingly.

"Valuation Time" means (i) with respect to each Commodity and FX Rate at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms, (ii) with respect to each Index the time with reference to which the Index Sponsor calculates the closing level of the Index, (iii) with respect to each Certificate or Share, the official close of trading on the relevant Exchange and (iv) with respect to each Fund (other than those Funds which are exchange-traded funds) the time with reference to which the fund manager publishes the NAV or value and (v) with respect to Funds which are exchange-traded funds the time specified as such in the definition of the relevant series in the applicable Final Terms. All unless otherwise specified in the definition of the relevant Series in the applicable Final Terms or, such other time as the Issuer or the Calculation Agent on its behalf may select and notify to Holders in accordance with General Condition 4.

"Weight" means, for each Basket Constituent, the percentage specified as such in the definition of **"Basket"** of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

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

2. Form

- (a) **Global Form.** Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term **"Holder"** shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in

accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time-to-time (the "**Rules**"). Accordingly, in these Conditions, the term "**Holder**" means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event or Fund Event, as applicable.
- (e) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a

euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

- (i) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) Market Disruption in relation to a Commodity. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(a), a "**Market Disruption Event**" means:

- (i) Price Source Disruption. The failure by the Exchange to announce or publish the price for the Commodity (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Exchange; or
 - (ii) Trading Suspension. The material suspension of trading on the Exchange or any Related Exchange; or
 - (iii) Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of the Commodity on the Exchange; or
 - (iv) Material Change in nature of or pricing method. The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of calculating the price of the Commodity; or
 - (v) Material Change in Content. The occurrence, since the Issue Date, of a material change in the content, composition of the Commodity; or
 - (vi) De Minimis Trading. The number of contracts traded on the Exchange with respect to the Commodity is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity has been impaired due to a lack of, or, a material reduction in, trading in the Commodity on the Exchange; or
 - (vii) Tax Disruption. The imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity on the Valuation Date and/or on each of the three Trading Days following the Valuation Date from what it would have been without that imposition, change or removal; or
 - (viii) Trading Limitation. The material limitation imposed on trading in the Commodity with respect to it or any contract with respect thereto on any exchange or principal trading market; or
 - (ix) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (b) Market Disruption in relation to an FX Rate. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the

Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. In this Product Condition 4(b), a "**Market Disruption Event**" means:

- (i) Price Source Disruption. If it becomes impossible to obtain any one or more FX Rates on the Valuation Date; or
- (ii) Governmental Default. If with respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iii) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in any one or more FX Rates through customary legal channels for conducting such conversion in the principal financial centre of a Basket Constituent Currency or (ii) generally makes it impossible to deliver a Basket Constituent Currency from accounts in the country of the principal financial centre of that Basket Constituent Currency to accounts outside such jurisdiction or the Settlement Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (iv) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates), of all or substantially all of its assets in the country of the principal financial centre of a Basket Constituent Currency; or
- (v) Illiquidity. Any impossibility in obtaining a firm quote for any one or more FX Rates or the Settlement Currency for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vi) Change in Law. A change in law in the country of the principal financial centre of a Basket Constituent Currency which may affect the ownership in and/or the transferability of that Basket Constituent Currency; or
- (vii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of a Basket Constituent Currency; or
- (viii) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of a Basket Constituent Currency; or
- (ix) Other Events. Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

For this purpose a "**Governmental Authority**" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the

regulation of the financial markets (including the central bank) in the country of the principal financial centre of the Settlement Currency.

- (c) Market Disruption in relation to a Certificate and a Share. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(c), a "**Market Disruption Event**" means:

- (i) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
 - (A) in the Shares or Certificates, as applicable, on the Exchange or any other exchange on which the Shares are listed; or
 - (B) in any options contracts or futures contracts or other derivatives contracts relating to the Shares or Certificates, as applicable, on any Related Exchange if, in the determination of the Calculation Agent, such suspension or limitation is material; or
- (ii) a general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located.

For the purposes of this definition, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Exchange or any Related Exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (d) Market Disruption in relation to an Index. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(d), a "**Market Disruption Event**" means (i) a general moratorium is declared in respect of banking activities in the country in which the Exchange or Relevant Exchange is located or (ii) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):

- (i) on any Exchange(s) in securities that comprise 20 per cent. or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
- (ii) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index. In any event, a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading

imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (e) Potential Adjustment Events. Following a declaration by the issuer of the Certificates of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Certificates and, if so, will:

- (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
- (ii) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Certificates traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

In this Product Condition 4(e), "**Potential Adjustment Event**" means any event that may have a diluting or concentrative effect on the theoretical value of the Certificates.

- (f) Potential Adjustment Events in relation to a Share. Following a declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Share and, if so, will:

- (i) make the corresponding adjustment, if any, to any one or more of the Conditions as the Calculation Agent determines appropriate to account for that diluting or concentrative effect; and
- (ii) determine the effective date of that adjustment.

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

In this Product Condition 4(f), "**Potential Adjustment Event**" means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of such Shares to existing holders of the relevant Shares by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to existing holders of the relevant Shares of (aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than eight per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

- (g) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the

Issuer in its sole and absolute discretion may take the action described in (i), (ii) or (iii) below:

- (i) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or
- (ii) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or
- (iii) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

Upon the occurrence of a De-listing, Merger Event, Nationalisation or Insolvency, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the occurrence of such De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) and the action proposed to be taken in relation thereto.

"De-listing", in this Product Condition 4(g) only, means a Share for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchange on which the Shares are listed (and such cessation or suspension is continuing and such Share is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

"Merger Date" means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

Merger Event", in this Product Condition 4(g) only, means any (A) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of the outstanding Shares; (B) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares); or (C) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of, or an irrevocable commitment to transfer a majority of the voting power of the Share Company to the offeror, in each case if the Merger Date is on or before the relevant Valuation Date.

"Nationalisation" means that all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority or entity.

"Insolvency" means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company (A) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or (B) holders of the Shares of that Share Company become legally prohibited from transferring them.

- (h) Potential Adjustment Events in relation to an Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (i), (ii), (iii) or (iv) below.
- (i) If any Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the **"Successor Sponsor"**) acceptable to the Calculation Agent, or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index, then (in either case) the relevant Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
 - (ii) If (A) on or prior to the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating any Index or in any other way materially modifies an Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events), or (B) on the Valuation Date the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish any Index; then (in either case) the Calculation Agent shall determine the Index Final Reference Price using, in lieu of a published level for the relevant Index on the Valuation Date, the level for the relevant Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the relevant Index last in effect prior to the change or failure, but using only those securities that comprised the relevant Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so calculated and announced or shall terminate the Securities by giving notice in accordance with General Condition 4.
 - (iii) If, at any time, any of the events specified in (A) to (H) (inclusive) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the relevant Index in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of

the relevant Index as it considers appropriate in order so to account for: (A) a distribution or dividend to existing holders of the Index Shares of (aa) the Index Shares; or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Index Shares equally or proportionately with such payments to holders of Index Shares or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (B) a free distribution or dividend of any Index Shares to existing holders of the Index Shares by way of bonus, capitalisation or similar issue; (C) an extraordinary dividend; (D) any cash dividends declared on the Index Shares at a time when the relevant issuer of the Index Shares has not previously declared or paid dividends on such Index Shares for the prior four quarterly periods; (E) any non-cash dividends declared on the Index Shares at a time when the relevant issuer of the Index Shares has not previously declared or paid dividends on such Index Shares for the prior four quarterly periods; (F) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Index Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Index Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Valuation Date; (G) a distribution of cash dividends on the Index Shares equal to or greater than eight per cent. per annum of the then current market value of the Index Shares; and (H) any other similar event having a dilutive or concentrative effect on the theoretical value of the Index Shares.

(iv) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange.

(i) Adjustments to the Basket. If a De-Listing occurs with respect to a Fund, Certificate or a Share, as applicable or a Fund, Certificate or Share, as applicable is for any reason cancelled or ceases to exist, the Calculation Agent may determine in its sole discretion to either (i) replace the de-listed or cancelled Fund, Certificate or Share, as applicable by a successor fund, certificate or share, as applicable which has in the determination of the Calculation Agent the same or substantially similar structure and a substantially similar economic impact, and is linked to the same asset as such Fund, Certificate or Share, as applicable (ii) remove the de-listed or cancelled Fund, Certificate or Share, as applicable and allocate the Fund Final Reference, Certificate Final Reference Price or Share Final Reference Price, as applicable of such Fund, Certificate or Share, as applicable as of the effective date of the de-listing or cancellation, pro rata to the remaining Funds, Certificates or Shares, as applicable or (iii) make such other adjustments to the Conditions as the Calculation Agent sees fit, acting in its absolute discretion.

The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made pursuant to the foregoing paragraph.

"De-listing" means, for the purpose of the foregoing paragraph, a Basket Constituent for any reason ceases to be listed or is suspended from listing on the Exchange or any other exchanges on which the Basket Constituents are listed (and such cessation or

suspension is continuing and such Basket Constituent is not subsequently listed or quoted on another stock exchange or quotation system acceptable to the Issuer).

- (j) Fund Events. Each of the following events constitutes a "Fund Event". The Fund Events are for the benefit of the Issuer in order that the Issuer is protected against any adverse effects of such Fund Events on its Hedge Position. The Issuer, or the Calculation Agent on its behalf, shall make all determinations in respect of such Fund Events including as to whether such Fund Event has occurred and the effective date of such occurrence. In order to constitute a Fund Event, the Issuer or the Calculation Agent on its behalf must conclude that the event in question either has resulted or is reasonably likely to result in an adverse effect on the value of the Reference Assets or the NAV of the Fund or on the rights of any investor therein with respect to the Reference Assets or the Fund or otherwise has materially adversely affected its Hedge Position.

(i) Global Events:

- (A) Any of: (aa) the investment strategy and/or the investment objective of the Fund has changed so that it is materially different from that applicable at its Inclusion Date or (bb) a material change has been made to the underlying nature, strategy or risk of the Fund's portfolio from that which prevailed at its Inclusion Date and that is over and above that expected by the Issuer or the Calculation Agent on its behalf as of the Inclusion Date with respect to the trading strategies employed by the Fund as of that date or (cc) the operation or organisation of the Fund or the Fund Adviser (including, without limitation, its organisational structure and its procedures, processes or policies in respect of investment selection, due diligence, asset allocation, risk management or investment monitoring) has changed from that at the Inclusion Date or are other than as represented at such Inclusion Date or (dd) any such procedures, processes or policies as are referred to in (cc) above are either not being applied or are not being applied consistently with their application on the Inclusion Date or (ee) an event or change affecting any of the structure, ownership, management or reputation or liquidity of the Fund or the Reference Assets and/or any other units in the capital of the Fund and/or any Fund Service Provider occurs or (ff) any other amendments, changes, modifications or variations are made after the Inclusion Date to any of the Fund Documents, the Fund Prospectus or the Portfolio Guidelines.
- (B) (aa) The Fund is not being managed in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date, and no action satisfactory to the Issuer or the Calculation Agent on its behalf has been taken by the Fund or any person on its behalf with a view towards correcting such breach within five calendar days from the date on which the Fund was notified of the breach, or (bb) any event occurs which causes, or will with the passage of time (in the opinion of the Issuer or the Calculation Agent on its behalf) cause, the failure of the Fund and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents.
- (C) The Issuer or the Calculation Agent on its behalf determines that (aa) the obligations of any of the Fund or any Fund Service Provider or the directors of the Fund under any Hedging Agreement do not comprise legal, valid and binding obligations of such person, enforceable in accordance with their terms or (bb) any of the Fund or any Fund Service Provider was acting outside its powers or authority in executing any Hedging Agreement or in making any agreement or undertaking therein. Each of (aa) and (bb) shall be conclusively presumed to be the case if the Issuer or

the Calculation Agent on its behalf is advised that such is the case by reputable legal counsel having expertise in such matters.

- (D) The activities of the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents are placed under review or become subject to any investigation, proceeding or litigation by any relevant governmental, legal, administrative or regulatory authority or court of competent jurisdiction and/or are subject to any charges or actions by any governmental, legal, administrative or regulatory authority for reasons of wrongdoing, suspected wrongdoing, alleged engagement in fraudulent activities, breach of any rule or regulation or other similar reason and/or the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents have any of their respective registrations, approvals, authorisations, licences or memberships with any administrative or regulatory authorities revoked, suspended, terminated, limited or qualified.
- (E) Written notification is given by the Fund or any Fund Service Provider (or any person acting on behalf thereof) to holders of Reference Assets or to the Fund Administrator of a proposed cessation of operation of the Fund or the Fund or any Fund Service Provider (aa) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation; (bb) makes a general assignment or arrangement with or for the benefit of its creditors; (cc) (I) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (II) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in Product Condition 4(j)(i)(E)(c)(I) above and in the case of this Product Condition 4(j)(i)(E)(c)(II) either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (dd) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a substantial part of its assets; (ee) any security granted by the Fund or any Fund Service Provider over any of its assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Issuer or the Calculation Agent on its behalf is comparable to security over any such assets (including without limitation any repurchase agreement or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repurchase agreement, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or capable of early termination by reason of any event of default (howsoever described) relating to the Fund or the relevant Fund Service Provider; or (ff) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction,

has an analogous effect to any of the events specified in Product Conditions 4(j)(i)(E)(aa) through 4(j)(i)(E)(ff) above.

- (F) The Fund or any Fund Service Provider becomes party to any litigation or dispute.
 - (G) Any Merger Event occurs or is threatened.
 - (H) The Fund or any Fund Service Provider has experienced or is experiencing a material adverse change in its business, assets, operations or financial condition which adversely impacts its ability to provide services to the Fund and/or the quality of such services.
 - (I) In respect of any Reference Assets, any fraudulent or negligent entry is made on the register of such Reference Assets maintained by or on behalf of the Fund or there is a reduction in the number of such Reference Assets held for the account of any investor in the Fund for reasons beyond the control of that investor.
 - (J) (aa) any change occurs in the legal, tax, accounting or regulatory treatment of (I) the Issuer, any of its affiliates or any Hedge Provider by reason of its investment in the Fund or the Reference Assets or (II) the Fund or any Fund Service Provider, in each case from that which was applicable at the Inclusion Date or (bb) the Issuer or the Calculation Agent on its behalf determines that any of Issuer, its affiliates or any Hedge Provider is or may in the future be unable, or it may be unduly onerous or impractical for any such entity, to perform any obligation (including, without limitation, any regulatory or accounting reporting obligation) imposed on any such entity by the law or regulation of any relevant jurisdiction, any relevant regulatory or administrative body or any court of competent jurisdiction, in each case by reason of its investment in the Fund or the Reference Assets or (cc) the Issuer, any of its affiliates or any Hedge Provider deems it necessary or appropriate, in order to comply with or remain within (I) any applicable legal and/or regulatory limits on the amounts of Reference Assets that it may hold and/or (II) any internal exposure limits governing the maximum exposure (direct and indirect) that the Issuer, any relevant affiliate or the Hedge Provider as the case may be, is permitted to have to the Fund, to redeem all or some of the Reference Assets held by them.
 - (K) A cross-contamination or other failure effectively to segregate the portfolio of assets occurs between different series, classes and/or sub-funds in relation to the Fund (if the Fund is part of an umbrella structure with more than one sub-fund).
 - (L) A significant market, trading or exchange disruption and/or crisis in the major financial markets occurs.
- (ii) NAV/Price and Reporting:
- (A) There is (aa) a failure to calculate and/or publish the NAV of the Fund on any day on which such calculation or publication was scheduled to be made in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (bb) a failure to calculate and publish the NAV of the Fund with the frequency set out in the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (cc) where the Fund is an exchange-traded fund, a failure to publish the trading price of the Reference Assets on the Exchange.
 - (B) (aa) Any change is made to the methodology used for calculating either the NAV of the Fund or any estimate of the NAV of the

Fund from that which prevailed on the Inclusion Date or (bb) there is a failure to calculate and deliver any estimate of the NAV of the Fund in accordance with the timing within which such information has previously been provided to the Issuer, the Calculation Agent, any of its affiliates or any Hedge Provider.

- (C) (aa) The time delay between calculation of the NAV (or any estimated NAV) of the Fund and the publication of such NAV (or estimated NAV) is changed so that it is no longer the same as set out in the Fund Prospectus as it prevailed on the Inclusion Date or (bb) any other information relating to the Fund that was specified to be published in accordance with the Fund Documents or the Fund Prospectus as they respectively prevailed on the Inclusion Date is not published in accordance with the timetable therefor set out in such documents.
- (D) The audited NAV of the Fund varies by more than 0.50 per cent. from the related NAV previously published by or on behalf of the Fund, or the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund, or the Issuer or the Calculation Agent on its behalf considers that the unaudited official NAV of the Fund published by or on behalf of the Fund in respect of any date does not reflect the NAV of such Fund as it would have been determined by the independent auditors of that Fund using the generally accepted accounting standards adopted by the Fund.
- (E) (aa) In respect of any Reference Asset, the occurrence of any event affecting such Reference Asset that, in the determination of the Issuer or the Calculation Agent on its behalf, would make it impossible or impracticable for the Issuer or the Calculation Agent to determine the value of such Reference Asset, and the Issuer or the Calculation Agent on its behalf determines that such event will not be, or has not been, resolved within 15 calendar days from the occurrence of such event; (bb) any failure of the Fund, any Fund Service Provider or any director of the Fund to deliver, or cause to be delivered, (I) information that such person has agreed to deliver, or cause to be delivered, to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider in respect of the Fund (including, without limitation, any information required by the Issuer or the Calculation Agent in the execution of its duties and obligations under the Securities or required by the Issuer or the Calculation Agent in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities) or (II) information that has been previously delivered to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider, in accordance with such person's, or its authorised representative's, normal practice and that the Issuer or the Calculation Agent deems necessary for it to perform its duties and obligations under the Securities or that the Issuer or the Calculation Agent deems is required by it in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities (including, in either case, monitoring the Fund's compliance with any Portfolio Guidelines, asset allocation methodologies, the occurrence of any Fund Event or any other similar policies relating to such Reference Assets).

(iii) Reference Assets:

Any of the following events relating to the Reference Assets occurs:

- (A) a subdivision, reclassification or distribution of Reference Assets which has a diluting or concentrative or other effect on the value (theoretical or otherwise) of the Reference Assets;
 - (B) a portion of each Reference Asset is converted (whether by way of redemption and re-issue or otherwise) into new securities participating in the capital of the Fund, which securities are subject to lock-up periods during which they may not be redeemed and which relate to any segregated assets of the Fund, or the Fund creates any other form of "side-pocket" which affects the Reference Assets;
 - (C) a (aa) dividend (including cash and whether ordinary or extraordinary), (bb) distribution or (cc) issue of Reference Assets, capital, securities, rights or other assets or interests to existing holders of Reference Assets which has or is likely to have an adverse effect on the value (theoretical or otherwise) of the Reference Assets;
 - (D) any suspension or limitation on the trading of the relevant currencies in which the Reference Assets are denominated or any amendment to the currency of denomination of the Reference Assets so that their price is no longer calculated in the same currency as at the Inclusion Date of the Fund; or
- (iv) Trading and Fees:
- (A) In respect of the Reference Assets, the Fund or any Fund Service Provider increases the level of any redemption fee, subscription fee, management fee, performance fee or a bid/offer spread (or other charge however described) above the level that would have been applicable to any Reference Assets held by any of the Issuer, any affiliate of the Issuer or any Hedge Provider on the Inclusion Date (regardless of whether any such person actually holds any Reference Assets as of such date).
 - (B) Any suspension of or limitation imposed on trading of the Fund or on trading in the Reference Assets (for any reason, including, without limitation, by reason of liquidity restrictions) or any dealing request made by any investor or prospective investor in the Fund or the Reference Assets is deferred in whole or in part or is made at a value other than the related NAV or price, as applicable.
 - (C) The frequency at which Reference Assets can be traded is amended or the timing for subscription or redemption of Reference Assets is amended, in each case so that it is no longer that specified in the Fund Documents and/or Fund Prospectus as they prevailed on the Inclusion Date, including, without limitation, an amendment to the timetable for payment of redemption proceeds upon redemption.
 - (D) If any of the Issuer, any of its affiliates or any Hedge Provider redeems Reference Assets or is entitled to any other amount and:
 - (aa) does not receive the full proceeds of such redemption or amount in cash in accordance with the timing set out in the Fund Documents or the Fund Prospectus; or
 - (bb) receives any in-kind distribution in full or part satisfaction of the redemption proceeds or such other amount paid or payable to it,

or the Issuer or the Calculation Agent on its behalf determines that either (aa) or (bb) above would be applicable were the Issuer, any of its affiliates or any Hedge Provider to redeem Reference Assets or be entitled to actual payment of any such other amount.

- (v) Fund Adviser and Fund Service Provider Failures:
 - (A) The Fund Adviser indicates or acknowledges that in its opinion the strategy/investment objective of the Fund will not be, or is no longer able to be, met.
 - (B) Any representations, covenants or agreements of the Fund Adviser under the investment management agreement or investment advisory agreement (howsoever described) relating to the Fund have been breached and not cured.
 - (C) Any of: (aa) the resignation, termination of appointment or replacement of the Fund Adviser from its role as such occurs or the resignation, termination of appointment or replacement of any other Fund Service Provider from its role as such occurs with respect to the Fund or (bb) any change in the personnel of any Fund Service Provider occurs which the Issuer or the Calculation Agent on its behalf considers materially adversely affects the ability of such Fund Service Provider to carry out its duties with respect to the Fund.
 - (D) The Issuer or the Calculation Agent on its behalf becomes aware of any failure by the Fund or any person on its behalf to disclose to the Issuer or the Calculation Agent on its behalf, on or before the Inclusion Date, any information, event or circumstance that was in existence on such date and that would have been necessary to enable the Issuer or the Calculation Agent to make an informed assessment of the assets and liabilities, financial position and prospects of the Fund and of the rights attaching to the Reference Assets.
- (vi) General: Any other event occurs which the Issuer or the Calculation Agent on its behalf determines is analogous to any of the events specified in subparagraphs (i) to (v) (inclusive) above.

(k) Consequences of a Fund Event.

In respect of each Fund Event, following the occurrence of such an event (and regardless of whether or not such event is then continuing) the Issuer or the Calculation Agent on its behalf may take any of following actions (each, a "**Permitted Action**"):

- (i) (A) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines appropriate to account for the economic effect on the Securities of such Fund Event and (B) determine the effective date of the relevant adjustments; or
- (ii) select a Replacement Fund and a Substitution Date. Following any such selection (A) the Replacement Fund shall replace the affected Fund on the Substitution Date, (B) references herein to the name of the affected Fund shall be deemed to be references to the name of the Replacement Fund with effect from the Substitution Date and (C) the Issuer or the Calculation Agent on its behalf may make such adjustment as it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions in relation to the Securities to reflect such substitution; or
- (iii) accelerate all, but not some only, of the Securities, on the date notified to Holders in accordance with General Condition 4; or
- (iv) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines are

necessary to reflect a notional liquidation of all of the Reference Assets (with the timing of such notional liquidations being the same timing as would be the case on an actual liquidation of Reference Assets at the relevant time) and a notional investment of the liquidation proceeds in either (A) a zero coupon bond, or equivalent, such that the amount payable at redemption of such zero coupon bond is at least an amount per Security equal to the Issue Price of the Security or, where this is not possible or practicable (as determined by the Issuer or the Calculation Agent on its behalf) or (B) an interest-bearing deposit-bearing interest at prevailing rates that would be offered by the Issuer in respect of such a deposit as determined by the Issuer or the Calculation Agent on its behalf or, if it is not possible or practicable to comply with sub-clauses (A) or (B) of this Product Condition 4(k)(iv) (as determined by the Issuer or the Calculation Agent on its behalf), (C) commercial paper rated at least A1/P1 or above by Moody's Investors Service, Inc. (any transaction costs that would be incurred in respect of an actual such investment may be notionally charged to the Securities) (any of (A), (B) or (C), a "**Suspension Asset**").

Notwithstanding that the Issuer or the Calculation Agent on its behalf may have previously determined not to take a Permitted Action, or to take one Permitted Action, it shall not be prevented from subsequently or concurrently deciding to adopt an additional or different Permitted Action in respect of the same Fund Event (whether on one or any number of occasions). In such respect, the Issuer or the Calculation Agent on its behalf may make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as it determines appropriate to account for the decision subsequently or concurrently made.

Notwithstanding anything in this sub-paragraph 4(k), neither the Issuer nor the Calculation Agent is under any obligation to determine that a Fund Event has occurred or to take any or all of the Permitted Actions. Any determinations made by the Issuer or the Calculation Agent on its behalf in respect of any of the Permitted Actions shall, in the absence of manifest error, be binding.

(l) Fund Event Methodology and Determinations:

- (i) If, in respect of any determination or calculation hereunder which is made by reference to an official or estimated NAV of a Fund provided or published by or on behalf of the Fund or, where the Fund is an exchange-traded fund, the last reported trading price of the Reference Asset on the Exchange in respect of a particular date, the Issuer or the Calculation Agent on its behalf determines that such value does not fairly represent the value of the Fund or Reference Asset as of such date, or that no such value is provided or published, then the Issuer or the Calculation Agent on its behalf may use such other value as it determines as representing a fair NAV or price, as applicable, as of such date or, alternatively, may use a preceding official or estimated value where it believes that such preceding official or estimated value gives a fairer representation than the more recent figure.
- (ii) Should the Fund operate equalisation procedures in respect of performance or incentive based fees, the Issuer or the Calculation Agent on its behalf may make such adjustments to these Product Conditions as the Issuer or the Calculation Agent on its behalf determines appropriate to account for such equalisation in an equitable manner and, where such equalisation procedures operate by the issuance of different classes of shares in the Fund, then each of the Issuer and the Calculation Agent is permitted to deem any notional subscription or redemption on behalf of the Securities to be in such order and in respect of such classes as appear to it to be equitable and reasonable or to deem the return of such shares to be based on a benchmark or average of the different classes.

(iii) For the avoidance of doubt and notwithstanding any other Condition, the Issuer and the Calculation Agent on its behalf shall be entitled to make any determination, waiver, declaration or decision with regard to a Fund Event and, without limitation, may make such determination, waiver, declaration or decision by reference to the establishment, operation and/or efficacy (whether actual or anticipated) of any Relevant Hedging Transaction. Neither the Issuer nor the Calculation Agent is under any obligation to monitor or determine whether or not a Fund Event has occurred and will not be required to, and will not be responsible for any failure to, make any determination, waiver, declaration or decision whatsoever in relation to a Fund Event. In making or omitting to make any such determination, waiver, declaration or decision, neither the Issuer nor the Calculation Agent shall be under any fiduciary duty towards the Holders and, for the avoidance of doubt, neither the Issuer nor the Calculation Agent shall be responsible for any loss, underperformance or opportunity cost suffered or incurred by Holders in connection with the Securities as a result thereof, howsoever arising.

(m) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO FUND-LINKED RETRO-FINANCE NOTES

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

1. Definitions

"**Additional Fund Events**" means those events specified as such in the definition of the relevant Series in the applicable Final Terms.

"**Agent**" means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the "**Agents**" shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"**Basket**" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"**Business Day**" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"**Cash Amount**" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"**Clearing Agent**" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a "**Clearing Agent**" and together the "**Clearing Agents**").

"**Coupon**" means, if the Securities are interest-bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"**Emerging Market Disruption Event**" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee, or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of

default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

"Exchange" means each exchange or quotation system specified as such in the definition of "Basket" or specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to that exchange or quotation system.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Reference Price" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the NAV of each Fund as quoted by the fund manager of the Fund or, where such Fund is an exchange-traded fund, the trading price of the Reference Asset on the Exchange, in each case for each Valuation Date or the Issuer Call Date, as the case may be, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price or NAV can be determined and no Emerging Market Disruption Event or Fund Event has occurred and is continuing) an amount determined by the Calculation Agent as its estimate of the NAV of the Fund or, where such Fund is an exchange-traded fund, the trading price of the Reference Asset on the Exchange, in each case for such date having regard to the then prevailing market conditions, the last reported NAV of the Fund or, where the Fund is an exchange-traded fund, the last reported trading price of the Reference Asset on the Exchange and such other factors as the Calculation Agent determines relevant.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Fund" means each fund specified as such in the definition of "Basket" in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Fund Administrator" means, in respect of the Fund, the fund administrator, manager, trustee or similar person with the primary administrative responsibilities for such Fund according to the Fund Documents.

"Fund Adviser" means, in respect of any Fund, any person appointed in the role of discretionary investment manager or non-discretionary investment adviser (including a non-discretionary investment adviser to a discretionary investment manager or to another non-discretionary investment adviser) for such Fund.

"Fund Documents" means, with respect to any Fund or Reference Asset, the constitutive and governing documents, subscription agreements and other agreements of the related Fund or Reference Asset specifying the terms and conditions relating to such Fund or Reference Asset and which shall include any Hedging Agreement, each as amended from time to time.

"Fund Event" means each event specified as such in Product Condition 4(b) and any Additional Fund Event specified in the definition of the relevant Series in the applicable Final Terms.

"Fund Prospectus" means the disclosure document howsoever described prepared in connection with the marketing of the Fund and, in relation to any Replacement Fund, means the disclosure document howsoever described prepared in connection with the marketing of the Replacement Fund and that, as of the Inclusion Date, was the most recent version thereof, each as amended from time to time.

"Fund Service Provider" means, in respect of any Fund, any person who is appointed to provide services, directly or indirectly, for that Fund, whether or not specified in the Fund Documents or the Fund Prospectus, including but not limited to any Fund Adviser, Fund Administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar and transfer agent or domiciliary agent.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Hedging Agreement" means any agreement, whether by way of side letter or otherwise, in respect of any hedging arrangement entered into between: (i) the Issuer, any of its affiliates or any Hedge Provider; and (ii) the Fund, the Fund Adviser, any other Fund Service Provider or the directors of the Fund.

"Inclusion Date" means (i) in respect of the Fund, the Issue Date and (ii) in respect of any Replacement Fund, means the Substitution Date of that Fund.

"Initial Reference Price" means the level specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, the date specified as such in the notice delivered by the Issuer in accordance with Product Condition 3(b) or, if any such day is not a Trading Day, means the first succeeding Trading Day unless, in the determination of the Issuer or the Calculation Agent on its behalf, either:

- (a) An Emerging Market Disruption Event has occurred on any such day, in which case the applicable Issuer Call Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Emerging Market Disruption Event, unless the Issuer or the Calculation Agent on its behalf determines that there is an Emerging Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Emerging Market Disruption Event) would have been the Issuer Call Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Emerging Market Disruption Event); and (ii) the Issuer or the Calculation Agent on its behalf shall determine the Issuer Call Cash Amount having regard to the then prevailing market conditions, the last reported NAV of the Fund or, where the Fund is an exchange-traded fund, the last reported trading price of the Reference Asset on the Exchange, and such other factors as the Issuer or the Calculation Agent on its behalf determines to be relevant; or
- (b) a Fund Event has occurred on that day, in which case the provisions of Product Condition 4(c) shall apply and the Issuer Call Date shall be adjusted accordingly;

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4(a), any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Merger Event" means, in respect of any relevant shares, units or interests issued by a Relevant Party, any (i) reclassification or change of such shares, units or interests that results in a transfer of or an irrevocable commitment to transfer all of such shares, units or interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of such Relevant Party with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Party is the continuing entity and which does not result in a reclassification or change of all of such shares, units or interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding shares, units or interests of such Relevant Party that results in a transfer of or an irrevocable commitment to transfer all such shares, units or interests (other than such shares, units or interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Relevant Party or its

subsidiaries with or into another entity in which the Relevant Party is the continuing entity and which does not result in a reclassification or change of all such shares, units or interests outstanding but results in the outstanding shares, units or interests (other than shares, units or interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding shares, units or interests immediately following such event.

"NAV" means net asset value.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open.

"Portfolio Guidelines" means the investment guidelines and restrictions specified in respect of a Fund and as set out in the relevant Fund Prospectus and/or the relevant Fund Documents.

"Pricing Date" means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer or the Calculation Agent on its behalf in adverse market conditions if, in the opinion of the Issuer or the Calculation Agent on its behalf, circumstances so require.

"Reference Asset" means the relevant interests in each Fund or if the Fund is an exchange traded fund the relevant interests specified as "Reference Assets" in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Reference Banks" means the entities, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Related Exchange" means, with respect to a Fund which is an exchange-traded fund, an options or future exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the relevant Fund are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Relevant Party" means each of the Fund and the Fund Adviser.

"Replacement Fund" means, in relation to a Fund, the fund selected by the Issuer or the Calculation Agent on its behalf to replace that Fund in accordance with Product Condition 4(c)(ii). Such Replacement Fund will have a similar risk profile as the Fund replaced, as determined by the Issuer or the Calculation Agent on its behalf.

"Screen Page" means each page, if any, specified as such in the definition of Underlying Rate for the relevant Series in the applicable Final Terms or any successor to any such page which contains the same information.

"Securities" means each Series of the fund-linked retro-finance notes specified in the applicable Final Terms and each such note a **"Security"**. References to the terms **"Securities"** and **"Security"** shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means, unless specified otherwise in the applicable Final Terms, the Maturity Date or if later, the third Business Day following the Valuation Date.

"Standard Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Substitution Date" means, in relation to a Fund, the date selected by the Issuer or the Calculation Agent on its behalf for the replacement of the Fund by a Replacement Fund.

"Trading Day" means (i) in respect of a Fund, any day on which dealing in the Fund can take place (or, but for the occurrence of a Fund Event, would have taken place) and (ii) in respect of a Fund that is an exchange-traded fund any day that is (or, but for the occurrence of a Fund Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time.

"Underlying Rate" means each rate, if any, specified as such in the definition of the relevant Series in the applicable Final Terms, as determined by the Calculation Agent by reference to the Screen Page (if any) unless in the determination of the Calculation Agent, a Market Disruption Event has occurred, in which case the underlying rate shall be calculated in accordance with Product Condition 4.

"Underlying Rate Valuation Date" means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Valuation Date" means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or, if any such day is not a Trading Day, the next following Trading Day, unless, in the determination of the Issuer or the Calculation Agent on its behalf either:

- (a) An Emerging Market Disruption Event has occurred on any such day, in which case the applicable Valuation Date shall be the first succeeding Trading Day on which the Issuer or the Calculation Agent on its behalf determines that there is no Emerging Market Disruption Event, unless the Issuer or the Calculation Agent on its behalf determines that there is an Emerging Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Emerging Market Disruption Event) would have been the Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Emerging Market Disruption Event); and (ii) the Issuer or the Calculation Agent on its behalf shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported NAV of the Fund or, where the Fund is an exchange-traded fund, the last reported trading price of the Reference Asset on the Exchange, and such other factors as the Issuer or the Calculation Agent on its behalf determines to be relevant; or
- (b) a Fund Event has occurred on that day in which case the provisions of Product Condition 4(c) shall apply and the Valuation Date shall be adjusted accordingly.

"Valuation Time" means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select and notify to Holders in accordance with General Condition 4.

"Weight" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", for each Fund, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

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

2. Form

- (a) **Global Form.** Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the "**Global Security**") which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.
- (b) **Dematerialised Form.** Certain Securities will, where required by the rules and procedures of the Clearing Agent, be issued in dematerialised form and will be registered in the book-entry system of the Clearing Agent. Title to the Securities will pass by transfer between accountholders at the Clearing Agent perfected in accordance with the legislation, rules and regulations applicable to and/or issued by the Clearing Agent that are in force and effect from time to time (the "**Rules**"). Accordingly, in these Conditions, the term "**Holder**" means a person in whose name a Security is registered in the book-entry settlement system of the Clearing Agent or any other person recognised as a holder of Securities pursuant to the Rules.

3. Rights and Procedures

- (a) **Redemption on the Settlement Date.** Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) **Issuer Call.** If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) **Interest Amount.** If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (d) **Interest Accrual.** If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Fund Event.
- (e) **Payment Day.** If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for

payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.

- (f) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (g) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (i) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) Market Disruption. The Issuer or the Calculation Agent on its behalf shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

In this Product Condition 4(a), a "**Market Disruption Event**" means the situation in which an Underlying Rate is not available on the relevant Screen Page, in which case the relevant rate shall be determined by the Calculation Agent on the basis of quotations for the relevant rate, or such other related rate as the Calculation Agent shall in its sole and absolute discretion specify, provided by the Reference Banks at the applicable time for the relevant day. The Issuer will request each Reference Bank to provide a quotation of the relevant rate. If at least three quotations are provided, the relevant rate will be the arithmetic mean of the quotations, eliminating the highest quotation (or in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If it is not possible to obtain quotations of the relevant rate by at least three of the Reference Banks then the Calculation Agent will determine the relevant Underlying Rate at its sole and absolute discretion.

- (b) Fund Events. Each of the following events constitutes a "**Fund Event**". The Fund Events are for the benefit of the Issuer in order that the Issuer is protected against any adverse effects of such Fund Events on its Hedge Position. The Issuer, or the Calculation Agent on its behalf, shall make all determinations in respect of such Fund Events including as to whether such Fund Event has occurred and the effective date

of such occurrence. In order to constitute a Fund Event, the Issuer or the Calculation Agent on its behalf must conclude that the event in question either has resulted or is reasonably likely to result in an adverse effect on the value of the Reference Assets or the NAV of the Fund or on the rights of any investor therein with respect to the Reference Assets or the Fund or otherwise has materially adversely affected its Hedge Position.

(i) Global Events:

- (A) Any of: (aa) the investment strategy and/or the investment objective of the Fund has changed so that it is materially different from that applicable at its Inclusion Date or (bb) a material change has been made to the underlying nature, strategy or risk of the Fund's portfolio from that which prevailed at its Inclusion Date and that is over and above that expected by the Issuer or the Calculation Agent on its behalf as of the Inclusion Date with respect to the trading strategies employed by the Fund as of that date or (cc) the operation or organisation of the Fund or the Fund Adviser (including, without limitation, its organisational structure and its procedures, processes or policies in respect of investment selection, due diligence, asset allocation, risk management or investment monitoring) has changed from that at the Inclusion Date or are other than as represented at such Inclusion Date or (dd) any such procedures, processes or policies as are referred to in (cc) above are either not being applied or are not being applied consistently with their application on the Inclusion Date or (ee) an event or change affecting any of the structure, ownership, management or reputation or liquidity of the Fund or the Reference Assets and/or any other units in the capital of the Fund and/or any Fund Service Provider occurs or (ff) any other amendments, changes, modifications or variations are made after the Inclusion Date to any of the Fund Documents, the Fund Prospectus or the Portfolio Guidelines.
- (B) (aa) The Fund is not being managed in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date, and no action satisfactory to the Issuer or the Calculation Agent on its behalf has been taken by the Fund or any person on its behalf with a view towards correcting such breach within five calendar days from the date on which the Fund was notified of the breach, or (bb) any event occurs which causes, or will with the passage of time (in the opinion of the Issuer or the Calculation Agent on its behalf) cause, the failure of the Fund and/or any Fund Service Provider to meet or maintain any obligation or undertaking under the Fund Documents.
- (C) The Issuer or the Calculation Agent on its behalf determines that (aa) the obligations of any of the Fund or any Fund Service Provider or the directors of the Fund under any Hedging Agreement do not comprise legal, valid and binding obligations of such person, enforceable in accordance with their terms or (bb) any of the Fund or any Fund Service Provider was acting outside its powers or authority in executing any Hedging Agreement or in making any agreement or undertaking therein. Each of (aa) and (bb) shall be conclusively presumed to be the case if the Issuer or the Calculation Agent on its behalf is advised that such is the case by reputable legal counsel having expertise in such matters.
- (D) The activities of the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents are placed under review or become subject to any investigation, proceeding or litigation by any relevant governmental, legal, administrative or regulatory authority or court of competent

jurisdiction and/or are subject to any charges or actions by any governmental, legal, administrative or regulatory authority for reasons of wrongdoing, suspected wrongdoing, alleged engagement in fraudulent activities, breach of any rule or regulation or other similar reason and/or the Fund or any Fund Service Provider and/or any of their respective directors, officers, employees or agents have any of their respective registrations, approvals, authorisations, licences or memberships with any administrative or regulatory authorities revoked, suspended, terminated, limited or qualified.

- (E) Written notification is given by the Fund or any Fund Service Provider (or any person acting on behalf thereof) to holders of Reference Assets or to the Fund Administrator of a proposed cessation of operation of the Fund or the Fund or any Fund Service Provider: (aa) is dissolved or has a resolution passed for its dissolution, winding-up, official liquidation; (bb) makes a general assignment or arrangement with or for the benefit of its creditors; (cc)(I) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (II) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in Product Condition 4(b)(i)(E)(cc)(I) above and in the case of this Product Condition 4(b)(i)(E)(cc)(II) either (x) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (y) is not dismissed, discharged, stayed or restrained in each case within fifteen days of the institution or presentation thereof; (dd) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or a substantial part of its assets; (ee) any security granted by the Fund or any Fund Service Provider over any of its assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Issuer or the Calculation Agent on its behalf is comparable to security over any such assets (including without limitation any repurchase agreement or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repurchase agreement, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or capable of early termination by reason of any event of default (howsoever described) relating to the Fund or the relevant Fund Service Provider; or (ff) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in Product Conditions 4(b)(i)(E)(aa) through 4(b)(i)(E)(ff) above.
- (F) The Fund or any Fund Service Provider becomes party to any litigation or dispute.
- (G) Any Merger Event occurs or is threatened.

- (H) The Fund or any Fund Service Provider has experienced or is experiencing a material adverse change in its business, assets, operations or financial condition which adversely impacts its ability to provide services to the Fund and/or the quality of such services.
- (I) In respect of any Reference Assets, any fraudulent or negligent entry is made on the register of such Reference Assets maintained by or on behalf of the Fund or there is a reduction in the number of such Reference Assets held for the account of any investor in the Fund for reasons beyond the control of that investor.
- (J) (aa) Any change occurs in the legal, tax, accounting or regulatory treatment of (I) the Issuer, any of its affiliates or any Hedge Provider by reason of its investment in the Fund or the Reference Assets or (II) the Fund or any Fund Service Provider, in each case from that which was applicable at the Inclusion Date or (bb) the Issuer or the Calculation Agent on its behalf determines that any of Issuer, its affiliates or any Hedge Provider is or may in the future be unable, or it may be unduly onerous or impractical for any such entity, to perform any obligation (including, without limitation, any regulatory or accounting reporting obligation) imposed on any such entity by the law or regulation of any relevant jurisdiction, any relevant regulatory or administrative body or any court of competent jurisdiction, in each case by reason of its investment in the Fund or the Reference Assets or (cc) the Issuer, any of its affiliates or any Hedge Provider deems it necessary or appropriate, in order to comply with or remain within (I) any applicable legal and/or regulatory limits on the amounts of Reference Assets that it may hold and/or (II) any internal exposure limits governing the maximum exposure (direct and indirect) that the Issuer, any relevant affiliate or the Hedge Provider as the case may be, is permitted to have to the Fund, to redeem all or some of the Reference Assets held by them.
- (K) A cross-contamination or other failure effectively to segregate the portfolio of assets occurs between different series, classes and/or sub-funds in relation to the Fund (if the Fund is part of an umbrella structure with more than one sub-fund).
- (L) A significant market, trading or exchange disruption and/or crisis in the major financial markets occurs.
- (ii) NAV/Price and Reporting:
 - (A) There is (aa) a failure to calculate and/or publish the NAV of the Fund on any day on which such calculation or publication was scheduled to be made in accordance with the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (bb) a failure to calculate and publish the NAV of the Fund with the frequency set out in the Fund Documents and/or the Fund Prospectus as they prevailed on the Inclusion Date or (cc) where the Fund is an exchange-traded fund, a failure to publish the trading price of the Reference Assets on the Exchange.
 - (B) (aa) Any change is made to the methodology used for calculating either the NAV of the Fund or any estimate of the NAV of the Fund from that which prevailed on the Inclusion Date or (bb) there is a failure to calculate and deliver any estimate of the NAV of the Fund in accordance with the timing within which such information has previously been provided to the Issuer, the Calculation Agent, any of its affiliates or any Hedge Provider.

- (C) (aa) The time delay between calculation of the NAV (or any estimated NAV) of the Fund and the publication of such NAV (or estimated NAV) is changed so that it is no longer the same as set out in the Fund Prospectus as it prevailed on the Inclusion Date or (bb) any other information relating to the Fund that was specified to be published in accordance with the Fund Documents or the Fund Prospectus as they respectively prevailed on the Inclusion Date is not published in accordance with the timetable therefor set out in such documents.
 - (D) The audited NAV of the Fund varies by more than 0.50 per cent. from the related NAV previously published by or on behalf of the Fund, or the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund, or the Issuer or the Calculation Agent on its behalf considers that the unaudited official NAV of the Fund published by or on behalf of the Fund in respect of any date does not reflect the NAV of such Fund as it would have been determined by the independent auditors of that Fund using the generally accepted accounting standards adopted by the Fund.
 - (E) (aa) In respect of any Reference Asset, the occurrence of any event affecting such Reference Asset that, in the determination of the Issuer or the Calculation Agent on its behalf, would make it impossible or impracticable for the Issuer or the Calculation Agent to determine the value of such Reference Asset, and the Issuer or the Calculation Agent on its behalf determines that such event will not be, or has not been, resolved within 15 calendar days from the occurrence of such event; (bb) any failure of the Fund, any Fund Service Provider or any director of the Fund to deliver, or cause to be delivered, (I) information that such person has agreed to deliver, or cause to be delivered, to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider in respect of the Fund (including, without limitation, any information required by the Issuer or the Calculation Agent in the execution of its duties and obligations under the Securities or required by the Issuer or the Calculation Agent in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities) or (II) information that has been previously delivered to the Issuer, the Calculation Agent, any of the Issuer's affiliates or any Hedge Provider, in accordance with such person's, or its authorised representative's, normal practice and that the Issuer or the Calculation Agent deems necessary for it to perform its duties and obligations under the Securities or that the Issuer or the Calculation Agent deems is required by it in order to determine whether any Fund Event has occurred or to make any other determination permitted by it in respect of the Securities (including, in either case, monitoring the Fund's compliance with any Portfolio Guidelines, asset allocation methodologies, the occurrence of any Fund Event or any other similar policies relating to such Reference Assets).
- (iii) Reference Assets:
- Any of the following events relating to the Reference Assets occurs:
- (A) a subdivision, reclassification or distribution of Reference Assets which has a diluting or concentrative or other effect on the value (theoretical or otherwise) of the Reference Assets;
 - (B) a portion of each Reference Asset is converted (whether by way of redemption and re-issue or otherwise) into new securities participating in the capital of the Fund, which securities are subject

to lock-up periods during which they may not be redeemed and which relate to any segregated assets of the Fund, or the Fund creates any other form of "side-pocket" which affects the Reference Assets;

- (C) a (aa) dividend (including cash and whether ordinary or extraordinary), (bb) distribution or (cc) issue of Reference Assets, capital, securities, rights or other assets or interests to existing holders of Reference Assets which has or is likely to have an adverse effect on the value (theoretical or otherwise) of the Reference Assets;
- (D) any suspension or limitation on the trading of the relevant currencies in which the Reference Assets are denominated or any amendment to the currency of denomination of the Reference Assets so that their price is no longer calculated in the same currency as at the Inclusion Date of the Fund; or

(iv) Trading and Fees:

- (A) In respect of the Reference Assets, the Fund or any Fund Service Provider increases the level of any redemption fee, subscription fee, management fee, performance fee or a bid/offer spread (or other charge however described) above the level that would have been applicable to any Reference Assets held by any of the Issuer, any affiliate of the Issuer or any Hedge Provider on the Inclusion Date (regardless of whether any such person actually holds any Reference Assets as of such date).
- (B) Any suspension of or limitation imposed on trading of the Fund or on trading in the Reference Assets (for any reason, including, without limitation, by reason of liquidity restrictions) or any dealing request made by any investor or prospective investor in the Fund or the Reference Assets is deferred in whole or in part or is made at a value other than the related NAV or price, as applicable.
- (C) The frequency at which Reference Assets can be traded is amended or the timing for subscription or redemption of Reference Assets is amended, in each case so that it is no longer that specified in the Fund Documents and/or Fund Prospectus as they prevailed on the Inclusion Date, including, without limitation, an amendment to the timetable for payment of redemption proceeds upon redemption.
- (D) If any of the Issuer, any of its affiliates or any Hedge Provider redeems Reference Assets or is entitled to any other amount and:
 - (aa) does not receive the full proceeds of such redemption or amount in cash in accordance with the timing set out in the Fund Documents or the Fund Prospectus; or
 - (bb) receives any in-kind distribution in full or part satisfaction of the redemption proceeds or such other amount paid or payable to it,
 or the Issuer or the Calculation Agent on its behalf determines that either (aa) or (bb) above would be applicable were the Issuer, any of its affiliates or any Hedge Provider to redeem Reference Assets or be entitled to actual payment of any such other amount.

(v) Fund Adviser and Fund Service Provider Failures:

- (A) The Fund Adviser indicates or acknowledges that in its opinion the strategy/investment objective of the Fund will not be, or is no longer able to be, met.

- (B) Any representations, covenants or agreements of the Fund Adviser under the investment management agreement or investment advisory agreement (howsoever described) relating to the Fund have been breached and not cured.
- (C) Any of: (aa) the resignation, termination of appointment or replacement of the Fund Adviser from its role as such occurs or the resignation, termination of appointment or replacement of any other Fund Service Provider from its role as such occurs with respect to the Fund or (bb) any change in the personnel of any Fund Service Provider occurs which the Issuer or the Calculation Agent on its behalf considers materially adversely affects the ability of such Fund Service Provider to carry out its duties with respect to the Fund.
- (D) The Issuer or the Calculation Agent on its behalf becomes aware of any failure by the Fund or any person on its behalf to disclose to the Issuer or the Calculation Agent on its behalf, on or before the Inclusion Date, any information, event or circumstance that was in existence on such date and that would have been necessary to enable the Issuer or the Calculation Agent to make an informed assessment of the assets and liabilities, financial position and prospects of the Fund and of the rights attaching to the Reference Assets.
- (vi) General: Any other event occurs which the Issuer or the Calculation Agent on its behalf determines is analogous to any of the events specified in subparagraphs (i) to (v) above.
- (c) Consequences of a Fund Event. In respect of each Fund Event, following the occurrence of such an event (and regardless of whether or not such event is then continuing) the Issuer or the Calculation Agent on its behalf may take any of following actions (each, a "**Permitted Action**"):
 - (i) (A) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines appropriate to account for the economic effect on the Securities of such Fund Event and (B) determine the effective date of the relevant adjustments; or
 - (ii) select a Replacement Fund and a Substitution Date. Following any such selection (A) the Replacement Fund shall replace the affected Fund on the Substitution Date, (B) references herein to the name of the affected Fund shall be deemed to be references to the name of the Replacement Fund with effect from the Substitution Date and (C) the Issuer or the Calculation Agent on its behalf may make such adjustment as it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions in relation to the Securities to reflect such substitution; or
 - (iii) accelerate all, but not some only, of the Securities, on the date notified to Holders in accordance with General Condition 4; or
 - (iv) make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as the Issuer or the Calculation Agent on its behalf determines are necessary to reflect a notional liquidation of all of the Reference Assets (with the timing of such notional liquidations being the same timing as would be the case on an actual liquidation of Reference Assets at the relevant time) and a notional investment of the liquidation proceeds in either (A) a zero coupon bond, or equivalent, such that the amount payable at redemption of such zero coupon bond is at least an amount per Security equal to the Issue Price of the Security or, where this is not possible or

practicable (as determined by the Issuer or the Calculation Agent on its behalf) or (B) an interest-bearing deposit bearing interest at prevailing rates that would be offered by the Issuer in respect of such a deposit as determined by the Issuer or the Calculation Agent on its behalf or, if it is not possible or practicable to comply with sub-clauses (A) or (B) of this Product Condition 4(c)(iv) (as determined by the Issuer or the Calculation Agent on its behalf), (C) commercial paper rated at least A1/P1 or above by Moody's Investors Service, Inc. (any transaction costs that would be incurred in respect of an actual such investment may be notionally charged to the Securities) (any of (A), (B) or (C), a "**Suspension Asset**").

Notwithstanding that the Issuer or the Calculation Agent on its behalf may have previously determined not to take a Permitted Action, or to take one Permitted Action, it shall not be prevented from subsequently or concurrently deciding to adopt an additional or different Permitted Action in respect of the same Fund Event (whether on one or any number of occasions). In such respect, the Issuer or the Calculation Agent on its behalf may make such adjustments to any variable, calculation methodology, valuation, settlement or payment terms or any other terms and conditions of the Securities as it determines appropriate to account for the decision subsequently or concurrently made.

Notwithstanding anything in this Product Condition 4(c), neither the Issuer nor the Calculation Agent is under any obligation to determine that a Fund Event has occurred or to take any or all of the Permitted Actions. Any determinations made by the Issuer or the Calculation Agent on its behalf in respect of any of the Permitted Actions shall, in the absence of manifest error, be binding.

(d) Fund Event Methodology and Determinations:

- (i) If, in respect of any determination or calculation hereunder which is made by reference to an official or estimated NAV of a Fund provided or published by or on behalf of the Fund or, where the Fund is an exchange-traded fund, the last reported trading price of the Reference Asset on the Exchange in respect of a particular date, the Issuer or the Calculation Agent on its behalf determines that such value does not fairly represent the value of the Fund or Reference Asset as of such date, or that no such value is provided or published, then the Issuer or the Calculation Agent on its behalf may use such other value as it determines as representing a fair NAV or price, as applicable, as of such date or, alternatively, may use a preceding official or estimated value where it believes that such preceding official or estimated value gives a fairer representation than the more recent figure.
- (ii) Should the Fund operate equalisation procedures in respect of performance or incentive based fees, the Issuer or the Calculation Agent on its behalf may make such adjustments to these Product Conditions as the Issuer or the Calculation Agent on its behalf determines appropriate to account for such equalisation in an equitable manner and, where such equalisation procedures operate by the issuance of different classes of shares in the Fund, then each of the Issuer and the Calculation Agent is permitted to deem any notional subscription or redemption on behalf of the Securities to be in such order and in respect of such classes as appear to it to be equitable and reasonable or to deem the return of such shares to be based on a benchmark or average of the different classes.

- (e) For the avoidance of doubt and notwithstanding any other Condition, the Issuer and the Calculation Agent on its behalf shall be entitled to make any determination, waiver, declaration or decision with regard to a Fund Event and, without limitation, may make such determination, waiver, declaration or decision by reference to the establishment, operation and/or efficacy (whether actual or anticipated) of any Relevant Hedging Transaction. Neither the Issuer nor the Calculation Agent is under any obligation to monitor or determine whether or not a Fund Event has occurred and

will not be required to, and will not be responsible for any failure to, make any determination, waiver, declaration or decision whatsoever in relation to a Fund Event. In making or omitting to make any such determination, waiver, declaration or decision, neither the Issuer nor the Calculation Agent shall be under any fiduciary duty towards the Holders and, for the avoidance of doubt, neither the Issuer nor the Calculation Agent shall be responsible for any loss, underperformance or opportunity cost suffered or incurred by Holders in connection with the Securities as a result thereof, howsoever arising.

- (f) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO BASKET-RELATED RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means each of the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and together the **"Agents"**, which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Basket" means the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Bond Index Component Performance" means (if applicable) the performance of the Bond Index Components determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Business Day" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified in the definition of the relevant Series in the applicable Final Terms, less Expenses.

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

"Clearing Agent" means each clearing agent(s) and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Commodity" means each commodity (if any) specified as such in the definition of Commodity Component specified in the definition of Basket, subject to Product Condition 4.

"Commodity Component Performance" means (if applicable) the performance of the Commodity Components determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Commodity Reference Price" means in relation to each Commodity and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount equal to the price of the Commodity on the Exchange at the Valuation Time on a Valuation Date, the Interim Amount Cash Settlement Date or the Issuer Call Date, as applicable, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the Commodity Reference Price on such date having regard to the then prevailing market conditions, the last reported price of the Commodity and such other factors as the Calculation Agent determines to be relevant, subject to adjustment in accordance with Product Condition 4.

"Coupon" means, if the Securities are interest-bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (d) **Inconvertibility/non-transferability.** The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) **Nationalisation.** Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) **Illiquidity.** It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) **Change in Law.** A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) **Imposition of Tax/Levy.** The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) **Unavailability of Settlement Currency.** The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

"Exchange" means, in relation to each Commodity (if applicable), the exchange or quotation system specified as such in the definition of Basket or any successor to such exchange or quotation system and, in relation to each Index (if applicable), the exchange or quotation system from which the Index Sponsor takes the prices of the shares or other securities that comprise the Index (the **"Shares"**) to compute the Index or any successor to such exchange or quotation system.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment due following exercise or otherwise in respect of such Security.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Index" means each index (if any) specified as such in the definition of Index Component, Real Estate Index Component and Bond Index Component, in each case if applicable, specified in the definition of Basket, subject to Product Condition 4.

"Index Component Performance" means (if applicable) the performance of the Index Components determined in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Index Reference Price" means, in relation to each Index and unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on a Valuation Date, Interim Amount Cash Settlement Date or Issuer Call Date, as applicable, as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4.

"Initial Commodity Reference Price" means, in relation to each Commodity and unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount equal to the price of the Commodity on the Exchange at the Valuation Time on the Pricing Date as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the price of such Commodity on such date having regard to the then prevailing market conditions, the last reported price of the Commodity and such other factors as the Calculation Agent determines to be relevant.

"Initial Index Reference Price" means, in relation to each Index and unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, the level of the Index at the Valuation Time on the Pricing Date as determined by the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such level can be determined and no Market Disruption Event has occurred and is continuing) a level determined by the Calculation Agent as its good faith estimate of the official closing level of the Index on such date having regard to the then prevailing market conditions, the last reported trading price of the Shares and such other factors as the Calculation Agent determines relevant.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate (if any) specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Interim Cash Settlement Amount" means, if "Interim Cash Settlement Amount" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, an amount determined by the Calculation Agent on the Interim Cash Settlement Valuation Date in accordance with the formula set out in the applicable Final Terms, less Expenses.

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

"Interim Cash Settlement Amount Payment Date" means, if "Interim Cash Settlement Amount" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, three Business Days following the Interim Cash Settlement Amount Valuation Date.

"Interim Cash Settlement Amount Valuation Date" means, if "Interim Cash Settlement Amount" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms, or if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case, the Interim Cash Settlement Amount Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been an Interim Cash Settlement Amount Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Interim Cash Settlement Amount Valuation Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the Index Reference Price (if applicable) or the Commodity Reference Price (if applicable) as the case may be, having regard to the then prevailing market conditions, the last reported trading price of the Commodity (if applicable) and the Shares (if applicable) on the Exchange and such other factors as the Calculation Agent determines to be relevant.

"Issue Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4, any Additional Market Disruption Events specified as such in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Real Estate Index Component Performance" means (if applicable) the performance of the Real Estate Index Components determined in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms.

"Related Exchange" means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Commodity (if applicable) or on the Index (if applicable) are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("**ADR**") or Global Depositary Receipt ("**GDR**"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Securities" means each Series of basket-related retro-finance notes specified in the applicable Final Terms and each such note a "**Security**". References to the terms "**Securities**" and "**Security**" shall be construed severally with respect to each Series.

"Series" means the series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Trading Day" means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, in relation to each Index (if applicable), any day on which the Index Sponsor should calculate and publish the closing level of the Index according to its rules and, in relation to each Commodity (if applicable), any day that is (or but for the occurrence of a Market Disruption Event,

would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time.

"Valuation Date" means the date or dates specified as such in the definition of the relevant Series in the applicable Final Terms or if such day is not a Trading Day the next succeeding Trading Day unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine the Index Reference Price (if applicable) or the Commodity Reference Price (if applicable) as the case may be, having regard to the then prevailing market conditions, the last reported trading price of the Commodity (if applicable) or the Shares (if applicable) on the Exchange and such other factors as the Calculation Agent determines to be relevant.

"Valuation Time" means:

- (a) unless specified otherwise in the definition of the relevant Series in the applicable Final Terms:
 - (i) with respect to Oil (if specified as applicable in the definition of "Commodity Component" specified in the definition of "Basket"), the close settlement price per barrel of West Texas Intermediate light sweet crude oil on the NYMEX of the first WTI light sweet crude oil futures contract and in the case of each Commodity, such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.
 - (ii) with respect to Natural Gas (if specified as applicable in the definition of "Commodity Component" specified in the definition of "Basket"), the close settlement price per one million British thermal units (MMBTU) of Natural Gas on the NYMEX of the first Henry Hub Natural Gas Futures Contract and in the case of each Commodity, such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4; and
 - (iii) with respect to Aluminium (if specified as applicable in the definition of "Commodity Component" specified in the definition of "Basket"), and Copper (if specified as applicable in the definition of "Commodity Component" specified in the definition of "Basket"), the close of the second ring session on the Exchange and in the case of each Commodity, such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4; and
 - (iv) with respect to each Index (if specified as applicable in the definition of "Commodity Component" specified in the definition of "Basket"), the time with reference to which the Index Sponsor calculates the closing level of the relevant Index or such other time as the Issuer may determine in its absolute discretion and notify to Holders in accordance with General Condition 4; and
- (b) with respect to any other component to the Basket, the time specified as such in the applicable Final Terms; and

"Weight" means for each Commodity (if applicable) and each Index (if applicable) the percentage specified as such in the definition of Basket, subject to adjustment in accordance with Product Condition 4.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary

for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.

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

3. Rights and Procedures

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer, in respect of each Nominal Amount, at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interim Cash Settlement Amount: If "Interim Cash Settlement Amount" is specified as "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer shall pay or cause to be paid an amount in respect of each Security equal to the Interim Cash Settlement Amount on the Interim Cash Settlement Amount Payment Date.
- (d) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction and is payable on each Interest Payment Date or the Issuer Call Date (if applicable), as the case may be.
- (e) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (f) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in

the definition of ""Business Day Convention"" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.

- (g) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent, or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Interest Amount, Issuer Call Cash Amount or any Interim Cash Settlement Amount.
- (h) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (i) Method of Payment. Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (j) Presentation and Surrender. The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) Market Disruption. The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.
 - (i) A "**Market Disruption Event**" relating to a Commodity (if applicable) means:
 - (A) Price Source Disruption. The failure by the Exchange to announce or publish the price for the Commodity (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Exchange; or
 - (B) Trading Suspension. The material suspension of trading on the Exchange or any Related Exchange; or
 - (C) Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of the Commodity on the Exchange; or
 - (D) Material Change in Formula. The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of calculating the price of the Commodity; or

- (E) Material Change in Content. The occurrence, since the Issue Date, of a material change in the content or composition of the Commodity; or
 - (F) De Minimis Trading. The number of contracts traded on the Exchange with respect to the Commodity is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity has been impaired due to a lack of, or, a material reduction in, trading in the Commodity on the Exchange; or
 - (G) Tax Disruption. The imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity on the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Final Valuation Date as the case may be and/or on each of the three Trading Days following the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Final Valuation Date as the case may be from what it would have been without that imposition, change or removal; or
 - (H) Trading Limitation. The material limitation imposed on trading in the Commodity with respect to it or any contract with respect thereto on any exchange or principal trading market; or
 - (I) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located; or
 - (J) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.
- (ii) A "**Market Disruption Event**" relating to an Index (if applicable) means:
- (A) a general moratorium is declared in respect of banking activities in the country in which the Exchange or Related Exchange is located;
 - (B) the occurrence or existence on any Trading Day during the one-hour period that ends at the official close of trading on the Exchange or any Related Exchange of any suspension of or limitation imposed on trading or the disruption or impairment in the ability of market participants in general to effect transactions (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise);
 - (C) on any Exchange(s) in securities that comprise 20 per cent. or more of the level of the relevant Index if, in the determination of the Calculation Agent, such suspension or limitation is material. For the purpose of determining whether such suspension or limitation is material, if trading in a security included in the Index is suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security relative to (y) the overall level of the Index, in each case immediately before that suspension or limitation; or
 - (D) on any Related Exchange in any options contracts or futures contracts or other derivatives contracts relating to the relevant Index. In any event, a limitation on the hours and number of days of

trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the relevant exchange, but a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the relevant exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event.

- (b) Adjustments to the Commodity (if applicable) and the Index (if applicable)
 - (i) If a Commodity (an "**Affected Commodity**") for any reason ceases to exist, the Calculation Agent may determine in its sole discretion to either (A) replace that Affected Commodity by a successor commodity which has in the determination of the Calculation Agent the same or substantially similar structure and a substantially similar economic impact as such Affected Commodity and is of a similar type to such Affected Commodity or (B) remove the Affected Commodity from the Basket and allocate the price of such Affected Commodity, pro rata to the remaining Commodities in the Basket.
 - (ii) Adjustments to the Index. The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (A), (B), (C) or (D) below.
 - (A) If any Index is (aa) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the "**Successor Sponsor**") acceptable to the Calculation Agent or (bb) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the relevant Index, then (in either case) the relevant Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
 - (B) If (aa) on or prior to the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Issuer Call Date as the case may be the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating any Index or in any other way materially modifies an Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or (bb) on or prior to the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Issuer Call Date as the case may be the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish any Index; then (in either case) the Calculation Agent shall determine the level of the Index using, in lieu of a published level for the relevant Index on the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Issuer Call Date as the case may be, the level for the relevant Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the relevant Index last in effect prior to the change or failure, but using only those securities that comprised the relevant Index immediately prior to the change or failure (other than those securities that have since ceased to be listed on the Exchange or any other exchange on which the Shares are listed) or, in the case of a material modification of the Index only, shall deem such modified Index to be the Index so calculated and announced or shall terminate the Securities by giving notice in accordance with General Condition 4.

- (C) If, at any time, any of the events specified in (aa) to (hh) below occurs and the Index Sponsor or, if applicable, the Successor Sponsor has not in the opinion of the Calculation Agent made an appropriate adjustment to the level of the relevant Index in order to account fully for such event, notwithstanding that the rules published or applied by the Index Sponsor or, if applicable, the Successor Sponsor pertaining to the Index have been applied, the Calculation Agent shall make such adjustment to the level of the relevant Index as it considers appropriate in order so to account for: (aa) a distribution or dividend to existing holders of the Shares of (I) the Shares or (II) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the issuer of the Shares equally or proportionately with such payments to holders of Shares or (III) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price; (bb) a free distribution or dividend of any Shares to existing holders of the Shares by way of bonus, capitalisation or similar issue; (cc) an extraordinary dividend; (dd) any cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (ee) any non-cash dividends declared on the Shares at a time when the relevant issuer of the Shares has not previously declared or paid dividends on such Shares for the prior four quarterly periods; (ff) any other extraordinary cash or non-cash dividend on, or distribution with respect to, the Shares which is, by its terms or declared intent, declared and paid outside the normal operations or normal dividend procedures of the relevant issuer of the Shares, provided that, in all cases, the related ex-dividend date occurs during the period from but including the Issue Date up to and excluding the Interim Cash Settlement Amount Valuation Date, the relevant Valuation Date or the Issuer Call Date as the case may be; (gg) a distribution of cash dividends on the Shares equal to or greater than eight per cent. per annum of the then current market value of the Shares; and (hh) any other similar event having a dilutive or concentrative effect on the theoretical value of the Shares.
- (D) The Issuer reserves the right to issue further Securities, make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should, in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent either to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or to be required to take account of provisions of the laws of the relevant jurisdiction or the practices of the Exchange.

The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any such determination and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and in a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the Final Terms) under Article 16 of Directive 2003/71/EC.

CONDITIONS: PRODUCT CONDITIONS
RELATING TO COMMODITY RETRO-FINANCE NOTES

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

1. Definitions

"Agent" means the Principal Agent and Agent(s), each as specified in the applicable Final Terms, each acting through its specified office and, together, the **"Agents"** shall include any other Agent appointed pursuant to the provisions of General Condition 12.

"Basket" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", the basket specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Business Day" means, unless specified otherwise in the applicable Final Terms, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business.

"Cash Amount" means an amount determined by the Calculation Agent in accordance with the formula specified as such in the definition of the relevant Series in the applicable Final Terms, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Clearing Agent" means each clearing agent and clearance system specified as such in the applicable Final Terms and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **"Clearing Agent"** and together the **"Clearing Agents"**).

"Commodity" means each commodity specified as such in the definition of the relevant Series in the applicable Final Terms, subject to Product Condition 4.

"Commodity Performance" means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount determined by the Calculation Agent in accordance with the following formula:

$(\text{Final Reference Price}/\text{Initial Reference Price}) - 1 \times (\text{IER}/\text{FER}).$

"Coupon" means, if the Securities are interest-bearing, an interest coupon attached to each Security (if in definitive form) (if any) representing an entitlement in respect of an Interest Amount.

"Emerging Market Disruption Event" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, each of the following events:

- (a) **Moratorium.** A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or
- (b) **Price Source Disruption.** It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (c) **Governmental Default.** With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling

of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee, or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- (d) Inconvertibility/non-transferability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (ii) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (e) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (f) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (g) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (h) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (i) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency or, where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (j) any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

"Exchange" means, with respect to each Commodity, the exchange specified as such in the definition of "Basket" or specified as such in the definition of the relevant Series in the applicable Final Terms or any successor to such exchange.

"Exchange Rate" means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, the mid price of the rate of exchange between the Underlying Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Expenses" means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment or delivery due following exercise or otherwise in respect of such Security.

"Final Exchange Rate" ("FER") means the Exchange Rate on the Valuation Date.

"Final Reference Price" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to the price of the Commodity on the Exchange at the Valuation Time on the Valuation Date, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the price of the Commodity on such date having regard to the then prevailing market conditions, the last reported trading price of the Commodity on the Exchange and such other factors as the Calculation Agent determines to be relevant.

"Final Terms" means the document containing the specific terms relating to the Securities.

"Form" means Global.

"Governmental Authority" is any de facto or de jure government (or agency or instrumentality thereof, court, tribunal, administrative or other governmental authority) or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) in the country of the principal financial centre of either of the currencies in the Relevant Currency Exchange Rate.

"Initial Exchange Rate" ("IER") means the Exchange Rate on the Pricing Date.

"Initial Reference Price" means, unless specified otherwise in the definition of the relevant Series in the applicable Final Terms, an amount, subject to adjustment in accordance with Product Condition 4, equal to the price of the Commodity on the Exchange at the Valuation Time on the Pricing Date, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing on such date) a price determined by the Calculation Agent as its good faith estimate of the price of the Commodity on such date having regard to the then prevailing market conditions, the last reported trading price of the Commodity and such other factors as the Calculation Agent determines relevant.

"Interest Amount" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period and each Nominal Amount, an amount calculated by the Calculation Agent as follows:

Nominal Amount x Interest Rate x Interest Rate Day Count Fraction.

"Interest Payment Dates" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the dates specified as such in the definition of the relevant Series in the applicable Final Terms.

"Interest Period" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms and unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the period commencing on (and including) the Issue Date to (but excluding) the first Interest Payment Date or the Issuer Call Date, as the case may be, and each period commencing on (and including) an Interest Payment Date to (but excluding) the next following Interest Payment Date or the Issuer Call Date, as the case may be.

"Interest Rate" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, in respect of each Interest Period, the rate per annum specified as such, or determined in accordance with the formula specified, in the definition of the relevant Series in the applicable Final Terms.

"Interest Rate Day Count Fraction" means, if "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, that interest shall be calculated on the basis specified in the definition of the relevant Series in the applicable Final Terms.

"Issue Date" means the date specified as such in the applicable Final Terms.

"Issuer" means The Royal Bank of Scotland plc incorporated in Scotland with its statutory seat in Edinburgh.

"Issuer Call" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the termination of the Securities by the Issuer in accordance with Product Condition 3(b).

"Issuer Call Cash Amount" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the amount specified, or determined by the Calculation Agent in accordance with the formula specified, in the definition of Issuer Call Cash Amount for the relevant Series in the applicable Final Terms, less Expenses. The Issuer Call Cash Amount payable to a Holder shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

"Issuer Call Commencement Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Issuer Call Date" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each date specified as such in the definition of the relevant Series in the applicable Final Terms or, if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Issuer Call Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been an Issuer Call Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Issuer Call Date (regardless of the Market Disruption Event) and (ii) the Calculation Agent shall determine the Issuer Call Cash Amount having regard to the then prevailing market conditions, the last reported trading price of the Commodity on the Exchange and such other factors as the Calculation Agent determines to be relevant or, if no such date is specified, in the notice delivered in accordance with Product Condition 3(b).

"Issuer Call Notice Period" means, if "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the period specified as such in the definition of the relevant Series in the applicable Final Terms.

"Market Disruption Event" means each event specified as such in Product Condition 4(a), any Additional Market Disruption Events specified in the definition of the relevant Series in the applicable Final Terms and any Emerging Market Disruption Event.

"Maturity Date" means the date specified as such in the definition of the relevant Series in the applicable Final Terms.

"Nominal Amount" means the amount specified as such in the definition of the relevant Series in the applicable Final Terms.

"Participation" means the rate specified as such in the definition of the relevant Series in the applicable Final Terms.

"Payment Day" means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency or, if the Settlement Currency is euro, any day on which the Trans-European Automated Real-time Gross settlement Express Transfer (TARGET 2) System is open.

"Pricing Date" means the date or dates specified as such in the applicable Final Terms, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require.

"Related Exchange" means an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on the Commodity are traded.

"Relevant Currency" means, unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying is located, provided that Relevant Currency shall not include any lawful currency that is a Standard Currency. Notwithstanding the foregoing, where the underlying of a Security is a fund, including but not limited to, an exchange-traded fund, a mutual fund, a unit trust or a hedge fund, or an American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR"), the constituents of such fund, ADR or GDR as applicable, shall not be considered for the purpose of this definition.

"Relevant Currency Exchange Rate" means, each rate of exchange between the Relevant Currency and the Settlement Currency or, where the Relevant Currency is the Settlement Currency, between the Relevant Currency and any other applicable currency, as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Relevant Number of Business Days" means the number of Business Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Relevant Number of Trading Days" means the number of Trading Days, if any, specified as such in the definition of the relevant Series in the applicable Final Terms.

"Securities" means each Series of the commodity retro-finance notes relating to each Commodity specified in the applicable Final Terms and each such note a **"Security"**. References to the terms **"Securities"** and **"Security"** shall be construed severally with respect to each Series specified in the applicable Final Terms.

"Series" mean each Series of Securities set out in the applicable Final Terms.

"Settlement Currency" means the currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Settlement Date" means the Maturity Date or if later, the Relevant Number of Business Days following the Valuation Date.

"Standard Currency" means unless otherwise specified in the definition of the relevant Series in the applicable Final Terms, the lawful currency of Australia, Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, Slovenia, Spain, Sweden, Switzerland, Taiwan, the United Kingdom and the United States, or such other currency as determined by the Calculation Agent at its sole and absolute discretion from time to time.

"Trading Day" means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time.

"Underlying Currency" means each currency specified as such in the definition of the relevant Series in the applicable Final Terms.

"Valuation Date" means the date or dates specified in the definition of the relevant Series in the applicable Final Terms or, if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Relevant Number of Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case (i) the last day of the Relevant Number of Trading Days shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the Final Reference Price having regard to the then prevailing market conditions, the last reported trading price of the Commodity on the Exchange and such other factors as the Calculation Agent determines to be relevant.

"Valuation Time" means at or around the time specified as such in the definition of the relevant Series in the applicable Final Terms or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4.

"Weight" means, unless for the relevant Series "Basket" is specified in the applicable Final Terms as being "Not Applicable", for each Commodity, the percentage specified as such in the definition of Basket of the relevant Series in the applicable Final Terms, subject to adjustment in accordance with Product Condition 4.

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

2. Form

- (a) Global Form. Except in the case of Securities issued in the form described in Product Condition 2(b), the Securities will be issued in bearer form in the denomination of the Nominal Amount. The Securities are represented by a global security (the **"Global Security"**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular nominal amount of the Securities (in

which regard any certificate or other document issued by the relevant Clearing Agent as to the nominal amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated by the Issuer and each Agent as the holder of such nominal amount of the Securities (and the term "**Holder**" shall be construed accordingly) for all purposes, other than with respect to any payment and/or delivery obligations, the right to which shall be vested, as regards the Issuer and the Agents, solely in the bearer of the Global Security.

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

3. Rights and Procedures

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer, in respect of each Nominal Amount, at the Cash Amount, such redemption to occur on the Settlement Date.
- (b) Issuer Call. If "Issuer Call" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, the Issuer may redeem the Securities in whole, but not in part, on any Issuer Call Date at the Issuer Call Cash Amount by giving Holders at least the Issuer Call Notice Period notice of its intention to redeem the Securities, such notice to be given at any time from (and including) the Issuer Call Commencement Date. Any such notice shall be given in accordance with the provisions of General Condition 4 and shall specify the Issuer Call Date.
- (c) Interest Amount. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall bear interest at the Interest Rate. The Interest Amount is calculated by reference to the relevant Interest Period, the Interest Rate, the Nominal Amount and the Interest Rate Day Count Fraction, and is payable on each Interest Payment Date and the Issuer Call Date (if applicable), as the case may be.
- (e) Interest Accrual. If "Interest" is specified as being "Applicable" in the definition of the relevant Series in the applicable Final Terms, each Security shall cease to accrue interest from and including the due date for redemption. No interest shall accrue after the Maturity Date or the Issuer Call Date, as the case may be, in the event that payment of any amount is postponed due to a Market Disruption Event.
- (f) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until either (i) if "Modified Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day unless such Payment Day falls in the next calendar month in which case the date for payment will be the first preceding Payment Day or (ii) if "Following" is specified in the definition of "Business Day Convention" for the relevant Series in the applicable Final Terms, the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (g) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent, or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount, any Issuer Call Cash Amount or any Interest Amount.
- (h) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any

Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.

- (i) **Method of Payment.** Subject as provided below, where any amount paid in connection with the Securities is in a currency other than euro, such payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of the country of such Settlement Currency; where any amount paid in connection with the Securities is in euro, payment of such amount will be made by an Agent on behalf of the Issuer by credit or transfer to a euro account or any account to which euro may be credited or transferred specified by the payee or, at the option of the payee, by a euro cheque. Payments will be made via the Clearing Agent(s) and will be made in accordance with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (j) **Presentation and Surrender.** The Issuer shall record payment of any amount in connection with the Securities made to the relevant Agent and such record shall be prima facie evidence that the payment in question has been made. The Holder shall be the only person entitled to receive payments of any amount paid in connection with the Securities and the Issuer will be discharged by payment to, or to the order of, the Holder in respect of the amount so paid.

4. Adjustments

- (a) **Market Disruption.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred.

A "**Market Disruption Event**" means:

- (i) **Price Source Disruption.** The failure by the Exchange to announce or publish the price for the Commodity (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Exchange; or
- (ii) **Trading Suspension.** The material suspension of trading on the Exchange or any Related Exchange; or
- (iii) **Disappearance of Price.** The failure of trading to commence, or the permanent discontinuation of trading of the Commodity on the Exchange; or
- (iv) **Material Change in nature of, or, pricing method.** The occurrence, since the Issue Date, of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of calculating the price of the Commodity; or
- (v) **Material Change in Content.** The occurrence, since the Issue Date, of a material change in the content, composition of the Commodity; or
- (vi) **De Minimis Trading.** The number of contracts traded on the Exchange with respect to the Commodity is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Commodity has been impaired due to a lack of, or, a material reduction in, trading in the Commodity on the Exchange; or
- (vii) **Tax Disruption.** The imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Issue Date, if the direct effect of such imposition, change or removal is to raise or lower the price of the Commodity on the Valuation Date and/or on each of the three Trading Days

following the Valuation Date from what it would have been without that imposition, change or removal; or

(viii) Trading Limitation. The material limitation imposed on trading in the Commodity with respect to it or any contract with respect thereto on any exchange or principal trading market; or

(ix) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities.

(b) The Calculation Agent may make adjustments to the Conditions in order to account for any such event if it considers it appropriate to do so. The Calculation Agent shall, as soon as practicable after receipt of any written request to do so, advise a Holder of any determination made by it pursuant to this Product Condition 4 on or before the date of receipt of such request. The Calculation Agent shall make available for inspection by Holders copies of any such determinations. In making any determinations and calculations in respect of the Securities, the Calculation Agent shall act at all times in good faith and a commercially reasonable manner.

5. Effect of Final Terms

The Final Terms applicable to any Series of Securities may specify amendments to these Product Conditions in so far as they apply to that Series. Notwithstanding the foregoing, consideration will be given as to whether such amendments constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus (as defined in the "Final Terms") under Article 16 of Directive 2003/71/EC.

MARKET-MAKING ARRANGEMENTS

Unless otherwise specified in the applicable Final Terms, the Issuer may enter into a market-making agreement with the relevant distributor under which, so long as that agreement remains in force, the distributor will provide indicative prices for Securities to investors or, upon request, a firm price for Securities, subject in each case to it having received such an indicative or, as the case may be, firm price from the Issuer. In the absence of receiving such a price, the distributor may provide an indicative or firm price at its discretion.

USE OF PROCEEDS

The net proceeds from each issue of Securities will be allocated as follows: (a) an amount equal to the Original Deposit Amount will be deposited with the Deposit Bank in accordance with the terms of the Master Deposit Agreement and (b) the remaining proceeds will be used by the Issuer for its general corporate purposes (including hedging arrangements). To the extent that the net proceeds of an issue of Securities are not deposited with the Deposit Bank in accordance with the terms of the Master Deposit Agreement or not applied for the purposes of making profit and/or hedging certain risks, the applicable Final Terms shall contain further information including the principal intended uses and the order of priority in which such uses are ranked.

TAXATION

The following summary of the tax position in certain countries that may arise as a result of holding the Securities is based on current tax legislation and is intended only as general information for holders of the Securities. It only relates to the tax consequences specified. 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 for further information on matters including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules which may be applicable.

1. GENERAL

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

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

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

2. EU SAVINGS DIRECTIVE

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

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

3. FINLAND

Withholding Tax

Resident holders of Securities

Payment of the redemption gain (if any) or interest on the Securities through a Finnish paying agent to individuals resident in Finland will be subject to an advance tax withheld by the Finnish Paying Agent at the rate of 28 per cent. Such advance tax withheld will be used for the payment of the individual's final taxes.

Payment of the redemption gain (if any) or interest on the Securities through a Finnish paying agent to corporate entities resident in Finland will not be subject to any Finnish advance or withholding taxes.

4. UNITED KINGDOM

The following applies only to persons who are the beneficial owners of Securities and is a summary of the Issuer's understanding of current United Kingdom tax law 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 or disposing of Securities and should not be relied upon by Holders or prospective Holders of Securities. Some aspects do not apply to certain classes of person (such as persons carrying on a trade of dealing in Securities and persons connected with the Issuer) to whom special

rules may apply. The United Kingdom tax treatment of prospective Holders of Securities depends on their individual circumstances and may be subject to change in the future. The precise tax treatment of a Holder of Securities will depend for each issue on the terms of the Securities, as specified in the Conditions of the Securities as amended and supplemented by the applicable Final Terms. For United Kingdom tax purposes, the term "Security" or "Securities" refers to instruments of the type described in this Base Prospectus and is not intended to be determinative (or indicative) of the nature of the instrument for the purposes of United Kingdom taxation. Prospective Holders of Securities who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Withholding on account of United Kingdom tax

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

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

Interest on the Securities

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

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

Interest on or in respect of the Securities may also be paid without withholding or deduction for or on account of United Kingdom income tax where interest on or in respect of the Securities is paid by the Issuer and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on or in respect of the Securities is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on or in respect of the Securities may also be paid without withholding or deduction for or on account of United Kingdom income tax where the maturity of the Securities is less than 365 days and those Securities do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

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

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

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

For the purposes of the following paragraphs, it has been assumed that the Securities constitute loan capital ("**Loan Capital**") for the purposes of section 78 Finance Act 1986 ("**FA 1986**") and stock and/or loan capital for the purposes of section 99(3) FA 1986. A Security should be Loan Capital if the Holder has a right in all circumstances to be paid on redemption an amount equal to substantially all of the amount subscribed for the Security, either with or without any additional amount that may be payable on redemption. In addition, it is likely that HMRC would regard a Security as Loan Capital even if there is no guarantee that the holder will receive on redemption an amount equal to all or substantially all of the amount subscribed for the Security. This will, however, depend on the terms and conditions relating to the Security.

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

Stamp Duty

Stamp duty on the issue of Securities

No stamp duty will generally be payable in relation to the issue of Securities.

Stamp duty on the transfer of Securities

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

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

Stamp duty on the redemption of Securities

No United Kingdom stamp duty should be payable in relation to the redemption of a Security which is cash settled.

SDRT

SDRT on the issue of Securities to a Clearance Service

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

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

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 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 or held within a Clearance Service where a s97A Election has been made

In the case of Securities held outside a Clearance Service or Securities held within a Clearance Service where a s97A Election has been made, no SDRT should be payable in relation to any agreement to transfer a Security, in each case, provided that it is Exempt Loan Capital.

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

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 Base Prospectus and all of which are subject to change at any time with retrospective or prospective effect.

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 per cent. 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 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.

SELLING RESTRICTIONS

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 Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Securities to the public in that Relevant Member State:

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

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

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

3. THE NETHERLANDS

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

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

4. UNITED STATES OF AMERICA

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

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

Securities having a maturity of more than one year will be issued in compliance with U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (the "**D Rules**") and, in accordance with the D Rules, may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Securities in dematerialised form having a maturity of more than one year will be issued in compliance with U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(C) (the "**C Rules**") and, in accordance with the C Rules, may not be offered, sold or delivered within the United States or its possessions, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (the "**Code**") and the U.S. Treasury regulations thereunder.

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

- (a) except to the extent permitted under the D Rules, (i) to represent that it has not offered or sold, and agrees that during the restricted period it will not offer or sell, such Securities to a person who is within the United States or its possessions or to a United States person, and (ii) to represent that it has not delivered and agrees that it will not deliver within the United States or its possessions definitive Securities that are sold during the restricted period;
- (b) to represent that it has and agrees that throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Securities subject to the D Rules are aware that such Securities may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

- (c) if it is a United States person, each dealer represents that it is acquiring Securities for purposes of resale in connection with their original issuance and if it retains Securities for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6);
- (d) with respect to each affiliate that acquires Securities from a dealer for the purpose of offering or selling such Securities during the restricted period, to repeat and confirm the representations and agreements contained in sub-clauses (a), (b) and (c) of this paragraph on such affiliate's behalf; and
- (e) to agree that it will obtain from any distributor (within the meaning of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(4)(ii)) that purchases any Securities subject to the D Rules from it pursuant to a written contract with such dealer (except a distributor that is one of its affiliates or is another dealer), for the benefit of the Issuer and each other dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of sub-clauses (a), (b), (c) and (d) of this paragraph insofar as they relate to the D Rules, as if such distributor were a dealer hereunder.

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

The Issuer will require each dealer participating in the distribution of Securities subject to the C Rules to agree that it will not at any time offer, sell, resell or deliver, directly or indirectly, the Securities in the United States or to others for offer, sale, resale or delivery, directly or indirectly, in the United States. Further, the Issuer and each dealer to which it sells the Securities will represent and agree that in connection with the original issuance of such Securities that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States and will not otherwise involve its U.S. office in the offer or sale of such Securities. The terms used in the preceding sentence (and not otherwise defined below) have the meanings given to them by the Code and the U.S. Treasury regulations thereunder, including the C Rules.

As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "**U.S. person**" means: (i) an individual who is a citizen or resident of the United States; (ii) a corporation, 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, ten per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) (inclusive) 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.

FORM OF FINAL TERMS

Dated []



The Royal Bank of Scotland plc

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

[number] [underlying] [type of product] [Notes]
[Indicative] Issue Price: [][]

The Securities have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state or political subdivision of the United States, and may not be offered, sold, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, except pursuant to an exemption from, or in a transaction not subject to the requirements of the Securities Act and any applicable U.S. state securities laws. The Securities are being offered and sold only outside the United States to persons other than U.S. persons (as defined in Regulation S under the Securities Act) in offshore transactions that meet the requirements of Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended.

FINAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Base Prospectus relating to Notes, the Royal Bank of Scotland plc Retro-Finance Programme (Finland) dated 15 September 2011 (the "Base Prospectus"), as supplemented from time to time up to, and including, the Issue Date, which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of each Series of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus as so supplemented. Full information on the Issuer and each Series of the Securities described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus as so supplemented. The Base Prospectus as so supplemented is available for viewing at the office of the Issuer at 36 St Andrew Square, Edinburgh EH2 2YB, Scotland and copies may be obtained from the Issuer at that address.

[Include the next two paragraphs (which do not form part of the Base Prospectus for the purposes of Article 5.4 of the Prospectus Directive) and delete the previous paragraph if the Final Terms are drafted for Securities that are not to be listed on an EEA regulated market and are not to be offered to the public in the EEA.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Base Prospectus relating to Notes, the Royal Bank of Scotland plc Retro-Finance Programme (Finland) dated 15 September 2011, as supplemented from time to time up to, and including, the Issue Date.

These Final Terms do not constitute final terms for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC). The Issuer is not offering the Securities in any jurisdiction in circumstances which would require a prospectus pursuant to the Prospectus Directive. Nor is any person authorised to make such an offer of the Securities on behalf of the Issuer in any jurisdiction. In addition, no application has been made (nor is it proposed that any application will be made) for listing of the Securities on any stock exchange.]

These Final Terms relate to the Securities and must be read in conjunction with, and are subject to, the General Conditions, the Additional Terms and Conditions of Retro-Finance Securities and the relevant Product Conditions. These Final Terms, the relevant Product Conditions, the General Conditions and the Additional Terms and Conditions of Retro-Finance Securities (as set forth in the Base Prospectus) together constitute the Conditions of each Series of the Securities described herein and will be attached to any Global Security representing each such Series of the Securities. In the event of any inconsistency between these Final Terms and the General Conditions or the Additional Terms and Conditions of Retro-Finance Securities or the relevant Product Conditions, these Final Terms will govern.

The Netherlands Authority for the Financial Markets has provided the [names of competent authorities of host Member States] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.

So far as the Issuer is aware, no person (other than the Issuer in its separate capacities as Issuer and Calculation Agent, see "Risk Factors – Conflicts of Interest" (in the Base Prospectus), and Nooa Savings Bank Ltd in its separate capacities as Deposit Bank and (if specified herein) Distributor) involved in the issue of the Securities has an interest material to the offer. [NB: Amend as appropriate if there are interests]

Issuer: The Royal Bank of Scotland plc

Clearing Agents: [Euroclear Finland.]

Subscription Period: [] [Not Applicable]

Pricing Date(s): []

Launch Date: ☐ [Not Applicable]

As, if and when issued trading: ☐ [Not Applicable]

Issue Date: ☐

Listing: ☐ [Application [will be/has been] made for the Securities to be listed on Euronext Amsterdam N.V. and admitted to trading on Euronext Amsterdam by NYSE Euronext.]

Listing Date: ☐

Admission to trading: [Application [will be/has been] made for the Securities to be listed on Euronext Amsterdam N.V. and admitted to trading on Euronext Amsterdam by NYSE Euronext.] [Application has been made for the Securities to be admitted to trading on ☐ with effect from ☐.] [No application for admission to trading has been made.]

[No assurances can be given that such application for listing and admission to trading will be granted (or, if granted, will be granted by the Issue Date). The Issuer has no duty to maintain the listing (if any) of the Securities on the relevant stock exchange(s) over their entire lifetime. Securities may be suspended from trading and/or de-listed at any time in accordance with applicable rules and regulations of the relevant stock exchange(s)]

(Where documenting a fungible issue need to indicate that original Securities are already admitted to trading.)

[If, following the date of these Final Terms, but before the later of (i) the closure of the offer for the Securities; and (ii) if applicable, the admission of the Securities to trading on [Euronext Amsterdam N.V./[specify]] the Prospectus (the "**Original Prospectus**") is supplemented, updated or replaced (including replacement following the expiry of the Original Prospectus) then the Issuer shall be entitled, without the consent of any Holder, any prospective Holder, the Trustee or any other person, to amend these Final Terms so as to provide, and/or replace these Final Terms with ones which provide that references to the Original Prospectus herein shall be to the Original Prospectus as amended, supplemented, updated or replaced (save that the terms and conditions applicable to the Securities shall be the Conditions set forth in the Original Prospectus).]

[These Final Terms supersede and replace those dated ☐ in relation to the Securities.]

Announcements to Holders: Delivered to Clearing Agents.

Principal Agent:	[The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA, United Kingdom.]
Agent(s):	[Citibank International Plc, Netherlands Branch, Global Transaction Services, Hoge Mosten 2, 4822 NH Breda, The Netherlands]
Calculation Agent:	[The Royal Bank of Scotland plc, 250 Bishopsgate, London EC2M 4AA, United Kingdom.]
Sales Restriction:	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.
Form of the Securities:	<p>[Dematerialised form/The Finnish book-entry securities system is centralised at Euroclear Finland, the Finnish Central Securities Depository Ltd. Euroclear Finland provides clearing and registration services for securities in Finland.</p> <p>In order to effect entries in the Euroclear Finland book-entry system, a Holder or such Holder's nominee must establish a book-entry account with Euroclear Finland. A book-entry account may be established via a credit institution or a securities intermediary acting as an account operator for Euroclear Finland. All transactions in book-entry securities are executed as computerised book-entry transfers.</p> <p>Transfers of Securities may only be effected within Euroclear Finland and will be effected in accordance with the rules and procedures of Euroclear Finland.</p> <p>"Euroclear Finland" means Euroclear Finland Oy, Urho Kekkosen katu 5 C 00101 Helsinki Finland.]</p> <p>[Global Security.]</p>

RANGE ACCRUAL RETRO-FINANCE NOTES

Series:	<i>Range Accrual Retro-Finance Notes due [] Series []</i> .
Issue Price:	[]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Business Day:	[The definition in Product Condition 1 applies.] <i>[specify other]</i>
"Business Day Convention":	[Modified Following][Following]
Cash Amount:	[Nominal Amount x 100 per cent.] <i>[specify other]</i> , provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1.)
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies.] <i>[specify other]</i>
Indicative Target Rate:	[]
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[[] [and []]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [] [Not Applicable] <i>[specify other]</i> .
Interest Period:	[As stated in Product Condition 1][<i>specify other</i>][Not Applicable.]
Interest Rate:	[In respect of the <i>[specify]</i> Interest Period[s], [] per cent. per annum] [Not Applicable] [In respect of the <i>[specify]</i> Interest Period[s], the rate determined in accordance with the following formula: Target Rate x (N/M) Where: "N" means the actual number of days in the relevant Interest Period on which [the daily fixing of the Reference Spread is equal to or above [] <i>[specify other]</i>]; and "M" means the actual number of days in the relevant Interest Period.] [Not Applicable] <i>[specify other]</i> .
Interest Rate Day Count Fraction:	[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in

such portion shall be divided by 366.]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month.))]

[Not Applicable] *[specify other]*

Issuer Call:

[Applicable] [Not Applicable]

Issuer Call Cash Amount:

[Cash Amount] *[specify other]* [Not Applicable]

Issuer Call Commencement Date:

[] [Not Applicable]

Issuer Call Date:

[specify] [See Issuer notice of call.]

Issuer Call Notice Period:

[] [Not Applicable]

Maturity Date:

[]

Nominal Amount:

[] *(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))*

Rate 1:

[]

Rate 2:

[] [Not Applicable]

Reference Banks:

[The principal London office of five leading dealers in the London interbank market which ordinarily provide quotations for Rate 1, Rate 2, if applicable, or any other rate requested by the Calculation Agent pursuant to Product Condition 4, as selected by the Issuer in its absolute discretion.] *[specify other]*

Reference Spread Screen Page:

[] [Not Applicable]

Relevant Currency:

[The definition in Product Condition 1 applies.] *[specify other]*

Settlement Currency:

[]

Standard Currency:

[The definition in Product Condition 1 applies.] *[specify other]*

Valuation Time:	[11.00 hours Central European Time.] [<i>specify other</i>]
Additional Terms and Conditions of Retro-Finance Securities:	Applicable.
Deposit Bank:	Nooa Savings Bank Ltd
Original Deposit Amount:	[]
Deposit Amount Interest Rate:	[]
Option:	[<i>Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.</i>]
ISIN:	[]
Common Code:	[]
Fondscore:	[]
Other Securities Code:	[] [<i>Symbol:</i>]
Indication of yield:	[]
	[Calculated as [<i>include details of method of calculation in summary form</i>] on the Issue Date.]
	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]
Amendments to General Conditions or Product Conditions:	[Not Applicable]
	[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]
	(<i>When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus</i>)

under Article 16 of the Prospectus Directive.)

Sales Restriction:

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[Bloomberg] [Reuters] [*specify other*]

Series:

Range Accrual Retro-Finance Notes due [] Series [].

[repeat as above for each new Series.]

LADDER RETRO-FINANCE NOTES

Series:	<i>Ladder Retro-Finance Notes due [] Series []</i>
Issue Price:	[]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Business Day:	[The definition in Product Condition 1 applies.] <i>[specify other]</i>
"Business Day Convention":	[Modified Following] [Following]
Cash Amount:	[Nominal Amount x 100 per cent.] <i>[specify other]</i> , provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies.] <i>[specify other]</i>
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[[] [and []]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [] [Not Applicable.] <i>[specify other]</i>
Interest Period:	[As stated in Product Condition 1] <i>[specify other]</i> [Not Applicable]
Interest Rate:	[In respect of the <i>[specify]</i> Interest Period[s], [] per cent. per annum] [Not Applicable] [In respect of the <i>[specify]</i> Interest Period[s], the rate determined as follows: <i>[Specify applicable formulae, including any applicable definition of Reference Rate and Reference Rate Screen Page, and specify any minimum rate, if applicable.]</i>] [Not Applicable]. <i>[specify other]</i>
Interest Rate Day Count Fraction:	[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.] [The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that

last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month.))]

[Not Applicable] *[specify other]*

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Commencement Date: [] [Not Applicable]

Issuer Call Date: *[specify]* [See Issuer notice of call]

Issuer Call Notice Period: [] [Not Applicable]

Maturity Date: []

Nominal Amount: [] *(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))*

Reference Banks: [The principal London office of five leading banks in the London interbank market which ordinarily provide quotations for the Reference Rate or any other rate requested by the Calculation Agent pursuant to Product Condition 4, as selected by the Issuer in its absolute discretion.] *[specify other]*

Relevant Currency: [The definition in Product Condition 1 applies.] *[specify other]*

Screen Page: []

Settlement Currency: []

Standard Currency: [The definition in Product Condition 1 applies.] *[specify other]*

Target Fixed Rate: []

Valuation Date: [Five Business Days prior to the relevant Interest Payment Date] [or, in the case of an Issuer Call, the date specified as such in the notice delivered in accordance with Product Condition 3 or, if such day is not a Trading Day, the first succeeding Trading Day.] *[specify other]*

Valuation Time: [11.00 hours Central European time.] *[specify other]*

Additional Terms and Conditions of Retro-Finance Securities: Applicable

Deposit Bank: Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: *[Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]*

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] *[Symbol:]*

Indication of yield: []

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction: 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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[Bloomberg][Reuters][specify other]

Series:

Ladder Retro-Finance Notes due [] Series []

[repeat as above for each new Series].

TARGET COUPON RETRO-FINANCE NOTES

Series: *[Share] [Share Basket]Target Coupon Retro-Finance Notes due [].*
Series [].

Issue Price: [].

Additional Market Disruption Events: [None] *[specify]*

Averaging Dates: [Applicable] [Not Applicable]

Basket: [Applicable] [Not Applicable]

Share	Share Company	Exchange	Bloomberg Code	Initial Reference Spot
<i>[Type / ISIN]</i>	<i>[specify]</i>	<i>[specify]</i>	<i>[specify]</i>	<i>[specify]</i>

Bonus Coupon Amount: *[specify]* [Not Applicable]

Business Day: [The definition in Product Condition 1 applies.]
[specify other]

"Business Day Convention": [Modified Following] [Following]

Cash Amount: [Nominal Amount] *[specify other]*, provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).

Coupon Amount: *[specify]*

Coupon Amount Payment Dates: *[specify]*

Cumulative Coupon Amount: $\left[\sum_{k=1}^n C_k \right]$ on the n^{th} Coupon Amount Payment Date.

Where:

"n" means 1 – *[specify]* *[specify other]*; and

"k" means an integer (counting consecutively) from, and including, 1, up to, and including, n.]

[specify other]

Cut-Off Date: [In respect of any Valuation Date, the sixth Scheduled Trading Day following such Valuation Date] [Five Business Days prior to the Maturity Date.] *[specify other]*

Early Termination Date:	[The date on which an Early Termination Event occurs.] [<i>specify other</i>]
Early Termination Event:	[When the Cumulative Coupon Amount on any Coupon Amount Payment Date (from and including the [<i>specify</i>] Coupon Amount Payment Date to and including the [<i>specify</i>] Coupon Amount Payment Date) [and excluding the Residual Coupon Amount (if applicable)] is equal to or exceeds the Target Coupon Level.] [<i>specify other</i>]
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies.] [<i>specify other</i>]
Exchange:	[] [see Basket]
First Initial Fixing Date:	[<i>specify date</i>] [Not Applicable]
Fixing Cut-Off Date:	[The sixth Scheduled Trading Day following the First Initial Fixing Date.] [<i>specify other</i>] [Not Applicable]
Initial Reference Spot:	[The arithmetic average of the prices of the Share at the Valuation Time on the Initial Fixing Dates.] [see Basket] [<i>specify other</i>]
Interest Entitlement:	[(i) the relevant Coupon Amount on each of the relevant Coupon Amount Payment Dates [and (ii) the Residual Coupon Amount multiplied by the Nominal Amount on the Maturity Date, if the sum of all Coupon Amounts payable is less than the Target Coupon Level][and (iii) the Bonus Coupon Amount on the Bonus Coupon Amount Payment Date (as defined below) if the Cumulative Coupon Amount [(which for the avoidance of doubt shall not include the Residual Coupon Amount)] in respect of any Coupon Amount Payment Date from and including the [<i>specify</i>] Coupon Amount Payment Date to and including the [<i>specify</i>] Coupon Amount Payment Date (such [<i>specify</i>] Coupon Amount Payment Date being the " Bonus Coupon Amount Payment Date ") is equal to or exceeds the Target Coupon Level. For the avoidance of doubt no Bonus Coupon Amount shall be paid if a Residual Coupon Amount is paid.]] [<i>specify other</i>]
Issuer Call:	[Applicable] [Not Applicable]
Issuer Call Cash Amount:	[Cash Amount] [<i>specify other</i>] [Not Applicable]
Issuer Call Commencement Date:	[] [Not Applicable]
Issuer Call Date:	[<i>specify</i>] [See Issuer notice of call.]
Issuer Call Notice Period:	[] [Not Applicable]
Maturity Date:	[]

Nominal Amount:	[] <i>(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))</i>
Reference Spot:	Regarding the relevant Share in respect of any Valuation Date, [an amount equal to the price of such Share quoted on the Exchange at the Valuation Time on such Valuation Date, as determined by or on behalf of the Calculation Agent, or (if, in the determination of the Calculation Agent, no such price can be determined and such day is not a Disrupted Day) an amount determined by the Calculation Agent as its good faith estimate of the price of the Share (which may be zero) on such date having regard to the then prevailing market conditions, the last reported price of such Share on the Exchange and such other factors as the Calculation Agent determines relevant][the arithmetic average of the prices of the relevant Share at the Valuation Time on the Averaging Dates in respect of such Valuation Date.][specify other]
Relevant Currency:	[The definition in Product Condition 1 applies.] [specify other]
Relevant Number of Scheduled Trading	Averaging Dates: [Five, or in respect of an Emerging Market Disruption Event only, 180.] Days:
Residual Coupon Amount:	[specify] [Not Applicable]
Settlement Currency:	[]
Settlement Date:	[(i) the Maturity Date or if later, the tenth Business Day following the last occurring Valuation Date or (ii) if an Early Termination Event has occurred, the Early Termination Date.] [specify other]
Share:	[] [see Basket]
Share Company:	[] [see Basket]
S _i Dates:	[Initial Fixing Dates][Averaging Dates][immediately preceding Valuation Date][a Valuation Date.][specify other]
Standard Currency:	[The definition in Product Condition 1 applies.] [specify other]
Target Coupon Level:	[specify]
Valuation Date:	[specify], [specify] and [specify]
Additional Terms and Conditions of Retro-Finance Securities:	Applicable.
Deposit Bank:	Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: *[Description of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]*

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] *[Symbol:]*

Indication of yield: []

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction: 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.

Information on the Underlying

Bloomberg page where information about the []
past and future performance of the Underlying
and its volatility can be obtained:

Series: *[Share] [Share Basket] Target Coupon Retro-
Finance Notes due []. Series []*

[repeat as above for each new Series]

RATE RETRO-FINANCE NOTES

Series:	[Rate]Retro-Finance Notes due [] Series [].
Issue Price:	[]
Additional Market Disruption Events:	[None] [specify]
Business Day:	[The definition in Product Condition 1 applies.] [specify other]
"Business Day Convention":	[Modified Following] [Following]
Cash Amount:	[Nominal Amount x 100 per cent.][specify other], provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies.] [specify other]
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[[] [and []]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [] [Not Applicable] [specify other]
Interest Period:	[As stated in Product Condition 1.][specify other][Not Applicable]
Interest Rate:	[In respect of the [specify] Interest Period[s], [] per cent. per annum.] [In respect of the [specify] Interest Period[s], the rate determined in accordance with the following formula: [specify]] [Not Applicable.] [specify other]
Interest Rate Day Count Fraction:	[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.] [The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest

Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month.))]

[Not Applicable] *[specify other]*

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Cash Amount] *[specify other]* [Not Applicable]

Issuer Call Commencement Date: [] [Not Applicable]

Issuer Call Date: *[specify]* [See Issuer notice of call.]

Issuer Call Notice Period: [] [Not Applicable]

Maturity Date: []

Nominal Amount: [] *(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))*

Reference Banks: [The principal London office of five leading dealers in the London interbank market which ordinarily provide quotations for the relevant Underlying Rate, if applicable, or any other rate requested by the Calculation Agent pursuant to Product Condition 4, as selected by the Issuer in its absolute discretion.] *[specify other]*

Relevant Currency: [The definition in Product Condition 1 applies.] *[specify other]*

Settlement Currency: []

Standard Currency: [The definition in Product Condition 1 applies.] *[specify other]*

Underlying Rate(s): *[first rate]*
Screen Page: *[specify]*
Relevant Number of Days: *[specify]*

[repeat as appropriate for other rates]

Valuation Time: [11.00 hours Central European time.] *[specify other]*

Additional Terms and Conditions of Applicable
Retro-Finance Securities:

Deposit Bank:	Nooa Savings Bank Ltd
Original Deposit Amount:	[]
Deposit Amount Interest Rate:	[]
Option:	<i>[Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]</i>
ISIN:	[]
Common Code:	[]
Fondscore:	[]
Other Securities Code:	[] <i>[Symbol:]</i>
Indication of yield:	[]
	<i>[Calculated as [include details of method of calculation in summary form] on the Issue Date.]</i>
	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]
Amendments to General Conditions or Product Conditions:	[Not Applicable]
	<i>[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]</i>
	<i>(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)</i>
Sales Restriction:	The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[Bloomberg] [Reuters] [*specify other*].

Series:

[*Rate*] *Retro-Finance Notes due* [] *Series* [].

[*repeat as above for each new Series.*]

ZERO COUPON RETRO-FINANCE NOTES

Series: [Zero] Retro-Finance Notes due [] Series [].

Issue Price: []

Business Day: [The definition in Product Condition 1 applies.]
[specify other]

"Business Day Convention": [Modified Following][Following]

Cash Amount: [Nominal Amount x [100] per cent.] [specify other],
provided that notwithstanding anything else the
minimum Cash Amount shall be one unit of the
Settlement Currency (e.g. if the Settlement
Currency is EUR, then the minimum Cash Amount
shall be EUR 1.)

Maturity Date: []

Nominal Amount: [] (If the Securities are issued pursuant to a
prospectus which is required to be compliant with
the Prospectus Directive, then the minimum
denomination of the Securities may need to be Euro
1,000 (or its foreign currency equivalent))

Settlement Currency: []

Additional Terms and Conditions of Retro-Finance Securities: Applicable

Deposit Bank: Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: [Description and calculation of the Option to be
provided here, with reference to a notional swap
transaction and the description thereof provided in
the Summary.]

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] [Symbol:]

Indication of yield:

[]

[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction:

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.

CURRENCY EXCHANGE RETRO-FINANCE NOTES

Series:	<i>[Currency] Exchange Retro-Finance Notes due [] Series [].</i>
Issue Price:	[]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Business Day:	[The definition in Product Condition 1 applies.] <i>[specify other]</i>
"Business Day Convention":	[Modified Following][Following]
Cash Amount:	[Nominal Amount x 100 per cent.] <i>[specify other]</i> , provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1.)
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies.] <i>[specify other]</i>
Exchange Rate(s):	<i>[first rate]</i> Screen Page: <i>[specify]</i> Relevant Number of Trading Days: [Five, or in respect of an Emerging Market Disruption Event only, 180.] <i>[repeat as appropriate for other rates]</i>
Interest:	[Applicable][Not Applicable]
Interest Payment Dates:	[[] [and []] in each year up to and including the Maturity Date, with the first Interest Payment Date being []][Not Applicable]. <i>[specify other]</i>
Interest Period:	[As stated in Product Condition 1.][<i>specify other</i>][Not Applicable]
Interest Rate:	[In respect of the <i>[specify]</i> Interest Period[s], [] per cent. per annum] [In respect of the <i>[specify]</i> Interest Period[s], the rate determined in accordance with the following formula: <i>[specify]</i> <i>[specify other]</i> [Not Applicable]
Interest Rate Day Count Fraction:	[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.] [The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months

(unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month.)))

[specify other] [Not Applicable]

Issuer Call:

[Applicable] [Not Applicable]

Issuer Call Cash Amount:

[Cash Amount] [specify other] [Not Applicable]

Issuer Call Commencement Date:

[] [Not Applicable]

Issuer Call Date:

[specify] [See Issuer notice of call.]

Issuer Call Notice Period:

[] [Not Applicable]

Nominal Amount:

[] *(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))*

Maturity Date:

[]

Relevant Currency:

[The definition in Product Condition 1 applies.]
[specify other]

Settlement Currency:

[]

Standard Currency:

[The definition in Product Condition 1 applies.]
[specify other]

Underlying Currenc[y/ies]:

[]

Valuation Date:

[[] Business Days before the Maturity Date.]
[specify other]

Valuation Time:

[11.00 hours Central European time] [specify other].

Additional Terms and Conditions of Retro-Finance Securities:

Applicable

Deposit Bank:

Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: *[Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]*

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] *[Symbol:]*

Indication of yield: []

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction: 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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained: [Bloomberg] [Reuters] [*specify other*]

Series: [*Currency*] *Exchange Retro-Finance Notes due []*
Series [].

[*repeat as above for each new Series.*]

YIELD DISCOVERY RETRO-FINANCE NOTES

Series: *Yield Discovery Retro-Finance Notes due [] Series [].*

Issue Price: []

Additional Market Disruption Events: [None] *[specify]*

Basket:

Share (ISIN)

Share Company

Exchange

[specify]

[specify]

[specify]

Business Day: [The definition in Product Condition 1 applies.] *[specify other]*

"Business Day Convention": [Modified Following] [Following]

Cash Amount: [Nominal Amount x 100 per cent.] *[specify other]*, provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1.)

Emerging Market Disruption Events: [The definition in Product Condition 1 applies.] *[specify other]*

Initial Reference Price: [The definition in Product Condition 1 applies.] *[specify other]*

Interest: [Applicable] [Not Applicable]

Interest Payment Dates: [[] [and []]] in each year up to and including the Maturity Date, with the first Interest Payment Date being, [] [Not Applicable] *[specify other]*

Interest Period: [As stated in Product Condition 1.] *[specify other]* [Not Applicable]

Interest Rate: [In respect of the *[specify]* Interest Periods, *[specify any fixed rate]* per cent. per annum]

[In respect of the *[specify]* Interest Periods, *[specify formula for determining any variable rate]*]

[If applicable, specify the Interest Periods in respect of which the Interest Rate will be at least the level of the previous year]

[specify other] [Not Applicable]

Interest Rate Day Count Fraction: [The actual number of days in the relevant period divided by 365 save that for a portion which any

such period falls in a leap year, the number of days in such portion shall be divided by 366.]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month.)))]

[specify other] [Not Applicable]

Issuer Call: [Applicable] [Not Applicable]

Issuer Call Cash Amount: [Cash Amount] [specify other] [Not Applicable]

Issuer Call Commencement Date: [] [Not Applicable]

Issuer Call Date: [specify] [See Issuer notice of call.]

Issuer Call Notice Period: [] [Not Applicable]

Maturity Date: []

Nominal Amount: [] *(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))*

Relevant Currency: [The definition in Product Condition 1 applies.] [specify other]

Relevant Number of Trading Days: [Five, or in respect of an Emerging Market Disruption Event only, 180.]

Settlement Currency: []

Settlement Date: [Maturity Date [or, if later, the [] Business Day following the final Valuation Date.]] [specify other]

Standard Currency: [The definition in Product Condition 1 applies.] [specify other]

Valuation Date: [[] [and []]] in each year up to and including the final Valuation Date on [] [specify other].

Additional Terms and Conditions of Retro-Finance Securities: Applicable

Deposit Bank: Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: *[Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]*

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] *[Symbol:]*

Indication of yield: []

*[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]*

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction: 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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained: [Bloomberg] [Reuters] [*specify other*].

Series: *Yield Discovery Retro-Finance Notes due [] Series []*.

[repeat as above for each new Series.]

CERTIFICATE RETRO-FINANCE NOTES

Series: *[Certificate] Retro-Finance Notes due [] Series []*.

Issue Price: []

Additional Market Disruption Events: [None] *[specify]*

Basket:

"Certificate"	"Exchange"	"Weight"
<i>[specify each Certificate and [ISIN] Code]</i>	<i>[Specify exchange]</i> [Not Applicable]	<i>[specify]</i>
Business Day:	[The definition in Product Condition 1 applies.] <i>[specify other]</i>	
"Business Day Convention":	[Modified Following][Following]	
Cash Amount:	[Nominal Amount x (100 per cent. + Participation x Max [0, {Final Reference Price/Initial Reference Price} -1])] <i>[specify other]</i> , provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1.)	
Certificate:	[] [See Basket]	
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies.] <i>[specify other]</i>	
Exchange:	[] [See Basket]	
Final Reference Price:	[The definition in Product Condition 1 applies.] <i>[specify other]</i>	
Initial Reference Price:	[The definition in Product Condition 1 applies.] <i>[specify other]</i>	
Interest:	[Applicable] [Not Applicable]	
Interest Payment Dates:	[[] [and []] in each year up to and including the Maturity Date, with the first Interest Payment Date being []] [Not Applicable]. <i>[specify other]</i>	

Interest Period:	[As stated in Product Condition 1.][<i>specify other</i>][Not Applicable]
Interest Rate:	[[] per cent. per annum] [Not Applicable]. [<i>specify other</i>].
Interest Rate Day Count Fraction:	<p>[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]</p> <p>[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month.))]</p> <p>[<i>specify other</i>] [Not Applicable]</p>
Issuer Call:	[Applicable] [Not Applicable]
Issuer Call Cash Amount:	[Cash Amount] [<i>specify other</i>] [Not Applicable]
Issuer Call Commencement Date:	[] [Not Applicable]
Issuer Call Date:	[<i>specify</i>] [See Issuer notice of call]
Issuer Call Notice Period:	[] [Not Applicable]
Maturity Date:	[]
Nominal Amount:	[] (<i>If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)</i>)
Participation:	[]
Relevant Currency:	<p>[The definition in Product Condition 1 applies].</p> <p>[<i>specify other</i>]</p>
Relevant Number of Business Days:	[].
Relevant Number of Trading Days:	[Five, or in respect of an Emerging Market Disruption Event only, 180].
Settlement Currency:	[]

Standard Currency: [The definition in Product Condition 1 applies].
[specify other]

Valuation Date(s): []

Additional Terms and Conditions of Applicable
Retro-Finance Securities:

Deposit Bank: Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: *[Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]*

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] *[Symbol:]*

Indication of yield: []

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger

the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction:

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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[Bloomberg] [Reuters] [*specify other*]

Series:

[*Certificate*] *Retro-Finance Notes due [] Series []*.

[*repeat as above for each new Series.*]

INDEX RETRO-FINANCE NOTES

Series:	<i>[Index] Retro-Finance Notes due [] Series []</i> .
Issue Price:	[]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Basket:	
"Index"	"Weight"
<i>[specify each Index and Bloomberg Code]</i>	<i>[Specify percentage weight]</i> [Not Applicable]
Business Day:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
"Business Day Convention":	[Modified Following] [Following]
Cash Amount:	<p>[An amount equal to the larger of:</p> <p>(a) Nominal Amount * Relevant Percentage 1; or</p> <p>(b) $\text{Nominal Amount} * \text{Relevant Percentage 1} + \text{Nominal Amount} * \min\left[100\% * \frac{\text{Final Reference Price} - \text{Initial Reference Price}}{\text{Initial Reference Price}}; \text{Relevant Perc}\right]$</p> <p>where:</p> <p>Relevant Percentage 1 means <i>[specify]</i>; and</p> <p>Relevant Percentage 2 means <i>[specify]</i></p> <p><i>[specify other]</i>,</p> <p>provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).</p>
Emerging Market Disruption Events:	[The definition in Product Condition 1 applies]. <i>[specify other]</i>
Final Reference Price:	[The definition in Product Condition 1 applies]. <i>[specify other]</i>
Index:	[] [Not Applicable]
Initial Reference Price:	[]
Interest:	[Applicable] [Not Applicable]

Interest Payment Dates:	[[] [and []] in each year up to and including the Maturity Date, with the first Interest Payment Date being [].] [Not Applicable]. [<i>specify other</i>].
Interest Period:	[As stated in Product Condition 1] [<i>specify other</i>] [Not Applicable].
Interest Rate:	[[] per cent. per annum.] [Not Applicable]. [<i>specify other</i>].
Interest Rate Day Count Fraction:	<p>[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]</p> <p>[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month.)))]</p> <p>[<i>specify other</i>] [Not Applicable]</p>
Issuer Call:	[Applicable] [Not Applicable].
Issuer Call Cash Amount:	[Cash Amount] [<i>specify other</i>] [Not Applicable]
Issuer Call Commencement Date:	[] [Not Applicable]
Issuer Call Date:	[<i>specify</i>] [See Issuer notice of call]
Issuer Call Notice Period:	[] [Not Applicable].
Maturity Date:	[]
Nominal Amount:	[] (<i>If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)</i>)
Relevant Currency:	[The definition in Product Condition 1 applies.] [<i>specify other</i>]
Relevant Number of Trading Days:	[Five, or in respect of an Emerging Market Disruption Event only, 180.]
Settlement Currency:	[]
Standard Currency:	[The definition in Product Condition 1 applies.] [<i>specify other</i>]
Valuation Date(s):	[]

Valuation Time: [11.00 hours Central European time.] [*specify other*]

Additional Terms and Conditions of Retro-Finance Securities: Applicable

Deposit Bank: Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: [*Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.*]

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] [*Symbol:*]

Indication of yield: []

[*Calculated as [include details of method of calculation in summary form] on the Issue Date.*]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction:

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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[Bloomberg][Reuters][*specify other*].

Series:

[*Index*] *Retro-Finance Notes due [] Series []*.

[*repeat as above for each new Series.*]

INFLATION INDEX RETRO-FINANCE NOTES

Series:	<i>[Inflation Index] Retro-Finance Notes due [] Series []</i> .
Issue Price:	[]
Additional Market Disruption Events:	[None] <i>[specify]</i>
Business Day:	[The definition in Product Condition 1 applies] <i>[specify other]</i>
"Business Day Convention":	[Modified Following] [Following]
Cash Amount:	[Nominal Amount x 100 per cent.] <i>[specify other]</i> , provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).
Fixed Spread:	[[] per cent. indicative to be determined on Issue Date]. <i>[specify other]</i>
Inflation Index:	<i>[[Inflation Index] published on a [monthly] [other] basis by the [], as displayed on Bloomberg '[] <Index>' (or such other page as may replace that page, or such other information service as may be selected by the Calculation Agent, acting in its sole and absolute discretion, for the purpose of displaying the Inflation Index.)] [specify other]</i>
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[[] in each year up to and including the Maturity Date, with the first Interest Payment Date being []]. [Not Applicable]. <i>[specify other]</i>
Interest Period:	[As stated in Product Condition 1] <i>[specify other]</i> [Not Applicable]
Interest Rate:	[Nominal Amount x Fixed Spread + the greater of: (a) zero; or (b) CPI_{N-3} / CPI_{N-15}

Where:

" CPI_{N-3} " means, in respect of each Interest Payment Date_(N), the Inflation Index Level in respect of the month falling three months prior to such Interest Payment Date.

" CPI_{N-15} " means, in respect of each Interest Payment Date_(N), the Inflation Index Level in respect of the month falling fifteen months prior to such Interest Payment Date].

Interest Rate Day Count Fraction:	<p>[<i>specify other</i>] [Not Applicable]</p> <p>[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]</p> <p>[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month.))]</p>
Issuer Call:	<p>[<i>specify other</i>] [Not Applicable]</p> <p>[Applicable] [Not Applicable]</p>
Issuer Call Cash Amount:	[Cash Amount] [<i>specify other</i>] [Not Applicable]
Issuer Call Commencement Date:	[] [Not Applicable].
Issuer Call Date:	[<i>specify</i>] [See Issuer notice of call]
Issuer Call Notice Period:	[] [Not Applicable]
Maturity Date:	[]
Nominal Amount:	[] (<i>If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)</i>)
Settlement Currency:	[]
Additional Terms and Conditions of Retro-Finance Securities:	Applicable
Deposit Bank:	Nooa Savings Bank Ltd
Original Deposit Amount:	[]
Deposit Amount Interest Rate:	[]
Option:	<p>[<i>Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.</i>]</p>

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] *[Symbol:]*

Indication of yield: []

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained: [Bloomberg] [Reuters] *[specify other]*

Series: *[Inflation Index] Retro-Finance Notes due [] Series []*.

[repeat as above for each new Series.]

INFLATION INDEX RETRO-FINANCE NOTES II

Series: *[Inflation Index] Retro-Finance Notes due [] Series []*.

Issue Price: []

Additional Market Disruption Events: [None] [specify]

Business Day: [The definition in Product Condition 1 applies] *[specify other]*

"Business Day Convention": [Modified Following] [Following]

Cash Amount: [Nominal Amount x 100 per cent.] *[specify other]*, provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).

Final Reference Price: [The definition in Product Condition 1 applies] *[specify other]*.

Index: *[[Inflation Index] published on a [monthly] [other] basis by the [], as displayed on Bloomberg '[] <Index>' (or such other page as may replace that page, or such other information service as may be selected by the Calculation Agent, acting in its sole and absolute discretion, for the purpose of displaying the Index).] [specify other.]*

Interest: [Applicable] [Not Applicable].

Interest Payment Dates: [[] in each year up to and including the Maturity Date, with the first Interest Payment Date being [].] [Not Applicable]. *[specify other]*.

Interest Period: [As stated in Product Condition 1] *[specify other]* [Not Applicable.]

Interest Rate: [For the [first] Interest Period[s], [] per cent. and for the remaining Interest Periods an amount calculated in accordance with the following formula:

$$\text{MAX} \left\{ 0\%, * \% \left[\frac{\text{Index}_{-3M} - \text{Index}_{-15M}}{\text{Index}_{-15M}} \right] \right\}$$

Where:

Index_{-3M} is the Final Reference Price for the Valuation Month in the second year immediately preceding the relevant Interest Payment Date.

Index_{-15M} is the Final Reference Price for the Valuation Month in the third year immediately preceding the relevant Interest Payment Date.

	For example, in respect of the Interest Rate calculation applicable for the Interest Payment Date on [], Index _{3M} will be the Final Reference Price for [2009] and Index _{15M} will be the Final Reference Price for [2008]] [<i>specify other</i>].
Interest Rate Day Count Fraction:	<p>[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]</p> <p>[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).]</p> <p>[<i>Specify Other</i>][Not Applicable]</p>
Maturity Date:	[]
Nominal Amount:	[] (<i>If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)</i>)
Relevant Number of Months:	[2] [<i>specify other</i>]
Settlement Currency:	[]
Settlement Date:	[The definition in Product Condition 1 applies] [<i>specify other</i>]
Valuation Month(s):	[]
Additional Terms and Conditions of Retro-Finance Securities:	Applicable
Deposit Bank:	Nooa Savings Bank Ltd
Original Deposit Amount:	[]
Deposit Amount Interest Rate:	[]
Option:	[<i>Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.</i>]
ISIN:	[]
Common Code:	[]

Fondscore: []

Other Securities Code: [] *[Symbol:]*

Indication of yield: []

[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction:

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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained: [Bloomberg][Reuters][specify other].

Series: *[Inflation Index] Retro-Finance Notes due [] Series*
[].
[repeat as above for each new Series.]

CALLABLE INDEX RETRO-FINANCE NOTES

Series:	Callable [Index] Retro-Finance Notes due [] Series [].
Issue Price:	[]
Additional Market Disruption Events:	[None] [<i>specify</i>]
Barrier Level:	[Applicable – [Relevant Percentage x Initial Reference Price] [<i>specify other formula</i>]] [Not Applicable].
Business Day:	[The definition in Product Condition 1 applies] [<i>specify other</i>].
"Business Day Convention":	[Modified Following] [Following]
Cash Amount:	<p>(a) If the Final Reference Price is greater than the Initial Reference Price:</p> <p>Nominal Amount * [<i>specify</i>]; or</p> <p>(b) If the Final Reference Price is greater than the Barrier Level up to (and including) the Initial Reference Price:</p> <p>Nominal Amount * 100 per cent.;</p> <p>(c) Otherwise:</p> <p>Nominal Amount * (Final Reference Price/Initial Reference Price)]</p> <p>[<i>specify other</i>],</p> <p>provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).</p>
Early Redemption Amount:	<p>[Nominal Amount * [<i>specify</i>]]</p> <p>[<i>specify other</i>],</p> <p>provided that notwithstanding anything else the minimum Early Redemption Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Early Redemption Amount shall be EUR 1).</p>
Early Redemption Date(s):	[]
Early Redemption Event:	<p>[If the Issuer, in its sole and absolute discretion determines that an Early Redemption Event should occur in respect of an Early Redemption Date.]</p> <p>[<i>specify other</i>].</p>

Emerging Market Disruption Events:	[The definition in Product Condition 1 applies.] [specify other].
Final Reference Price:	[The definition in Product Condition 1 applies.] [specify other].
Index:	[] (Bloomberg Code: [])
Initial Reference Price:	[The definition in Product Condition 1 applies.] [specify other]
Maturity Date:	[]
Nominal Amount:	[] (If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))
Relevant Currency:	[The definition in Product Condition 1 applies.] [specify other]
Relevant Number of Trading Days:	[5, or in respect of an Emerging Market Disruption Event only, 180].
Relevant Percentage:	[[] per cent. per annum.] [Not Applicable]
Settlement Currency:	[]
Settlement Date:	[Following an Early Redemption Event, the [fifth] Business Day following the relevant Early Redemption Date and otherwise the Maturity Date or if later, the [fifth] Business Day following the final Valuation Date.] [specify other]
Standard Currency:	[The definition in Product Condition 1 applies.] [specify other].
Valuation Date:	[]
Additional Terms and Conditions of Retro-Finance Securities:	Applicable
Deposit Bank:	Nooa Savings Bank Ltd
Original Deposit Amount:	[]
Deposit Amount Interest Rate:	[]
Option:	[Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]
ISIN:	[]
Common Code:	[]

Fondscore: []

Other Securities Code: [] *[Symbol:]*

Indication of yield: []

[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction:

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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[Bloomberg] [Reuters] *[specify other]*

Series:

*Callable [Index] Retro-Finance Notes due [] Series
[].*

[repeat as above for each new Series.]

SHARE RETRO-FINANCE NOTES

Series: *[Share][Share Basket] Retro-Finance Notes due [] Series []*.

Issue Price: []

Additional Market Disruption Events: [None] *[specify]*

Basket: [Not Applicable]

Share	Share Company	Exchange	Weight	Underlying Currency
<i>[Type and ISIN]</i>	<i>[specify]</i>	<i>[specify]</i>	<i>[specify] per cent. [Not Applicable]</i>	<i>[specify]</i>

Business Day: [The definition in Product Condition 1 applies] *[specify other]*

"Business Day Convention": [Modified Following] [Following]

Cash Amount: *[insert redemption formula and applicable related definitions]*, provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).

Emerging Market Disruption Events: [The definition in Product Condition 1 applies] *[specify other]*

Exchange: [] [See Basket]

Final Averaging Dates: [] [Not Applicable]

Final Reference Price: [] [Not Applicable]

Initial Averaging Dates: [] [Not Applicable]

Initial Reference Price: [] [Not Applicable]

Interest: [Applicable] [Not Applicable]

Interest Payment Dates: [[] [and []]] in each year up to and including the Maturity Date], with the first Interest Payment Date being []]. [Not Applicable]. *[specify other]*

Interest Period: [As stated in Product Condition 1] *[specify other]* [Not Applicable]

Interest Rate: [] [Not Applicable]

Interest Rate Day Count Fraction:	<p>[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]</p> <p>[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month.))]</p> <p>[specify other] [Not Applicable]</p>
Issuer Call:	[Applicable] [Not Applicable].
Issuer Call Cash Amount:	[Cash Amount] [specify other] [Not Applicable]
Issuer Call Commencement Date:	[] [Not Applicable].
Issuer Call Date:	[specify] [See Issuer notice of call]
Issuer Call Notice Period:	[] [Not Applicable]
Maturity Date:	[]
Nominal Amount:	[] <i>(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))</i>
Relevant Currency:	[The definition in Product Condition 1 applies.] [specify other]
Settlement Currency:	[]
Settlement Date:	[The Maturity Date [or, if later, the [third] Business Day following the [Valuation Date] [last Final Averaging Date]]] [specify other].
Share:	[] [See Basket]
Share Company:	[] [See Basket]
Specified Trading Days:	[]
Specified Valid Averaging Dates:	For the purpose of Initial Averaging Dates: [five, or in respect of an Emerging Market Disruption Event

only, 180.]

For the purpose of Final Averaging Dates: [five or in respect of an Emerging Market Disruption Event only, 180.]

Standard Currency: [The definition in Product Condition 1 applies.]
[specify other]

Underlying Currency: [] [See Basket]

Valuation Date: [[Insert number] Trading Days prior to the Maturity Date.]

[specify date] or, if such day is not a Trading Day, then the next succeeding day which is a Trading Day
[the last Final Averaging Date.]

[specify other] [Not Applicable].

Additional Terms and Conditions of Retro-Finance Securities: Applicable

Deposit Bank: Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: [Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] [Symbol:]

Indication of yield: []

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing

system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction:

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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained: []

Series: [Share][Share Basket] Retro-Finance Notes due [] Series [].

[repeat as above for each new Series]

MULTI-ASSET BASKET-LINKED RETRO-FINANCE NOTES

Series: [Five Year Himalaya Retro-Finance Note Linked to a Multi-Asset Basket – Due 2011] [Specify other]

Issue Price: [(of Denomination)] [Specify other]

Additional Disruption Events: [None] [Specify other]

Additional Fund Event: [None] [Specify other]

Basket:

	"Weight"	"Reference Asset Currency"	"Exchange"
[Index]	[Specify per cent. Weight]	[Specify other]	[Specify other]
[Fund	[Not Applicable]	[Not Applicable].	[Not Applicable]
[specify each Reference Asset, Fund Reference Asset and Bloomberg Code as applicable]			

Best Performing Reference Asset: [The Reference Asset with the highest Return as determined by the Calculation Agent in accordance with the following formula:

Return = [(Final Reference Value/Initial Reference Value) – 1.0772]

[Specify other]

Business Day: [The definition in Product Condition 1 applies] [Specify other]

"Business Day Convention": [Modified Following][Following]

Cash Amount: [An amount equal to:

Denomination x Max x [zero per cent., (A1 + A2 + A3 + A4 + A5)/5]

Where:

A1 = Return of the Best Performing Reference Asset in the 1st year;

A2 = Return of the Best Performing Reference Asset in the 2nd year;

A3 = Return of the Best Performing Reference Asset in the 3rd year;

A4 = Return of the Best Performing Reference Asset in the 4th year; and

A5 = Return of the Best Performing Reference Asset

in the 5th year.]

[Specify other],

provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).

Denomination: [EUR 1,000] [Specify other]

Emerging Market Disruption Events: [The definition in Product Condition 1 applies.]

[Specify other]

Exchange: [Specify] [Not Applicable]

Final Reference Value : [In respect of each Reference Asset the Reference Asset Closing Level of such Reference Asset on the Valuation Date.]

[Specify other]

Fund Reference Asset: [Specify] [Not Applicable]

Funds: [Specify]

Indices:	"Index"	"Index Sponsor"
	[Specify]	[Specify]

Initial Reference Value: [In respect of each Reference Asset, the Reference Asset Closing Level on the Start Date.]

[Specify other]

Initial Reference Values: [Specify]

Interest: [Applicable] [Not Applicable]

Interest Payment Dates: [Not Applicable]

[] [and []] in each year up to and including the Maturity Date, with the first Interest Payment Date being [] [The definition in Product Condition 1 applies.]

[Specify other]

Interest Period: [As stated in Product Condition 1][*specify other*][Not Applicable.]

Interest Rate: [Not Applicable]

[[] per cent.] [per annum] [The definition in Product Condition 1 applies.]

	[Specify other]
Interest Rate Day Count Fraction:	<p>[Not Applicable]</p> <p>[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]</p> <p>[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)).]</p> <p>[Specify other]</p>
Issuer Call:	[Not Applicable] [Applicable]
Issuer Call Cash Amount:	[Not Applicable] [Cash Amount] [Specify other]
Issuer Call Commencement Date:	[Not Applicable] [Specify other]
Issuer Call Date:	[Not Applicable] [Specify other] [See Issuer notice of call.]
Issuer Call Notice Period:	[Not Applicable]. [Specify other]
Maturity Date:	[] [Specify other]
Nominal Amount:	[] <i>(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))</i>
Reference Asset Closing Level:	<p>[In respect of each Reference Asset, the official closing level of such Reference Asset quoted on the relevant exchange at the Valuation Time.]</p> <p>[Specify other]</p>
Reference Banks:	<p>[Not Applicable]. [The principal London office of five leading dealers in the London interbank market which ordinarily provide quotations for the relevant Underlying Rate, if applicable, or any other rate requested by the Calculation Agent pursuant to Product Condition 4, as selected by the Issuer in its absolute discretion.]</p> <p>[Specify other]</p>

Relevant Currency:	[The definition in Product Condition 1 applies] [Specify other]
Relevant Number of Trading Days:	Issuer Call Date: [Five, or in respect of an Emerging Market Disruption Event only, 180.] Valuation Date: [Five, or in respect of an Emerging Market Disruption Event only, 180.]
Re-Weighting:	[The Basket is re-weighted on each anniversary of the Issue Date by removing the Best Performing Reference Asset from the Basket on such anniversary date and re-weighting the Basket accordingly. The Basket in the following year then comprises the remaining Reference Assets in equal Weights.] [Specify other]
Settlement Currency:	[EUR] [Specify other]
Settlement Date:	[The definition in Product Condition 1 applies] [Specify other]
Standard Currency:	[The definition in Product Condition 1 applies] [Specify other]
Trading Day:	[In respect of each Reference Asset, a day on which the Relevant Exchange is open and each Related Exchange in relation to such Reference Asset (being, in the case of an Index, an options or futures exchange or quotation system on which options contracts or futures contracts or other derivatives contracts on such Index are traded), other than a day on which trading on any of the Relevant Exchange or the Related Exchange is scheduled to close prior to its regular weekly closing time.] [Specify other]
Valuation Date(s):	[Each anniversary of the Issue Date]
Valuation Time:	[The close of trading on the relevant Exchange in relation to a Reference Asset where the Fund is an exchange-traded fund.] [11.00 hours Central European Time] [Specify other]
Additional Terms and Conditions of Retro-Finance Securities:	Applicable
Deposit Bank:	Nooa Savings Bank Ltd
Original Deposit Amount:	[]

Deposit Amount Interest Rate: []

Option: *[Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]*

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] *[Symbol:]*

Indication of yield: []

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Underlying Rate: [Not Applicable]

[Specify other]

Pricing Date: [Not Applicable]

[Specify other]

Sales Restriction: 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.

Information on the Reference Asset

Page where information about the past and future performance of the Reference Asset and its volatility can be obtained: [Bloomberg][Reuters][specify other]

Index disclaimer(s):

MULTI-ASSET BASKET-LINKED RETRO-FINANCE NOTES II

Series: *Multi-Asset Basket-Linked Retro-Finance Notes II*
due []. *[Specify other]*

Issue Price: []

Additional Fund Events: [None] *[Specify other]*

Additional Market Disruption Events: [None] *[Specify other]*

Basket:

"Basket Constituent"	"Weight"	"Share Company"	"Exchange"	"Basket Constituent Currency"
<i>[specify each Basket Constituent and Bloomberg Code]</i>	<i>[Specify per cent. Weight]</i>	<i>[Specify]</i>	<i>[Specify]</i>	<i>[Specify]</i>
<i>["Index"]</i>	<i>[Not Applicable].</i>	<i>[Not Applicable]</i>	<i>[Not Applicable]</i>	<i>[Not Applicable]</i>
<i>["Share"]</i>				
<i>["Fund"] [Where the Fund is an exchange-traded fund, include details of the Reference Asset]</i>				
<i>["Index Future"]</i>				

Basket Return: [The definition in Product Condition 1 applies]

[Specify other] [Not Applicable]

Business Day: [The definition in Product Condition 1 applies]

[Specify other]

"Business Day Convention": [Modified Following][Following]

Cash Amount: [An amount equal to:

100 per cent. * Nominal Amount + Nominal Amount x Participation * [Max (Basket Return, zero per cent.)]

[Specify other],

provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).

Emerging Market Disruption Events: [The definition in Product Condition 1 applies]

[Specify other].

Final Averaging: [Applicable] [Not Applicable].

Fund Return:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Fund Final Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Fund Initial Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Fund Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Return:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Final Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Future Final Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Future Initial Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Future Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Future Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Future Return:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Initial Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[Not Applicable] [] [and []] in each year up to and including the Maturity Date, with the first Interest Payment Date being [] [The definition in Product Condition 1 applies.] [Specify other]
Interest Period:	[As stated in Product Condition 1][specify other][Not Applicable].
Interest Rate:	[Not Applicable] [[] per cent.] [per annum] [The definition in Product Condition 1 applies] [Specify other]
Interest Rate Day Count Fraction:	[Not Applicable] [The actual number of days in the relevant period]

divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month.)))]

[Specify other]

Issuer Call:	[Not Applicable]. [Applicable]
Issuer Call Cash Amount:	[Not Applicable]. [Cash Amount] [Specify other]
Issuer Call Commencement Date:	[Not Applicable]. [Specify other]
Issuer Call Date:	[Not Applicable]. [Specify other] [See Issuer notice of call.]
Issuer Call Notice Period:	[Not Applicable]. [Specify other]
Maturity Date:	[]
Nominal Amount:	[] (If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))
Participation:	[Not Applicable]. [Specify other]
Relevant Currency:	[The definition in Product Condition 1 applies] [Specify other]
Relevant Number of Trading Days:	For the purpose of: Issuer Call Date: [five, or in respect of an Emerging Market Disruption Event only, 180] Valuation Date: [five, or in respect of an Emerging Market Disruption Event only, 180] [Not Applicable].
Settlement Currency:	[]
Settlement Date:	[The definition in Product Condition 1 applies] [Specify other]
Share Return:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable].

Share Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Share Final Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Share Initial Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Standard Currency:	[The definition in Product Condition 1 applies] [Specify other]
Trading Day:	[The definition in Product Condition 1 applies] [Specify other]
Valuation Date(s):	[]
Valuation Time:	[The close of trading on the relevant Exchange in relation to a Reference Asset where the Fund is an exchange-traded fund] [The definition in Product Condition 1 applies] [11.00 hours Central European Time] [Specify other]
Additional Terms and Conditions of Retro-Finance Securities:	Applicable
Deposit Bank:	Nooa Savings Bank Ltd
Original Deposit Amount:	[]
Deposit Amount Interest Rate:	[]
Option:	[Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary]
ISIN:	[]
Common Code:	[]
Fondscore:	[]
Other Securities Code:	[] [Symbol:]
Indication of yield:	[] [Calculated as [include details of method of calculation in summary form] on the Issue Date.] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction:

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.

Information on the Basket Constituent

Page where information about the past and future performance of a Basket Constituent and its volatility can be obtained: [Bloomberg][Reuters][specify other]

Index disclaimer(s):

MULTI-ASSET BASKET-LINKED RETRO-FINANCE NOTES III

Series: *Multi-Asset Basket-Linked Retro-Finance Notes III due*
[] [Specify other].

Issue Price: *[]*

Additional Fund Events: *[None] [Specify other]*

Additional Market Disruption Events: *[None] [Specify other]*

Basket:

"Basket Constituent"	"Weight"	"Share Company"	"Exchange"	"Basket Constituent Currency"
<i>[specify each Basket Constituent and Bloomberg Code]</i>	<i>[Specify per cent. Weight]</i>	<i>[Specify]</i>	<i>[Specify]</i>	<i>[Specify]</i>
<i>[first rate]</i>	<i>[Not Applicable]</i>	<i>[Not Applicable]</i>	<i>[Not Applicable]</i>	<i>[Not Applicable]</i>
Screen Page: <i>[specify]</i>				
<i>[repeat as appropriate for other rates]</i>				
<i>["FX Rate1"]</i>				
<i>["FX Rate2"]</i>				
<i>["FX Rate3"]</i>				
<i>["FX Rate4"]</i>				
<i>["FX Rate5"]</i>				
<i>["FX Rate6"]</i>				
<i>["Certificate1"]</i>				
<i>["Certificate2"]</i>				
<i>["Commodity1"]</i>				
<i>["Commodity2"]</i>				
<i>["Commodity3"]</i>				
<i>["Commodity4"]</i>				
<i>["Index1"]</i>	<i>["Index2"]</i>			
<i>["Index3"]</i>	<i>["Index4"]</i>			
<i>["Index5"]</i>				
<i>["Share1"]</i>	<i>["Share2"]</i>			
<i>["Share3"]</i>				
<i>["Fund1"]</i>	<i>["Fund2"]</i>			
<i>["Fund3"]</i>	<i>[Where the Fund is an exchange-traded fund, include details of the Reference Asset]</i>			

Basket Return: *[20 per cent. x Index Return + 20 per cent. x Certificate Return + 20 per cent. x Commodity Return + 20 per cent. x FX Rate Return + 20 per cent. x Real Estate Index Return.]*

[Specify other] [Not Applicable]

Business Day:	[The definition in Product Condition 1 applies] [Specify other]
"Business Day Convention":	[Modified Following][Following]
Cash Amount:	<p>[[Nominal Amount x (90 per cent. + 100 per cent. x Max [0; Basket Return – 0.9] + ((Participation – 100 per cent.) x Max [0; Basket Return – 1.])]]</p> <p>[Specify other],</p> <p>provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).</p>
Certificate Final Reference Price (CertFRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable].
Certificate Initial Reference Price (CertIRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable].
Certificate Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable].
Certificate Return:	$50\% \times \frac{\text{CertFRP of Commodity1}}{\text{CertIRP of Commodity1}} + 50\% \times \frac{\text{CertFRP of Commodity2}}{\text{CertIRP of Commodity2}}$ <p>[Specify other] [Not Applicable].</p>
Commodity Final Reference Price (CFRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable].
Commodity Initial Reference Price (CIRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable].
Commodity Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable].
Commodity Return:	$25\% \times \frac{\text{CFRP of Commodity1}}{\text{CIRP of Commodity1}} + 25\% \times \frac{\text{CFRP of Commodity2}}{\text{CIRP of Commodity2}} + 25\% \times \frac{\text{CFRP of Commodity3}}{\text{CIRP of Commodity3}} + 25\% \times \frac{\text{CFRP of Commodity4}}{\text{CIRP of Commodity4}}$ <p>[Specify other] [Not Applicable].</p>
Emerging Market Disruption Events:	[As stated in Product Condition 1] [specify other].
Fund Final Reference Price (FFRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable].
Fund Initial Reference Price (FIRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Fund Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable].

Fund Return:	[Specify] [Not Applicable]
FX Rate Final Reference Price (FXFRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
FX Rate Initial Reference Price (FXIRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
FX Rate Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
FX Rate Return:	$25\% \times \frac{\text{FXFRP of FXRate1}}{\text{FXIRP of FXRate1}} + 25\% \times \frac{\text{FXFRP of FXRate2}}{\text{FXIRP of FXRate2}}$ $\times \frac{\text{FXFRP of FXRate3}}{\text{FXIRP of FXRate3}}$ $+ 16.67\% \times \frac{\text{FXFRP of FXRate4}}{\text{FXIRP of FXRate4}} + 16.66\% \times \frac{\text{FXFRP of FXRate5}}{\text{FXIRP of FXRate5}}$ [Specify other] [Not Applicable]
Index Final Reference Price (IFRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Initial Reference Price (IIRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Index Return:	$25\% \times \frac{\text{IFRP of Index1}}{\text{IIRP of Index1}} + 25\% \times \frac{\text{IFRP of Index2}}{\text{IIRP of Index2}}$ $\times \frac{\text{IFRP of Index3}}{\text{IIRP of Index3}} + 25\% \times \frac{\text{IFRP of Index4}}{\text{IIRP of Index4}}$ [Specify other] [Not Applicable]
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[Not Applicable] [[] [and []]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [] [The definition in Product Condition 1 applies]. [Specify other]
Interest Period:	[As stated in Product Condition 1][specify other][Not Applicable].
Interest Rate:	[Not Applicable] [[] per cent.] [per annum] [The definition in Product Condition 1 applies.] [Specify other]

Interest Rate Day Count Fraction:	<p>[Not Applicable]</p> <p>[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]</p> <p>[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month.)))]</p> <p>[Specify other]</p>
Issuer Call:	[Not Applicable] [Applicable].
Issuer Call Cash Amount:	[Not Applicable] [Cash Amount] [Specify other]
Issuer Call Commencement Date:	[Not Applicable] [Specify other]
Issuer Call Date:	[Not Applicable] [Specify other] [See Issuer notice of call.]
Issuer Call Notice Period:	[Not Applicable] [Specify other]
Maturity Date:	[]
Nominal Amount:	[] <i>(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))</i>
Participation:	[Not Applicable] [Specify other]
Real Estate Index Return:	$\left[100\% \times \frac{\text{IFRP of Index5}}{\text{IIRP of Index5}} \right]$ <p>[Specify other] [Not Applicable]</p>
Relevant Currency:	[As stated in Product Condition 1] [specify other]
Relevant Number of Trading Days:	<p>For the purpose of:</p> <p>Issuer Call Date: [Five, or in respect of an Emerging Market Disruption Event only, 180]</p> <p>Valuation Date: [Five, or in respect of an Emerging Market Disruption Event only, 180]</p> <p>[Not Applicable]</p>
Settlement Currency:	[]

Settlement Date:	[The definition in Product Condition 1 applies] [Specify other]
Share Final Reference Price (SFRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Share Initial Reference Price (SIRP):	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Share Reference Price:	[The definition in Product Condition 1 applies] [Specify other] [Not Applicable]
Share Return:	[Specify] [Not Applicable]
Standard Currency:	[As stated in Product Condition 1] [specify other]
Trading Day:	[The definition in Product Condition 1 applies] [Specify other]
Valuation Date(s):	[]
Valuation Time:	[(i) in respect of each Index, Fund, Certificate and Share the definition in Product Condition 1 applies, (ii) in respect of each Commodity [The time of the London [morning] [daily] fixing currently [10:30am] [12:15pm] London time] [The time at which the Exchange publishes the daily closing price] and (iii) in respect of each FX Rate [11.00 hours Central European time.]] [The close of trading on the relevant Exchange in relation to a Reference Asset where the Fund is an exchange-traded fund.] [Specify other]
Additional Terms and Conditions of Retro-Finance Securities:	Applicable
Deposit Bank:	Nooa Savings Bank Ltd
Original Deposit Amount:	[]
Deposit Amount Interest Rate:	[]
Option:	[Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]
ISIN:	[]
Common Code:	[]
Fondscore:	[]
Other Securities Code:	[] [Symbol:]

Indication of yield: []

[Calculated as *[include details of method of calculation in summary form]* on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction:

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.

Information on the Basket Constituent

Page where information about the past and future performance of a Basket Constituent and its volatility can be obtained: [Bloomberg][Reuters][specify other]

Index disclaimer(s):

FUND-LINKED RETRO-FINANCE NOTES

Series: *[Fund] Retro-Finance Notes due [] Series []*.

Issue Price: []

Additional Fund Events: [None] *[specify]*

Additional Market Disruption Events: [None] *[specify]*

Basket: [Applicable] [Not Applicable *please delete below specification if*].

"Fund": <i>[specify]</i> [Not Applicable].	"Reference Asset" <i>[of the Fund ISIN: []]</i>	"Weight" <i>[Specify percentage weight]</i> [Not Applicable].	"Exchange": [specify exchange of Fund] [Not Applicable].
--	--	---	--

Business Day: [The definition in Product Condition 1 applies] *[specify other]*.

"Business Day Convention": [Modified Following][Following]

Cash Amount: [An amount equal to Nominal Amount * *[specify]* per cent.],
provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).

Emerging Market Disruption Events: [The definition in Product Condition 1 applies] *[specify other]*

Exchange: [specify exchange of Fund] [Not Applicable]

Final Reference Price: [The definition in Product Condition 1 applies] *[specify other]*

Fund: *[Specify]* [Bloomberg Code []][See Basket]

Initial Reference Price: []

Interest: [Applicable] [Not Applicable]

Interest Payment Dates: [[] [and []]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [] [Not Applicable]. *[specify other]*

Interest Period: [As stated in Product Condition 1][*specify other*][Not Applicable].

Interest Rate: [[] per cent.] [per annum] [Not Applicable]. *[specify other]*

Interest Rate Day Count Fraction:	<p>[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]</p> <p>[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)))]</p> <p>[specify other] [Not Applicable]</p>
Issuer Call:	[Applicable] [Not Applicable]
Issuer Call Cash Amount:	[Cash Amount] [specify other] [Not Applicable]
Issuer Call Commencement Date:	[] [Not Applicable]
Issuer Call Date:	[specify] [See Issuer notice of call].
Issuer Call Notice Period:	[] [Not Applicable]
Maturity Date:	[]
Nominal Amount:	[] <i>(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))</i>
Reference Asset:	[[] of the Fund (ISIN: [])] [see Basket] [specify other].
Reference Banks:	<p>[The principal London office of five leading dealers in the London interbank market which ordinarily provide quotations for the relevant Underlying Rate, if applicable, or any other rate requested by the Calculation Agent pursuant to Product Condition 4, as selected by the Issuer in its absolute discretion.]</p> <p>[specify other].</p>
Relevant Currency:	[The definition in Product Condition 1 applies] [specify other]
Relevant Number of Trading Days:	<p>Issuer Call Date: [Five, or in respect of an Emerging Market Disruption Event only, 180].</p> <p>Underlying Rate: [Five, or in respect of an Emerging Market Disruption Event only, 180].</p> <p>Valuation Date: [Five, or in respect of an Emerging</p>

Market Disruption Event only, 180].

Standard Currency: [The definition in Product Condition 1 applies]
[specify other].

Underlying Rate(s): [first rate]
Screen Page: [specify]
[repeat as appropriate for other rates]

Underlying Rate Valuation Date(s): [] [or if such day is not a Business Day, the next
succeeding Business Day].

Settlement Currency: []

Settlement Date: [The definition in Product Condition 1 applies]
[specify other].

Trading Day: [The definition in Product Condition 1 applies]
[specify other].

Valuation Date(s): []

Valuation Time: [11.00 hours Central European time] [specify other].
[The close of trading on the relevant Exchange in
relation to a Reference Asset where the Fund is an
exchange-traded fund].

Additional Terms and Conditions of Applicable
Retro-Finance Securities:

Deposit Bank: Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: [Description and calculation of the Option to be
provided here, with reference to a notional swap
transaction and the description thereof provided in
the Summary.]

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] [Symbol:]

Indication of yield: []

[Calculated as [include details of method of calculation
in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of
the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or [Not Applicable]
Product Conditions:

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction:

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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[Bloomberg][Reuters][specify other]

Series:

[Index] Retro-Finance Notes due [] Series []

[repeat as above for each new Series]

BASKET-RELATED RETRO-FINANCE NOTES

Series:	Basket-Related Retro-Finance Notes due [] Series []		
Issue Price:	[]		
Additional Market Disruption Events:	[None] [specify]		
Basket:	The Basket shall be comprised of the following components:		
["Index Component"	"Weight"		
[specify] Index ("Index A") (Bloomberg: [specify])	[specify] per cent.		
[specify] Index ("Index B") (Bloomberg: [specify])	[specify]per cent.]		
["Real Estate Index Component"	"Weight"		
[specify] ("Index C") (Bloomberg: [specify])	[specify]per cent.		
[specify] ("Index D") (Bloomberg: [specify])	[specify]per cent.]		
["Bond Index Component"	"Weight"		
[specify] ("Index E") (Bloomberg: [specify])	[specify]per cent.		
[specify] ("Index F") (Bloomberg: [specify])	[specify]per cent.]		
["Commodity Component"	"Exchange"	"Weight"	
[specify] ("Commodity A"), (Bloomberg: [specify])	[specify]	[specify]per cent.	
[specify] ("Commodity B"), (Bloomberg: [specify])	[specify]	[specify]per cent.]	
Bond Index Component Performance:	[specify] [Not Applicable]		
Business Day:	[The definition in Product Condition 1 applies] [specify other]		
"Business Day Convention":	[Modified Following][Following]		
Cash Amount:	[Nominal Amount * 100 per cent.] [specify other], provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1).		
Commodity Component Performance:	[specify] [Not Applicable]		
Commodity Reference Price:	[The definition in Product Condition 1 applies] [specify other] [Not Applicable]		

Emerging Market Disruption Events:	[The definition in Product Condition 1 applies] [specify other]
Index Component Performance:	[specify] [Not Applicable]
Index Reference Price:	[The definition in Product Condition 1 applies] [specify other] [Not Applicable]
Initial Commodity Reference Price:	[The definition in Product Condition 1 applies] [specify other] [Not Applicable]
Initial Index Reference Price:	[The definition in Product Condition 1 applies] [specify other] [Not Applicable]
Interest:	[Applicable] [Not Applicable]
Interest Payment Dates:	[[] [and []]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [] [Not Applicable]. [specify other]
Interest Period:	[As stated in Product Condition 1][specify other][Not Applicable]
Interest Rate:	<p>[In respect of the [specify] Interest Period[s]][[] per cent.] [per annum] [specify other] [Not Applicable]</p> <p>[In respect of the [specify] Interest Period[s]], an Interest Amount determined by the Calculation Agent as follows:</p> <p>The greater of:</p> <ul style="list-style-type: none"> (i) zero; and (ii) (([] per cent. x Index Component Performance) + ([] per cent. x Real Estate Index Component Performance) + ([] per cent. x Bond Index Component Performance) + ([] per cent. x Commodity Component Performance)) minus 1; and (iii) (([] per cent. x Index Component Performance) + ([] per cent. x Real Estate Index Component Performance) + ([] per cent. x Bond Index Component Performance) + ([] per cent. x Commodity Component Performance)) minus 1; and (iv) (([] per cent. x Index Component Performance) + ([] per cent. x Real Estate Index Component Performance) + ([] per cent. x Bond Index Component Performance) + ([] per cent. x Commodity Component Performance)) minus 1].
Interest Rate Day Count Fraction:	<p>[In respect of the [specify] Interest Period[s]].</p> <p>[Interest required to be calculated in respect of a period of less than a full [year], shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest</p>

begins to accrue (the "**Accrual Date**") to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.]

[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]

[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month.)))]

[*specify other*] [Not Applicable]

Interim Cash Settlement Amount:

[Applicable] [An amount calculated in accordance with the following formula:

Nominal Amount x {the greater of:

(i) zero; or

(ii) (([] per cent. x Index Component Performance) + ([] per cent. x Real Estate Index Component Performance) + ([] per cent. x Bond Index Component Performance) + ([] per cent. x Commodity Component Performance)) minus 1; or

(iii) (([] per cent. x Index Component Performance) + ([] per cent. x Real Estate Index Component Performance) + ([] per cent. x Bond Index Component Performance) + ([] per cent. x Commodity Component Performance)) minus 1; or

(iv) (([] per cent. x Index Component Performance) + ([] per cent. x Real Estate Index Component Performance) + ([] per cent. x Bond Index Component Performance) + ([] per cent. x Commodity Component Performance)) minus 1}]

[*specify other*] [Not Applicable]

Interim Cash Settlement Amount Payment Date:

[The definition in Product Condition 1 applies] [*specify date*] [Not Applicable]

Interim Cash Settlement Amount Valuation Date:

[*specify date*] [Valuation Date occurring on []] [Not Applicable]

Issuer Call:	[Applicable] [Not Applicable]
Issuer Call Cash Amount:	[Cash Amount] [<i>specify other</i>] [Not Applicable]
Issuer Call Commencement Date:	[] [Not Applicable]
Issuer Call Date:	[<i>specify</i>] [See Issuer notice of call]
Issuer Call Notice Period:	[] [Not Applicable]
Maturity Date:	[]
Nominal Amount:	[] (<i>If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent)</i>)
Pricing Date:	[]
Real Estate Index Component Performance:	[<i>specify</i>] [Not Applicable]
Relevant Currency:	[The definition in Product Condition 1 applies] [<i>specify other</i>]
Relevant Number of Trading Days:	Valuation Date: [Five, or in respect of an Emerging Market Disruption Event only, 180.] Interim Cash Settlement Amount Valuation Date: [Five, or in respect of an Emerging Market Disruption Event only, 180.] Issuer Call Date: [Five, or in respect of an Emerging Market Disruption Event only, 180.]
Settlement Currency:	[]
Settlement Date:	[The Maturity Date [or if later the third Business Day following the final Valuation Date [<i>specify other</i>]].
Standard Currency:	[The definition in Product Condition 1 applies] [<i>specify other</i>].
Trading Day:	[The definition in Product Condition 1 applies] [<i>specify other</i>]
Valuation Date(s):	[]
Valuation Time:	[The definition in Product Condition 1 applies] [<i>specify other</i>].
Additional Terms and Conditions of Retro-Finance Securities:	Applicable.
Deposit Bank:	Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: *[Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]*

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] *[Symbol:]*

Indication of yield: []

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction: 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.

Information on the Underlying

Page(s) where information about the past and future performance of the Underlying and its volatility can be obtained: [Bloomberg][Reuters][specify other]

Series: *Basket-Related Retro-Finance Notes due [] Series []*

[repeat as above for each new Series]

COMMODITY RETRO-FINANCE NOTES

Series: *[Commodity] Retro-Finance Notes due [] Series []*.

Issue Price: []

Additional Market Disruption Events: [None] *[specify]*

Basket:

"Commodity"	"Exchange"	"Weight"
<i>[specify each Commodity and Bloomberg/Reuters Code]</i>	<i>[Specify]</i> [Not Applicable].	<i>[specify]</i>

Business Day: [The definition in Product Condition 1 applies]
[specify other]

"Business Day Convention": [Modified Following][Following]

Cash Amount: [Nominal Amount x (100 per cent. + Participation x
Max [0, Commodity Performance])].
[specify other].

provided that notwithstanding anything else the minimum Cash Amount shall be one unit of the Settlement Currency (e.g. if the Settlement Currency is EUR, then the minimum Cash Amount shall be EUR 1.)

Commodity: [] [See Basket]

Commodity Performance: [The definition in Product Condition 1 applies.]
[specify other] [Not Applicable]

Emerging Market Disruption Events: [The definition in Product Condition 1 applies.]
[specify other]

Exchange: [] [See Basket]

Exchange Rate: [The definition in Product Condition 1 applies.]
[specify other] [Not Applicable]

Final Reference Price: [The definition in Product Condition 1 applies.]
[specify other] [Not Applicable]

Initial Reference Price: [The definition in Product Condition 1 applies.]
[specify other] [Not Applicable]

Interest: [Applicable] [Not Applicable]

Interest Payment Dates:	[[] [and []]] in each year up to and including the Maturity Date, with the first Interest Payment Date being [] [Not Applicable]. <i>[specify other]</i> .
Interest Period:	[As stated in Product Condition 1] <i>[specify other]</i> [Not Applicable]
Interest Rate:	[[] per cent. per annum] [Not Applicable]. <i>[specify other]</i>
Interest Rate Day Count Fraction:	<p>[The actual number of days in the relevant period divided by 365 save that for a portion which any such period falls in a leap year, the number of days in such portion shall be divided by 366.]</p> <p>[The number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month.))]</p> <p><i>[specify other]</i> [Not Applicable]</p>
Issuer Call:	[Applicable] [Not Applicable]
Issuer Call Cash Amount:	[Cash Amount] <i>[specify other]</i> [Not Applicable]
Issuer Call Commencement Date:	[] [Not Applicable]
Issuer Call Date:	<i>[specify]</i> [See Issuer notice of call]
Issuer Call Notice Period:	[] [Not Applicable]
Maturity Date:	[]
Nominal Amount:	[] <i>(If the Securities are issued pursuant to a prospectus which is required to be compliant with the Prospectus Directive, then the minimum denomination of the Securities may need to be Euro 1,000 (or its foreign currency equivalent))</i>
Participation:	[]
Relevant Currency:	[The definition in Product Condition 1 applies.] <i>[specify other]</i> .
Relevant Number of Business Days:	[]

Relevant Number of Trading Days: [Five, or in respect of an Emerging Market Disruption Event only, 180.]

Settlement Currency: []

Standard Currency: [The definition in Product Condition 1 applies]
[specify other]

Underlying Currency: []

Valuation Date(s): []

Valuation Time: [The time of the London [morning] [daily] fixing currently [10:30am] [12:15pm] London time].
[The time at which the Exchange publishes the daily closing price.]
[specify other] [Not Applicable].

Additional Terms and Conditions of Retro-Finance Securities: Applicable.

Deposit Bank: Nooa Savings Bank Ltd

Original Deposit Amount: []

Deposit Amount Interest Rate: []

Option: [Description and calculation of the Option to be provided here, with reference to a notional swap transaction and the description thereof provided in the Summary.]

ISIN: []

Common Code: []

Fondscore: []

Other Securities Code: [] [Symbol:]

Indication of yield: []

[Calculated as [include details of method of calculation in summary form] on the Issue Date.]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

Amendments to General Conditions or Product Conditions: [Not Applicable]

[Amendments to the General Conditions and/or Product Conditions as required by applicable consumer protection and other laws and/or clearing system and exchange rules. Such amendments may

be: (i) deletion of one or more General Conditions and/or Product Conditions in part or in its entirety; (ii) addition of disclosure and/or publication requirements; (iii) changes to pay-off and other formulae; (iv) addition of clearing system details and applicable clearing rules and arrangements agreed between the Issuer and the relevant clearing system; (v) disclosure of fees applicable in connection with any exercise rights the Holders of Securities may have; and (vi) other changes which are not materially prejudicial to the interests of the Holders of Securities.]

(When making any such amendments consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)

Sales Restriction:

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.

Information on the Underlying

Page where information about the past and future performance of the Underlying and its volatility can be obtained:

[Bloomberg][Reuters][specify other]

Series:

[Commodity] Retro-Finance Notes due [] Series []

[repeat as above for each new Series]

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

NO SIGNIFICANT CHANGE AND NO MATERIAL ADVERSE CHANGE

There has been no significant change in the financial position of the Issuer Group taken as a whole since 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 Issuer Group has made provisions for therein, there has been no material adverse change in the prospects of the Issuer Group taken as a whole since 31 December 2010 (the last date to which the latest audited published financial information of the Issuer Group was prepared).

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in the Base Prospectus, as completed and/or amended by these Final Terms. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in these Final Terms is in accordance with the facts and does not omit anything likely to affect the import of such information. Material changes since the date of the Base Prospectus will trigger the need for a supplement under Article 16 of Directive 2003/71/EC which will be filed with the AFM.

The information relating to the Deposit Bank contained in the Base Prospectus (and, if applicable, as supplemented or reproduced in an Annex to these Final Terms) has been extracted from publicly available information. [In addition, the information relating to the Underlying has been extracted from external sources.] The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from publicly available information, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

By: _____

Duly authorised

By: _____

Duly authorised

PART B - OTHER INFORMATION

[INDEX TRADEMARK/DISCLAIMER] [LICENSOR] (*delete if not applicable*)

[Add if applicable].

[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE]

[Save for (a) any fees payable to the Dealers, (b) as discussed in the section of this Base Prospectus entitled "Market-Making Arrangements" and (c) Nooa Savings Bank Ltd in its separate capacities as Deposit Bank and (if specified below) Distributor, so far as the Issuer is aware, no person involved in the issue of the Securities has an interest material to the offer.]
(*Amend as appropriate if there are other interests.*)]

[EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]

[Include a clear and comprehensive explanation of how the value of the investments (including the Option) is affected by the underlying and the circumstances when the risks are most evident.]

[(N.B. The above applies if the Securities are derivative securities to which Annex XII of the Prospectus Directive Regulation applies with a denomination of less than EUR 50,000.]

When completing this paragraph consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.]]

[ADDITIONAL SELLING RESTRICTIONS (*delete if not applicable*)]

[Add if applicable]].

[ADDITIONAL TAXATION PROVISIONS (*delete if not applicable*)]

[Add if applicable]].

REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer

[Not Applicable]

(see "Use of Proceeds" – if reasons for offer are different from (i) deposit with the Deposit Bank in accordance with the terms of the Master Deposit Agreement, and (ii) making profit and/or hedging certain risks, will need to include those reasons here.)]

[(ii) Estimated net proceeds

[Not Applicable]

(if proceeds are intended for other uses will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding)]

[(iii) Estimated total expenses

[Not Applicable/[●] [Include breakdown of expenses.]

(as the Securities are derivative securities to which Annex XII of the Prospectus Directive applies it is only necessary to include disclosure

of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.])

POST-ISSUANCE INFORMATION

The Issuer will not provide any post-issuance information with respect to the Underlying(s), unless required to do so by applicable law or regulation.

TERMS AND CONDITIONS OF THE OFFER

- 1 Offer Price: [Not Applicable]./[The Offer Price will be equal to the Issue Price.]

[[●] per cent. of the nominal amount/[●] per Security.]

[To be determined on the basis of the prevailing market conditions on or around the Price Determination Date subject to the Maximum Price specified below. Maximum Price: [●] per cent. of the nominal amount/[●] per Security].

Price Determination Date: [●].
- 2 Offer Period: [An offer of the Securities may be made by the relevant Distributor pursuant to Article 3(2) of the Prospectus Directive in [[Finland]/[●]] (the "**Public Offer Jurisdiction**") in the period commencing from (and including) [●] and ending on (and including) [●].]
- 3 Total amount of the offer. If the amount is not fixed, description of arrangements and time for announcing to the public the definitive amount of the offer: [Not Applicable]./[●]

[To be determined on the basis of the demand for the Securities and prevailing market conditions and published in accordance with Article 8 of the Prospectus Directive.]
- 4 Conditions (in addition to those specified in the Base Prospectus) to which the offer is subject: [●]

[Right to cancel: The offer may be cancelled if the nominal amount or aggregate number of Securities purchased is less than the Minimum Amount specified below or if the offer price is greater than the Maximum Price referred to above or if the Issuer or the relevant Distributor assesses, at its absolute discretion, that any applicable laws, court rulings, decisions by governmental or other authorities or other similar factors render it illegal, impossible or impractical, in whole or part, to complete the offer or that there has been a material adverse change in the market conditions. In case of cancellation, unless otherwise specified by the relevant Distributor, the relevant Distributor will repay the purchase price and any commission paid by any purchaser without interest.

Minimum Amount: [●]/[Not Applicable]]

- 5 The time period during which the offer will be open: [●]
[The Offer Period may be discontinued at any time.]
- 6 Description of the application process [Not Applicable].
[●]
[Purchases from the relevant Distributors can be made by submitting to the relevant Distributor, a form provided by the relevant Distributor, or otherwise as instructed by the relevant Distributor.]
- 7 Details of the minimum and/or maximum amount of application: [Not Applicable]
[●]
- 8 Details of the method and time limits for paying up and delivering the Securities: [Not Applicable]
[Payments for the Securities shall be made to the relevant Distributor on [[●]/such date as the relevant Distributor may specify] as instructed by the relevant Distributor.]
[The Securities are expected to be delivered to the purchasers' respective accounts on or around [[●]/the date as notified by the relevant Distributor].]
- 9 Manner in and date on which results of the offer are to be made public: [Not Applicable].
[●]
- 10 Categories of potential investors to which the Securities are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable]
[●]
- 11 Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable]
[●]
[Applicants will be notified by the relevant Distributor of the success of their application. Dealings in the Securities may begin before such notification is made.]
- 12 Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable]
[●]
[The Distributor will charge purchasers a commission of [●]/[up to [●] per cent. of the Specified Denomination] per Security.]
[The Issuer will pay a fee to the Distributor in connection with the Offer of [●]/[up to [●] per cent. of the Specified Denomination] per Security.]
[The Securities [will be/have been] sold at a

discount.]

- 13 Name(s) and address(es), to the extent known to the Issuer, of the placers ("Distributors") in the various countries where the offer takes place. [Nooa Savings Bank Ltd] [●]
- 14 Market-Maker: [●]/[Not Applicable]
- 15 Market-making agreement with the Issuer: [Yes]/[No]

GENERAL INFORMATION

Authorisation

The establishment of the Base Prospectus and the issue of Securities has been duly authorised by resolutions of (i) the Issuer's board of directors dated 18 November 2009 and 15 December 2009; (ii) resolutions of the Group Asset and Liability Management Committee dated 13 June 2011 and a sub-committee of the Group Asset and Liability Management Committee dated 14 September 2011.

Listing

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

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

Recent Developments

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.

Documents available

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

- (a) the incorporation documents of the Issuer;
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 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 and any supplements to the Registration Document;
- (e) a copy of this Base Prospectus;
- (f) all documents incorporated herein by reference;
- (g) the applicable Final Terms;
- (h) the Master Deposit Agreement (including each Addendum thereto in respect of each Series of Securities); and

- (i) the Master Pledge Agreement (including each Addendum thereto in respect of each Series of Securities).

The Registration Document, copies of all documents incorporated by reference, and other documents as mentioned above, are accessible at <http://markets.rbs.com/EN/Showpage.aspx?pageID=1114> and can be obtained, on request, free of charge, by writing or telephoning, The Royal Bank of Scotland Group Investor Relations, 280 Bishopsgate, London EC2M 4RB, United Kingdom, telephone +44 207 672 1758, email investor.relations@rbs.com or at the registered office of the Issuer at 36 St Andrew Square, Edinburgh, EH2 2YB, Scotland.

Other than the information provided in this Base Prospectus, no information (including current financial information) or other developments with respect to the Deposit Bank has been or will be provided to the Holder. Details of Nooa Savings Bank Ltd's most recent financial information may be obtained from <https://www.saastopankki.fi/nooa/tulosjulkaisut-ja-vuosikertomukset?o=20>. Such website and the information in it does not form part of this Base Prospectus and the website reference is provided for convenience only. The Issuer accepts no responsibility for the information on such website.

Clearing and settlement systems

The Securities have been accepted for clearance through Euroclear Finland Oy ("**Euroclear Finland**"). The relevant security code(s) allocated by any other relevant clearing system(s), will be specified in the applicable Final Terms. If the Securities are to clear through an additional or alternative clearing system the appropriate additional or alternative information will be specified in the applicable Final Terms. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction.

Information on the Offering of the Securities

(a) Offer Process

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

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

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

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

Each prospective purchaser should ascertain from its Selling Agent of choice when that Selling Agent will require receipt of cleared funds from its clients in respect of applications for Securities and the manner in which payment should be made to the Selling Agent. Each Selling Agent may impose different arrangements relating to the purchase of Securities and prospective investors should contact the Selling Agents directly for information concerning such arrangements. Applicants for Securities who arrange to purchase the Securities through a Selling Agent should note that in doing so they are assuming the credit risk of the relevant Selling Agent and that such arrangements will be subject to the applicable conditions of the relevant Selling Agent.

(c) Conditions to Which the Offer is Subject

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

(d) Minimum/Maximum Application Amount

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

(e) Scale-back and Cancellation

The Issuer reserves the right, prior to the Issue Date, in its absolute discretion to:

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

The Issuer may Scale-back or effect a Cancellation of the Securities without notice and will notify prospective investors, either directly or indirectly through a relevant Selling Agent, of such Scale-back or Cancellation after such Scale-back or Cancellation has occurred. In the event that the Securities are not issued, no subscription monies shall be payable by prospective purchasers to the Issuer (either directly or indirectly through a Selling Agent (as defined above)) in respect of the Securities. Prospective purchasers should contact their Selling Agent of choice for details of the arrangements for the return of application monies in such circumstances. The Issuer shall have no responsibility for, or liability arising out of, the relationship between prospective purchasers and their respective Selling Agents and clearing system operators, including, without limitation, in respect of arrangements concerning the return of monies by such persons to their clients.

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

The total amount of the offer shall be as specified in the relevant Final Terms in respect of the relevant Series of the Securities. If an amount is not fixed then the Issuer will make a notification pursuant to Article 8 of the Prospectus Directive. Except in the case of (i) for a Scale-back or a Cancellation, in which case the Issuer will notify prospective investors of such Scale-back or Cancellation as described in sub-paragraph (e) above, or (ii) as otherwise specified in the relevant Final Terms in respect of the relevant Series of the Securities, the Issuer will issue all of the Securities that are the subject of the offer on the Issue Date. A prospective investor submitting an application to purchase Securities will be notified by the Issuer, either directly or indirectly through a relevant Selling Agent, of the acceptance or otherwise of such application on or prior to the Issue Date. Dealing may begin before such notification is made.

(g) Categories of Investors to which Securities are Offered

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

(h) Expenses and Taxes

Any expenses are described in the Additional Terms and Conditions of Retro-Finance Securities, the applicable Product Conditions and applicable Final Terms for the relevant Series and will be deducted accordingly. For further information on taxes, please refer to the section entitled *Taxation*.

(i) Post-issuance Information

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

(j) Description of the Securities

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

The price at which a Holder will be able to sell notes prior to their redemption may potentially be at a substantial discount to the market value of the notes at the issue date depending upon the performance of the Underlying at the time of sale, the cost of any hedging arrangements associated with the Deposit, and also depending on whether a Deposit Bank Event has occurred or is likely to occur.

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

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

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

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

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

Zero coupon retro-finance notes are cash-settled securities which are issued at a percentage of the nominal amount and which do not bear any interest. Zero coupon retro-finance notes are redeemed at a percentage of the nominal amount; such percentage being as specified in the applicable Final Terms.

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

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

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

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

Inflation index retro-finance notes are fixed-income securities that track a consumer price index ("CPI") and may offer a real rate of return; that is, they may generate monthly interest payments that exceed the prevailing inflation rate by a specified amount.

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

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

Multi-asset basket-linked retro-finance notes are cash-settled securities which may be interest-bearing. If applicable, interest may be payable at a rate specified in the applicable Final Terms. The cash amount payable at maturity on a multi-asset basket-linked retro-finance note will at least equal a specified percentage of its Nominal Amount but may be higher than that amount and may be subject to a capped maximum gain depending on the performance of the Underlying, as specified in the applicable Final Terms.

Fund-linked retro-finance notes are cash-settled securities which may be interest-bearing. The Cash Amount payable at maturity is calculated by reference to the performance of the underlying fund(s) as specified in the applicable Final Terms. If applicable, interest may be payable at a rate specified in the applicable Final Terms.

Basket-related retro-finance notes enable investors to participate in the performance of one or more baskets of different components relating to the relevant Series (including, without limitation and as specified in the applicable Final Terms, an index component, a real estate index component, a

commodity component or a bond index component). In addition to receiving, in respect of each basket-related retro-finance note, an amount equal to its nominal amount, an investor may, as specified in the applicable Final Terms, receive an additional amount depending on the performance of one or more baskets of different components. If specified in the applicable Final Terms, an Interim Cash Settlement Amount or Interest Amount (each as defined in the applicable Final Terms) will be payable (subject to any applicable conditions being met) on the Interim Cash Settlement Amount Payment Date or each Interest Payment Date, as the case may be.

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

Deposit Amount and consequence of default by the Deposit Bank

In respect of each Series of Securities, subject as otherwise provided in the applicable Final Terms, on (or prior to) the issue date of the Securities of that Series, the Issuer will deposit an amount to be specified in the applicable Final Terms (the "**Original Deposit Amount**") in an interest-bearing cash account in the name of the Issuer (the "**Deposit Account**") held with the Deposit Bank, on the terms of the Master Deposit Agreement. The deposit will accrue with interest at the Deposit Amount Interest Rate specified in the applicable Final Terms up to and excluding the Maturity Date. During the lifetime of the Securities, the Issuer may (but is not obliged to) reduce the balance standing to the credit of the Deposit Account to reflect any redemptions of the Securities of the relevant Series.

If, in respect of any Series of Securities, a Bankruptcy, Failure to Pay or Deposit Bank Termination (each defined as a "**Deposit Bank Event**") occurs in relation to the Deposit Bank during the period from the Issue Date to the date when the deposit amount (together with accrued interest) is scheduled to be repaid by the Deposit Bank to the Issuer (as specified in the applicable Final Terms) (the date on which such Deposit Bank Event occurs being the "**Deposit Bank Event Date**"), the Issuer shall notify the Holders of the Securities of that Series as soon as practicable and each Security of that Series shall be redeemed on the following terms:

- on the tenth Business Day following the Deposit Bank Event Date, Holders of such Securities shall receive an amount (which may be zero) equal to (a) the fair market value of the Option (which amount shall be determined in accordance with the applicable Final Terms and is entirely dependent on the performance of the relevant Underlying(s) specified therein) plus (b) the pro rata share of the balance (if any), including accrued interest, recovered by the Issuer from the Deposit Account; and
- thereafter, Holders shall receive any additional amounts recovered by the Issuer under the Master Deposit Agreement from such Deposit Account during the period of 24 months following the Deposit Bank Event Date (or, if earlier, to the date when the Calculation Agent determines that there will be no further recoveries of amounts owing to the Issuer under the Master Deposit Agreement). Such amounts (if any) will be paid to Holders as soon as reasonably practicable following receipt by the Issuer.

The Issuer's liability in respect of each Series of Securities is limited to the fair market value of the Option and any amounts of the deposit recovered from the Deposit Account of the Issuer associated with that Series (and not from any other account that the Issuer may have with the Deposit Bank). The Issuer is not liable for any part of the deposit that is not recovered by it from the Deposit Account of the Issuer in respect of a Series of Securities.

Holders are therefore exposed to the risk of non-payment by the Deposit Bank of all or some of the Deposit Amount to the Issuer. The Issuer will not have the benefit of any deposit protection schemes with regard to the Deposit Amount. And, as the deposit is placed by the Issuer, Holders have no benefit from any deposit protection schemes nor any other rights (except those pursuant to the security arrangements described herein) that might otherwise apply if they were direct depositors or account holders. Further, the security arrangements described herein only apply upon an Event of Default by the Issuer under the Securities, and therefore are of no benefit to Holders upon the occurrence of a Deposit Bank Event. Accordingly, if a Deposit Bank Event occurs, Holders may lose some and up to the entire amount of investment.

Default by the Issuer

Investors are exposed to the risk of non-payment by the Issuer of its payment obligations under the Securities. If such event occurs, Holders may lose some and up to the entire amount of their investment. Investors should also note that the Original Deposit Amount is lower than the aggregate subscription price of the Securities of the relevant Series, and that no security has been placed for the payment of the fair market value of the Option. Accordingly, any amount standing to the credit of a Deposit Account and available by enforcement of the pledge may not be sufficient to settle the full redemption amount of any Securities. Holders are, therefore, exposed to the risk of non-payment by the Issuer of the value of the Option.

Issued Financial Instruments on the Issuer's securities

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

Equity Securities

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

Third Party Information

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

**SUMMARY CONSOLIDATED FINANCIAL INFORMATION RELATING TO THE ISSUER
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 31 DECEMBER 2009**

Selected financial information of RBS for the years ended 31 December 2010 and 2009

	<i>Year ended 31 December 2010</i>	<i>Year ended 31 December 2009</i>
	<i>£m</i>	<i>£m</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating loss before tax	(171)	(3)
Tax (charge)/credit	(713)	523
(Loss)/profit for the year	(884)	520

	<i>Year ended 31 December 2010</i>	<i>Year ended 31 December 2009</i>
	<i>£m</i>	<i>£m</i>
	<i>(audited)</i>	<i>(audited)</i>
Called up share capital	6,609	6,609
Reserves	50,401	48,442
Owners' equity	57,010	55,051
Minority interests	597	1,146
Subordinated liabilities	32,023	34,717
Capital resources	89,630	90,914

	<i>Year ended 31 December 2010</i>	<i>Year ended 31 December 2009</i>
	<i>£m</i>	<i>£m</i>
	<i>(audited)</i>	<i>(audited)</i>
Deposits	557,545	569,440
Loans and advances to customers and banks.....	605,826	604,610
Total assets.....	1,307,330	1,332,981

RBS Share Capital

The amount of RBS' issued share capital as at 31 December 2010 was £6,609 million, as derived from its audited consolidated financial statements for the financial year ended 31 December 2010.

	Allotted, called up and fully paid
	31 December 2010
	£m
	(audited)
Ordinary shares of £1	6,609
Non-cumulative preference shares of US\$0.01 .	—
Non-cumulative preference shares of €0.01	—
Perpetual zero coupon preference shares of £1 .	—
Non-cumulative preference shares of £1	—

	Allotted, called up and fully paid
	31 December 2010
	Number of shares
	(audited)
Number of shares – thousands	
Ordinary shares of £1	6,609,000
Non-cumulative preference shares of US\$0.01 .	59,000
Non-cumulative preference shares of €0.01	1,000
Perpetual zero coupon preference shares of £1 .	—
Non-cumulative preference shares of £1	—

Under IFRS, certain preference shares included in the tables above are classified as debt and are included in subordinated liabilities in the balance sheet.

The information contained in the tables above has not changed materially since 31 December 2010.

Director Resignations and Appointments

John McFarlane will step down as a Non-Executive Director by 31 March 2012. Tony Di Iorio's appointment as a Non-Executive Director took effect from 1 September 2011.

No Conflicts of Interest

There are no potential conflicts of interest between the duties to the Issuer of the directors of RBS and their other activities or any of their private interests.