



The Royal Bank of Scotland Group

PROSPECTUS

# The Royal Bank of Scotland Group plc

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

# The Royal Bank of Scotland plc

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

## £90,000,000,000

## Euro Medium Term Note Programme

On 22nd February 1994, The Royal Bank of Scotland plc entered into a £1,500,000,000 (since increased from time to time to £90,000,000,000) Euro Medium Term Note Programme (the "Programme") and issued a prospectus on that date describing the Programme. Further prospectuses describing the Programme were issued by The Royal Bank of Scotland Group plc (an "Issuer" or "RBSG") and The Royal Bank of Scotland plc (an "Issuer" or "Royal Bank" or "RBS" and together with RBSG the "Issuers" and each an "Issuer"), the latest prospectus being issued on 16th June 2009. Australian Domestic Notes may be issued by Royal Bank acting either through an office outside Australia or through its Australian Branch ("RBS Australia Branch"). Accordingly, a reference in this Prospectus to the issue of Australian Domestic Notes by Royal Bank is, as the context requires, a reference to whichever of Royal Bank or RBS Australia Branch is the Issuer of the Australian Domestic Notes as specified in the applicable Final Terms. This Prospectus supersedes any previous prospectus. Any Notes (as defined below) issued under the Programme on or after the date of this Prospectus are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Prospectus.

Under the Programme, each of RBSG and RBS may, subject to compliance with all relevant laws, regulations and directives, from time to time, issue notes (the "Notes") denominated in any currency agreed by the relevant Issuer and the relevant Dealer(s) (as defined below). The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed £90,000,000,000 (or its equivalent in other currencies, subject to increase as provided herein). Notes to be issued under the Programme may comprise (i) unsubordinated Notes (the "Ordinary Notes"), (ii) Notes which are subordinated as described herein with a maturity date and with terms capable of qualifying as Tier 2 Capital (as defined below) (the "Dated Tier 2 Notes") or Upper Tier 3 Capital (as defined below) (the "Tier 3 Notes" and, together with the Dated Tier 2 Notes, the "Dated Subordinated Notes"), (iii) Notes which are subordinated as described herein with no maturity date and with terms capable of qualifying as Tier 2 Capital (the "Undated Tier 2 Notes" and, together with the Dated Tier 2 Notes, the "Tier 2 Notes") and (iv) in the case of RBSG only, Notes which are subordinated as described herein with no maturity date, ranking junior to the Tier 2 Notes and the Tier 3 Notes and with terms capable of qualifying as Tier 1 Capital (as defined below) (the "Tier 1 Notes" and, together with the Tier 2 Notes and the Tier 3 Notes, the "Subordinated Notes"). The terms "Tier 1 Capital", "Tier 2 Capital" and "Upper Tier 3 Capital" have the respective meanings given to them from time to time by the Financial Services Authority. RBS Australia Branch may not issue Subordinated Notes.

The Notes may be issued on a continuing basis to one or more of the Dealers specified below and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Dealer" and together the "Dealers").

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "FSMA") (the "UK Listing Authority") for Notes issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the Official List of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "Market"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on Markets in Financial Instruments (the "Markets in Financial Instruments Directive"). The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer(s). In particular, Notes denominated in Australian dollars and issued in the Australian domestic capital markets ("Australian Domestic Notes"), which may only be issued by Royal Bank or by RBS Australia Branch, may be listed on the Australian Stock Exchange. The Issuers may also issue unlisted Notes.

At the date of this Prospectus, the Issuers have requested that the UK Listing Authority send to the *Commission de Surveillance du Secteur Financier* in its capacity as competent authority in Luxembourg a copy of this Prospectus and a certificate of approval pursuant to Article 18 of Directive 2003/71/EC (the "Prospectus Directive") attesting that this Prospectus (i) has been drawn up in accordance with the prospectus rules of the UK Listing Authority (the "Prospectus Rules") and the Prospectus Directive and (ii) has been approved by the UK Listing Authority in accordance with the Prospectus Rules and the provisions of the Prospectus Directive.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in a final terms document (the "Final Terms") which, with respect to Notes to be listed on the Official List and traded on the Market, will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche. The applicable Final Terms in respect of any issue of Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange).

Prospective investors should consider carefully the risks set forth herein under "Risk Factors" prior to making investment decisions with respect to the Notes.

Each of the Issuers may agree with any Dealer that Notes may be issued in a form not contemplated by the terms and conditions of the Notes herein, in which event (in the case of issues of listed Notes or issues of Notes which will involve a Non-exempt Offer (as defined in "Subscription and Sale") only), if appropriate, a supplementary prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

Any person (an "Investor") intending to acquire or acquiring any securities from any person (an "Offeror") should be aware that, in the context of an offer to the public as defined in section 102B of the FSMA, the relevant Issuer may be responsible to the Investor for this Prospectus under section 90 of FSMA only if the relevant Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the relevant Issuer. If the Offeror is not authorised by the relevant Issuer, the Investor should check with the Offeror whether anyone is responsible for this Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Prospectus and/or who is responsible for its contents it should take legal advice.

Arranger

The Royal Bank of Scotland

Dealers

BofA Merrill Lynch

Citi

Deutsche Bank

J.P. Morgan Cazenove

Morgan Stanley

Société Générale Corporate & Investment Banking

UBS Investment Bank

BNP PARIBAS

Credit Suisse

Goldman Sachs International

Mizuho International plc

Nomura International

The Royal Bank of Scotland

10th June 2010

This Prospectus (excluding the RBS Information (as defined below)) comprises a base prospectus for the purposes of the Prospective Directive in respect of Notes to be issued by RBSG. This Prospectus (excluding the RBSG Information (as defined below)) also comprises a separate base prospectus for the purposes of the Prospectus Directive in respect of Notes (other than Guaranteed Notes (as defined below)) to be issued by RBS. This Prospectus has also been prepared for the purpose of giving information with regard to the Issuers and their subsidiaries, which, according to the particular nature of each Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the relevant Issuer.

For the purposes of the previous paragraph:

**“RBS Information”** means: (i) the RBS Registration Document (as defined in “Documents Incorporated by Reference” below); (ii) the section headed “Forms of Final Terms – Part II – (A) Applicable Final Terms for Issues by RBS of Notes other than Guaranteed Notes”; (iii) the section headed “Forms of Final Terms – Part II – (B) Applicable Final Terms for Issues by RBS of Guaranteed Notes”; and (iv) the information incorporated by reference into this Prospectus pursuant to paragraph (e) and (f) in the section headed “Documents Incorporated by Reference”; and

**“RBSG Information”** means: (i) the RBSG Registration Document (as defined in “Documents Incorporated by Reference” below); (ii) the section headed “Terms and Conditions of the Tier 1 Notes”; (iii) the section headed “Forms of Final Terms – Part I – Applicable Final Terms for Issues by RBSG”; and (iv) the information incorporated by reference into this Prospectus pursuant to paragraph (b) in the section headed “Documents Incorporated by Reference”.

Where the applicable Final Terms of an issue of Ordinary Notes by RBS or RBS Australia Branch indicates that an Eligibility Certificate (as defined in the Guarantee) in respect of such Notes has been issued then, in respect of such Notes, The Commissioners of Her Majesty’s Treasury (“**HM Treasury**”) will unconditionally and irrevocably guarantee the due payment of all sums due and payable by the relevant Issuer under such Notes (the “**Guaranteed Notes**”). Any such Guaranteed Notes will be exempt from the Prospectus Directive in accordance with Article 1.2(d) thereof and no prospectus approved by the FSA will be prepared in connection therewith. HM Treasury’s obligations in that respect are contained in a deed of guarantee dated 13th October 2008 (as amended by supplemental deeds dated 20th October 2008 and 6th February 2009, and as further amended from time to time, the “**Guarantee**”), the form of which is available at [www.dmo.gov.uk](http://www.dmo.gov.uk). Any demand under the Guarantee must be made in writing and in the form attached to the rules of the 2008 Credit Guarantee Scheme entitled “The Commissioners of Her Majesty’s Treasury Rules of the 2008 Credit Guarantee Scheme” issued by the Debt Management Office. The purpose of this document in relation to Guaranteed Notes is to give information with respect to the issue of Guaranteed Notes. See also “Description of the 2008 Credit Guarantee Scheme” below.

HM Treasury has neither reviewed this Prospectus nor verified the information contained in it and HM Treasury makes no representation with respect to, and does not accept any responsibility for, the contents of this Prospectus or any other statement made or purported to be made on its behalf in connection with the Issuers or the issue and offering of the Notes. HM Treasury accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Prospectus or any such statement.

Each of the Issuers (whose respective registered office addresses appear on page 170 of this Prospectus) accepts responsibility for the information contained in its respective base prospectus. To the best of the knowledge of each Issuer (each having taken all reasonable care to ensure that such is the case), the information contained in its respective base prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE NOTES TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS.**

**NEITHER ISSUER WILL BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE DEALERS) IN CONNECTION WITH THE OFFER OR SALE OF THE NOTES AND, ACCORDINGLY, THIS PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. NEITHER ISSUER HAS ANY RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

Notes, other than Australian Domestic Notes, may only be issued in bearer form and Australian Domestic Notes issued by Royal Bank may only be issued in registered form (respectively, “**Bearer Notes**” and “**Registered Notes**”). Each Tranche of Bearer Notes will be initially represented by a global Note which will, (i) if the global Notes are intended to be issued in new global note (“**NGN**”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”); and (ii) if the global Notes are not intended to be issued in NGN form (“**CGN**”), be delivered on or prior to the original issue date of the Tranche to a common depository (the “**Common Depository**”) for Euroclear and Clearstream, Luxembourg. A temporary global Note will be exchangeable for either a permanent global Note or Notes in definitive form, in each case as specified in the applicable Final Terms, and in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable for definitive Notes, in whole or, in the circumstances described in “**Form of the Notes**” below, in part, upon either (a) 60 days’ notice given at any time or (b) only upon the occurrence of an Exchange Event (as defined in “**Form of the Notes**” below). Registered Notes will take the form of entries in a register.

Royal Bank is authorised as a foreign authorised deposit-taking institution to carry on banking business in Australia under the Banking Act 1959 of Australia. Australian Domestic Notes will be issued by, and will constitute obligations of, Royal Bank or RBS Australia Branch as specified in the applicable Final Terms. Different tax consequences may arise depending upon whether the Australian Domestic Notes are issued by Royal Bank or RBS Australia Branch. For further information, refer to “**Australian Taxation**” below.

If Royal Bank (whether in or outside Australia) suspends payment or becomes unable to meet its obligations, pursuant to the Banking Act 1959 of the Commonwealth of Australia the assets of Royal Bank in Australia are to be available to meet Royal Bank’s liabilities in Australia in priority to all other liabilities of Royal Bank. Further, under section 86 of the Reserve Bank Act 1959 of the Commonwealth of Australia, debts due by Royal Bank to the Reserve Bank of Australia shall, in a winding-up of Royal Bank, have priority over all other debts of Royal Bank other than debts due to the Commonwealth of Australia.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and Bearer Notes are (unless the applicable Final Terms indicate that the Limited Exchange Event as defined in “**Form of the Notes – Bearer Notes**” applies) subject to U.S. tax law requirements under the U.S. Tax Equity and Fiscal Responsibility Act of 1982. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see “**Subscription and Sale**” below).

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “**Documents Incorporated by Reference**” below). This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.

None of the Dealers, the Australian Registrar (as defined below) and the Trustee have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any of the Dealers, the Australian Registrar or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any financial statements or any other information provided by the Issuers in connection with the Programme or the Notes.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer, the Managers or, in the case of an issue of Notes which will involve a Non-exempt Offer (as defined in “Subscription and Sale”), the financial intermediaries (if any) who are named in the applicable Final Terms, as the case may be.

No person has been authorised to give any information or to make any representation not contained in or which is inconsistent with this Prospectus or any financial statements or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, any of the Dealers, the Australian Registrar or the Trustee.

Neither this Prospectus nor any financial statements or any other information supplied in connection with the Programme or the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or a statement of opinion (or a report of either of those things) by the Issuers, any of the Dealers, the Australian Registrar or the Trustee that any recipient of this Prospectus or any financial statements or any other information supplied in connection with the Programme or the Notes should purchase any Notes. Prospective investors should have regard to the factors described under the section headed “Risk Factors” in this Prospectus. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer. Neither this Prospectus nor any financial statements or any other information supplied in connection with the Programme or the Notes constitutes an offer or invitation by or on behalf of the Issuers, any of the Dealers, the Australian Registrar or the Trustee to any person to subscribe for or to purchase any Notes.

The delivery of this Prospectus does not at any time imply that the information contained in this Prospectus concerning either Issuer is correct at any time subsequent to the date of this Prospectus or that any other information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers, the Australian Registrar and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers or any of their subsidiaries during the life of the Programme.

The Issuers, the Dealers, the Australian Registrar and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Notes 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, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuers, the Dealers, the Australian Registrar or the Trustee (save for the submission of this Prospectus to the UK Listing Authority) which is intended to permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented accordingly.

This Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer 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 and (in

either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuers nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for an Issuer or any Dealer to publish or supplement a prospectus for such offer.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and/or the offer or sale of Notes in the United States of America, the United Kingdom, Australia, Japan, The Netherlands, France and the European Economic Area (the “EEA”) (see “Subscription and Sale” below).

All references in this Prospectus to “euro”, “€” and “EUR” refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union as amended, those to “Japanese Yen”, refer to the currency of Japan, those to “Sterling”, “£” and “pounds” refer to the currency of the United Kingdom, those to “Australian dollars” and “A\$” refer to the currency of Australia, those to “Canadian dollars” and “C\$” refer to the currency of Canada and those to “United States dollars” and “U.S.\$” refer to the currency of the United States of America.

**In connection with the issue of any Tranche of Notes, 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, outside Australia and on a market operated outside Australia, over-allot Notes or effect transactions with a view to supporting the market price of the Notes 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 Tranche of Notes 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 Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

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## SUMMARY OF THE PROGRAMME

*This summary must be read as an introduction to this Prospectus. Any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference, by any investor. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the EEA (an “EEA State”), the Issuers may have civil liability in respect of this summary if it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in an EEA State, the plaintiff may, under the national legislation of the EEA State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.*

*Words and expressions defined in the Registration Documents (as republished from time to time and incorporated by reference into this Prospectus by virtue of a supplement to this Prospectus) or under the headings “Form of the Notes”, “Terms and Conditions of the Ordinary, Tier 2 and Tier 3 Notes” or “Terms and Conditions of the Tier 1 Notes” below shall have the same meanings in this summary, and references to a numbered “Condition” shall be to the relevant Condition under the relevant Terms and Conditions set out below.*

Issuers:

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

The Royal Bank of Scotland plc (“**RBS**”) acting either through an office outside Australia or through its Australian branch (“**RBS Australia Branch**”). RBS Australia Branch may not issue Subordinated Notes.

RBSG is a public limited company incorporated in Scotland. RBSG is the holding company of a large global banking and financial services group. RBSG and subsidiaries (together, the “**Group**”), operate in the UK, the USA and internationally through its two principal subsidiaries, RBS and NatWest.

Her Majesty’s Treasury (“**HM Treasury**”) currently holds 68.4 per cent. of the issued ordinary share capital of RBSG. On 22nd December 2009, RBSG issued £25.5 billion of B Shares to HM Treasury. The issue of the £25.5 billion of B Shares to HM Treasury on 22nd December 2009 increased HM Treasury’s economic interest in RBSG to 84.4 per cent. but this was reduced to 83.2 per cent. following completion of a conversion of a series of preference shares into ordinary shares on 31st March 2010.

The Group had total assets of £1,696.5 billion and owners’ equity of £77.7 billion at 31st December 2009. The Group’s capital ratios at that date, which included the equity minority interest of the State of the Netherlands and Banco Santander in RBS Holdings N.V., were a total capital ratio of 16.1 per cent., a Core Tier 1 capital ratio of 11.0 per cent. and Tier 1 capital ratio of 14.1 per cent.

Risk Factors:

Certain factors may affect the Issuers' ability to fulfil their obligations under the Notes issued under the Programme. These include:

- (i) risk factors relating to the Issuers including:
- RBSG and its United Kingdom bank subsidiaries may face the risk of full nationalisation or other resolution procedures under the Banking Act 2009;
  - The special resolution regime (the “SRR”) may be triggered prior to the insolvency of RBS or RBSG;
  - Various actions may be taken in relation to any securities issued by RBSG or RBS without the consent of the holders thereof;
  - Contractual arrangements between RBSG, RBS, other Group companies and/or the bridge bank or private sector purchaser may be created, modified or cancelled;
  - A partial transfer of RBSG's or RBS's business may result in a deterioration of its creditworthiness;
  - The Group's businesses, earnings and financial condition have been and will continue to be affected by the global economy and instability in the global financial markets;
  - The Group was required to obtain State Aid approval, for the aid given to the Group by HM Treasury and for the Group's State Aid restructuring plan, from the European Commission. The Group is subject to a variety of risks as a result of implementing the State Aid restructuring plan. The State Aid restructuring plan includes a prohibition on the making of discretionary dividend or coupon payments on existing hybrid capital instruments (including preference shares and B Shares) for a two-year period commencing no later than 30th April 2010, which may impair the Group's ability to raise new Tier 1 capital through the issuance of Ordinary Shares and other securities;
  - The Group's ability to implement its strategic plan depends on the success of the Group's refocus on its core strengths and the balance sheet reduction programme arising out of its previously announced non-core restructuring plan and the State Aid restructuring plan;
  - The extensive organisational restructuring may adversely affect the Group's business, results of operations and financial condition;
  - Lack of liquidity is a risk to the Group's business and its ability to access sources of liquidity has been, and will continue to be, constrained;



- Governmental support schemes may be subject to cancellation, change or withdrawal or may fail to be renewed, which may have a negative impact on the availability of funding in the markets in which the Group operates;
- The financial performance of the Group has been and will be affected by borrower credit quality;
- The actual or perceived failure or worsening credit of the Group's counterparties has adversely affected and could continue to adversely affect the Group;
- The Group's earnings and financial condition have been, and its future earnings and financial condition may continue to be, affected by depressed asset valuations resulting from poor market conditions;
- The value or effectiveness of any credit protection that the Group has purchased from monoline and other insurers and other market counterparties (including credit derivative product companies) depends on the value of the underlying assets and the financial condition of the insurers and such counterparties;
- Changes in interest rates, foreign exchange rates, credit spreads, bond, equity and commodity prices and other market factors have significantly affected and will continue to affect the Group's business;
- The Group's borrowing costs and its access to the debt capital markets depend significantly on its and the United Kingdom Government's credit ratings;
- The Group's business performance could be adversely affected if its capital is not managed effectively or if there are changes to capital adequacy and liquidity requirements;
- The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate;
- The Group operates in markets that are highly competitive and consolidating. If the Group is unable to perform effectively, its business and results of operations will be adversely affected;
- As a condition to HM Treasury support, RBSG has agreed to certain undertakings which may serve to limit the Group's operations;
- 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. Any significant regulatory developments could have an effect on how the Group conducts its business and on its results of operations and financial condition;
- The Group's results have been and could be further 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;
- The Group is and may be subject to litigation and regulatory investigations that may impact its business;
- Operational risks are inherent in the Group's operations;
- The Group is exposed to the risk of changes in tax legislation and its interpretation and to increases in the rate of corporate and other taxes in the jurisdictions in which it operates;
- HM Treasury (or UK Financial Investments Limited on its behalf) may be able to exercise a significant degree of influence over the Group;
- The offer or sale by the United Kingdom Government of all or a portion of its stake in RBSG could affect the market price of the securities issued by RBSG and related securities;
- RBSG's insurance businesses are subject to inherent risks involving claims;
- The Group's operations have inherent reputational risk;
- In the United Kingdom and in other jurisdictions, the Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers;
- The Group's business and earnings may be affected by geopolitical conditions;
- The restructuring plan for RBS Holdings N.V. is complex and may not realise the anticipated benefits for the Group;
- 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; and
- RBS has entered into a credit derivative and a financial guarantee contract with The Royal Bank of Scotland

N.V. which may have an adverse effect on the results of RBS and its subsidiaries.

In addition to the risk factors summarised above, the Group is also subject to additional risks related to the Group's participation in the Asset Protection Scheme, the B Shares, the Contingent B Shares and the Dividend Access Share.

(ii) risk factors relating to the Notes including:

- warnings to potential investors that an issue of Notes may not be suitable for all investors;
- risks relating to the structure of a particular issue of Notes;
- risks relating to Notes generally; and
- risks relating to the market generally.

Size: Up to £90,000,000,000 (or its equivalent) outstanding at any time. The Issuers may increase the amount of the Programme.

Maturities: Any maturity (including undated Notes with no fixed redemption date) as may be agreed between the relevant Issuer and the relevant Dealer(s) and as indicated in the applicable Final Terms.

Issue Price: Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes: Each Tranche of Bearer Notes will initially be issued in the form of a temporary global Note, or, if so specified in the applicable Final Terms, a permanent global Note (which may or may not be in new global note form). A temporary global Note will be exchangeable, either for a permanent global Note or definitive Notes, in each case (i) as specified in the applicable Final Terms and (ii) not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations.

A permanent global Note may be exchanged in whole or, in the circumstances described in "Form of the Notes" below, in part for definitive Notes either (a) on 60 days' notice given at any time or (b) only upon the occurrence of an Exchange Event (as defined in "Form of the Notes" below). Any interest in a global Note will be transferable only in accordance with the rules and procedures of the relevant clearing system(s).

Australian Domestic Notes will take the form of entries in a register maintained by the Australian Registrar.

Terms of Notes: The following types of Note may be issued: (i) Notes bearing interest at a fixed rate or a floating rate; (ii) Notes not bearing interest; and (iii) Notes bearing interest, and/or the redemption amount of which is, calculated by reference to a specified factor such as movements in an index or a currency

exchange rate, changes in share or commodity prices or changes in the credit of an underlying entity. Notes which have any combination of the foregoing features may also be issued.

Interest periods, rates of interest and the amounts payable on redemption may differ depending on the Notes being issued. Such terms will be specified in the applicable Final Terms.

Redemption:

The relevant Final Terms will specify the redemption amount or the basis for calculating the redemption amount.

The Final Terms relating to each Tranche of Notes will indicate either that (i) the Notes of that Tranche cannot be redeemed prior to their stated maturity (other than in the case of Instalment Notes or for taxation reasons or, in the case of Subordinated Notes as further described below, or following an event of default) or (ii) such Notes will be redeemable prior to such stated maturity at the option of the relevant Issuer and/or the holders of such Notes upon giving such notice period as is indicated in the applicable Final Terms to the holders of such Notes or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Final Terms.

The applicable Final Terms may provide that Notes may be redeemed in two or more instalments of such amounts, on such dates and on such other terms as are indicated in such Final Terms.

There is no fixed redemption date for Undated Tier 2 Notes or Tier 1 Notes and the relevant Issuer may only redeem them in accordance with the terms indicated in the applicable Final Terms.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms.

Although there is no minimum denomination for Australian Domestic Notes, the minimum subscription price for Australian Domestic Notes will be A\$500,000 (disregarding moneys lent by RBS or its associates) unless the offer otherwise does not require disclosure to investors in accordance with Part 6D.2 of the Corporations Act 2001 of Australia.

The minimum denomination of Notes issued by RBSG which have a maturity of less than one year from their issue date shall be £100,000 (or its equivalent).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within the UK and, in the case of Australian Domestic Notes issued by RBS Australia Branch, within the Commonwealth of Australia, subject as provided in Condition 6 in the case of

Notes other than Tier 1 Notes and subject as provided in Condition 7 in the case of Tier 1 Notes.

Status of Ordinary Notes:

Ordinary Notes (as described in Condition 2(a)) will constitute direct, unconditional, unsecured and unsubordinated obligations of the relevant Issuer and (save to the extent that laws affecting creditors' rights generally in a bankruptcy, winding up or administration may give preference to any of such other obligations) equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer.

Status of Dated Subordinated Notes:

Dated Subordinated Notes (as described in Condition 2(b)) will constitute unsecured and subordinated obligations of the relevant Issuer and the holders of Dated Subordinated Notes will, in the event of the Winding Up or Qualifying Administration of the relevant Issuer, be subordinated and postponed in right of payment in the manner provided in the Trust Deed and as specified in Condition 2(b) but shall rank at least *pari passu* with the claims of holders of all other subordinated obligations of the relevant Issuer and shall rank in priority to the claims of holders of all perpetual obligations of the relevant Issuer.

In certain circumstances payment of principal and interest due in respect of Dated Subordinated Notes qualifying as Upper Tier 3 Capital in accordance with Financial Services Authority requirements may be deferred.

Status of Undated Tier 2 Notes:

Undated Tier 2 Notes (as described in Condition 2(c)) will constitute unsecured and subordinated obligations of the relevant Issuer and the holders of Undated Tier 2 Notes will be subordinated and postponed in right of payment in the manner provided in the Trust Deed and as specified in Condition 2(c) in that any payments in respect of Undated Tier 2 Notes will be conditional upon the relevant Issuer being solvent at the time of payment as provided in Condition 2(c)(ii) and the relevant Issuer shall have no liability to pay any such amount to the extent that it is insolvent or would become insolvent as a result of making such payment.

Payments of interest in respect of Undated Tier 2 Notes may be deferred at the option of the relevant Issuer as provided in Condition 3(f).

Status of Tier 1 Notes:

Tier 1 Notes will constitute unsecured and subordinated obligations of RBSG and the holders of Tier 1 Notes will, in the event of the Winding Up or Qualifying Administration of RBSG, be subordinated and postponed in right of payment in the manner provided in the Trust Deed and as specified in Condition 2(b) in that any payments in respect of Tier 1 Notes will be conditional upon RBSG being solvent at the time of payment or the issue of the relevant Ordinary Shares, as the case may be, as provided in Condition 2(b) and RBSG shall have no liability to pay any such amount to the

extent that RBSG is insolvent or would become insolvent as a result of making such payment.

Payments of interest in respect of Tier 1 Notes may be deferred at the option of RBSG as provided in Condition 3(d).

Rating:

Each Tranche of Notes may be rated or unrated.

Listing and admission to trading:

Application has been made to admit Notes to be issued under the Programme to the Official List and to trading on the Market. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the relevant Issuer and the relevant Dealer(s) in relation to each issue. In particular, Australian Domestic Notes issued by RBS may be listed on the Australian Stock Exchange. Unlisted Notes may also be issued.

Governing Law:

The Notes, and any non-contractual obligations arising out of or in connection with the Notes, (other than the Australian Domestic Notes) will be governed by, and construed in accordance with, English law, save that the subordination provisions of Subordinated Notes will be governed by Scots law. Australian Domestic Notes will be governed by the laws of New South Wales, Australia, save that the subordination provisions of Subordinated Notes will be governed by Scots law.

Selling Restrictions:

There are restrictions in relation to the offering and sale of Notes and the distribution of offering materials in certain jurisdictions. See "Subscription and Sale" below.

*None of the Trust Deed, the Ordinary Notes, the Dated Subordinated Notes, the Undated Tier 2 Notes, the Tier 1 Notes and, in the case of Australian Domestic Notes, the Deed Poll contain any negative pledge covenant by the Issuers and there is no cross default provision.*

## RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus (including any documents incorporated by reference herein) prior to making any investment decision with respect to the Notes. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of each Issuer, which, in turn, could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Notes or the rights of investors under the Notes and, as a result, investors could lose some or all of their investment.*

*The Issuers believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuers may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuers do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents deemed to be incorporated by reference herein) and reach their own views prior to making any investment decision.*

### **Risk Factors relating to the Issuers**

Prospective investors should consider the sections entitled “Risk Factors” at pages 3 – 35 in the RBSG Registration Document and at pages 3 – 35 in the RBS Registration Document as referred to in “Documents Incorporated by Reference” on page 31 of this Prospectus.

### **Risk Factors relating to the Notes**

*Factors which the Issuers believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*References below to the “Terms and Conditions”, in relation to Ordinary Notes and Tier 2 Notes, shall mean the “Terms and Conditions of the Ordinary, Tier 2 and Tier 3 Notes” set out below and, in relation to Tier 1 Notes, shall mean the “Terms and Conditions of the Tier 1 Notes” set out below and references to a numbered “Condition” shall be to the relevant Condition under the relevant Terms and Conditions set out below. Words and expressions defined in the relevant Terms and Conditions shall bear the same meaning when used below.*

### **Notes may not be a suitable investment for all investors**

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;
- (iv) understand thoroughly the terms of the relevant Notes and be familiar with any relevant indices and financial markets; and
- (v) 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.

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

### *Risks related to the structure of a particular issue of Notes*

A wide range of Notes may be issued under the Programme. A number of these Notes may be structured in such a way that they have features which contain particular risks for potential investors. Set out below is a description of certain such features:

#### *Notes subject to optional redemption by the Issuer*

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

See "Subordinated Notes, Optional Redemption" and "Ordinary Notes, Optional Redemption" below. Any additional optional redemption right of the relevant Issuer in relation to any Notes will be set out in the applicable Final Terms.

#### *Index Linked Notes and Dual Currency Notes*

The Issuers may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates, interest rates or inflation rates or other factors (each, a "**Relevant Factor**"). In addition, the Issuers may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that, with respect to Notes with principal or interest determined by reference to a Relevant Factor and Dual Currency Notes:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) the payment of principal or interest may occur at a different time or in a different currency than expected or not at all;
- (iv) the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable will likely be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.



The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such index or other Relevant Factor during the term of any Notes with principal or interest determined by reference to such Relevant Factor. Accordingly, prospective investors should consult their own financial and legal advisers about the risk entailed by an investment in any such Notes and the suitability of such Notes in light of their particular circumstances.

#### *Partly Paid Notes*

The Issuers may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

#### *Variable Rate Notes with a multiplier or other leverage factor*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

#### *Inverse Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

#### *Fixed/Floating Rate Notes*

Fixed/Floating Rate Notes may bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market in and the market value of such Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

#### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

#### *Perpetual Notes*

The relevant Issuer is under no obligation to redeem the Undated Tier 2 Notes or Tier 1 Notes at any time and the Holders of such Notes have no right to call for their redemption.

#### *The Issuers' obligations under Subordinated Notes are subordinated*

The obligations of the relevant Issuer under Dated Subordinated Notes, Undated Tier 2 Notes and Tier 1 Notes will be unsecured and subordinated and will rank junior in priority of payment to the claims of

Senior Creditors (as defined in Condition 2(b)(ii) in relation to Dated Subordinated Notes, Condition 2(c)(ii)(z) in relation to Undated Tier 2 Notes, and Condition 2(b)(iii) in relation to Tier 1 Notes).

Although Dated Subordinated Notes, Undated Tier 2 Notes and Tier 1 Notes may pay a higher rate of interest than comparable Notes which are not so subordinated, there is a real risk that an investor in such Subordinated Notes will lose all or some of his investment should the relevant Issuer become insolvent.

### ***Deferral of Payments***

#### *Dated Subordinated Notes*

If Condition 2(b)(iv) is specified in the applicable Final Terms as applying to any Series of Dated Subordinated Notes, the relevant Issuer shall be entitled to defer the due date for payment of any principal and interest due in respect of such Dated Subordinated Notes (as more particularly described in Condition 2(b)(iv)). The relevant Issuer (A) shall give a Deferral Notice in circumstances where its Capital Resources would be less than its Capital Resources Requirement after payment of any such principal or interest in whole or in part and (B) may give a Deferral Notice where the FSA has required or requested the relevant Issuer to defer such payment.

Although the Issuers may only opt to defer, and not to cancel, such payments, investors should be aware that they may not receive amounts in respect of interest or principal in respect of the Dated Subordinated Notes on the scheduled payment date and, if so deferred, it is uncertain when or whether the payment of such amounts will be satisfied.

#### *Undated Tier 2 Notes*

Payments in respect of the principal of, and interest on, Undated Tier 2 Notes will be conditional upon the relevant Issuer being solvent at the time of payment as provided and as more particularly described in Condition 2(c)(ii) and the relevant Issuer shall have no liability to pay any such amount to the extent that it is insolvent or would become insolvent as a result of making such payment.

The relevant Issuer may elect to defer any interest payment subject as provided and as more particularly described in Condition 3(f). Where a payment of interest is so deferred, no interest shall accrue on such Arrears of Interest but it may be paid at any time at the option of the relevant Issuer and shall, subject to the solvency condition described above, become due in full on the earlier of (i) the date fixed for any repayment pursuant to Condition 5(b) (*Redemption for Tax Reasons*), (c) (*Redemption due to Capital Disqualification Event*) or (d) (*Call Option – Redemption at the Option of the Issuer*) or (ii) the commencement of a Winding Up or a Qualifying Administration of the relevant Issuer.

Although the Issuers may only opt to defer, and not to cancel, payment of such Arrears of Interest, investors should be aware that they may not receive amounts in respect of interest in respect of the Undated Tier 2 Notes on the scheduled payment date and, if so deferred, it is uncertain when or whether the payment of such amounts will be satisfied.

#### *Tier 1 Notes*

Payments in respect of the principal of, and interest on, Tier 1 Notes will be conditional upon RBSG being solvent at the time of payment or the issue of the relevant Ordinary Shares, as the case may be, as provided in, and as more particularly described in, Condition 2(b) and, subject as set out in Condition 2(b)(ii), RBSG shall have no liability to pay any such amount to the extent that RBSG is insolvent or would become insolvent as a result of making such payment.

RBSG may elect to defer any interest payment subject as provided and as more particularly described in Condition 3(d). Where a payment of interest is so deferred, no interest will accrue on any such Deferred Interest Payment except in the circumstances provided in Condition 4(e).

As more particularly described in Condition 3(d), any Deferred Interest Payment may be satisfied at any time at RBSG's election, provided that RBSG (subject to Condition 5(e)) must satisfy such Deferred Interest Payment on the earlier of the following to occur:

- (i) redemption of the relevant Tier 1 Notes at the option of RBSG;
- (ii) redemption, substitution or variation of the terms of the relevant Tier 1 Notes in accordance with Condition 6(b) (*Redemption for Tax Reasons*), 6(c) (*Redemption due to Capital Disqualification Event*) or 6(f) (*Substitution or Variation Instead of Redemption*); and
- (iii) substitution of the relevant Tier 1 Notes pursuant to Condition 6(j) (*Substitution for Substituted Preference Shares*).

Although RBSG may only opt to defer, and not to cancel, payment of such Deferred Interest Payments, investors should be aware that they may not receive amounts in respect of interest in respect of the Tier 1 Notes on the scheduled payment date and, if so deferred, it is uncertain when or whether the payment of such amounts will be satisfied.

#### ***Alternative Coupon Satisfaction Mechanism and Tier 1 Notes***

Investors will receive payments made in respect of Tier 1 Notes in cash. However, as more particularly described in Condition 4, (i) in respect of any Deferred Interest Payment, RBSG must, and (ii) in respect of any Interest Payment, RBSG may, satisfy its obligation to make any payment (which term does not include any payment of principal) to holders by issuing its Ordinary Shares to the Trustee or its agent or through the transfer of existing Ordinary Shares. In such event, such Ordinary Shares shall be sold for a cash amount which the Agent will pay to the holders in respect of the relevant ACSM Payment.

Any relevant Deferred Interest Payment will only be satisfied by operation of the ACSM if the Ordinary Shares Threshold would not be exceeded as a result of the issue and/or transfer of the relevant Ordinary Shares and, in each case, only if the proceeds raised from the issue and/or transfer of the relevant Ordinary Shares is received no more than six months before the relevant ACSM Payment Date.

RBSG will undertake to use all reasonable endeavours to obtain and maintain certain corporate authorisations required for the operation of the ACSM, as more particularly described in Condition 18. However, if, at the time when any Deferred Interest Payment falls to be satisfied by means of the ACSM, RBSG does not have available and/or the board of directors of RBSG do not have the necessary authority to allot in favour of the Trustee or its agent (free from any pre-emption rights), a sufficient number of Ordinary Shares to satisfy the relevant ACSM Payments, then RBSG will not be able to operate the ACSM.

No Tier 1 Notes of any Series may be redeemed, substituted or varied unless all Deferred Interest Payments, if any, in relation to such Series are satisfied through the operation of the ACSM on or prior to the date set for the relevant redemption, substitution or variation. Accordingly, if, in relation to any Series of Tier 1 Notes, RBSG does not have a sufficient number of Ordinary Shares available in connection with the payment of any Deferred Interest Payments in relation to such Series by operation of the ACSM at the relevant time, RBSG may not redeem, substitute or vary such Tier 1 Notes until such time as a sufficient number of Ordinary Shares are so available.

RBSG cannot be certain that the public market for its Ordinary Shares at any given time will enable it to raise sufficient proceeds to pay any Deferred Interest Payment.

#### ***Substitution or Variation in relation to Tier 1 Notes***

In relation to Tier 1 Notes, if RBSG becomes entitled to redeem the Tier 1 Notes of any Series for taxation reasons as described in Condition 6(b) or due to the occurrence of a Capital Disqualification Event as described in Condition 6(c) then, subject to and as more particularly described in Condition

6(f), RBSG may instead of giving notice to redeem, substitute at any time all of the relevant Tier 1 Notes for, or vary the terms of, the relevant Tier 1 Notes so that they remain, Qualifying Tier 1 Securities or become Qualifying Upper Tier 2 Securities. RBSG may also opt to substitute or vary the Tier 1 Notes if the ACSM is suspended under Condition 5(e) and may also opt to substitute the Tier 1 Notes with preference shares if a Capital Breach Event has occurred and is continuing in accordance with Condition 6(j).

If the Tier 1 Notes are substituted with preference shares, Condition 6(j) requires that the terms of such shares shall in all material commercial respects provide the holders with at least the same economic rights and benefits as are attached to the Tier 1 Notes and the Coupons taken together save for certain exceptions. Those exceptions include: (i) the ACSM feature; (ii) there will be no obligation to pay additional amounts analogous with Condition 7 of the Tier 1 Notes; and (iii) the preference shares need not contain a step-up in the dividend rate. Investors should be aware that in certain circumstances, the amounts payable by RBSG in respect of dividends under the preference shares could be less than the amounts that would have been payable by RBSG in respect of interest under the Tier 1 Notes had the substitution not been effected.

#### ***Interest restriction and Tier 1 Notes***

If RBSG has not declared and paid in full, or has not set aside an amount to provide for the payment in full of the payment stated to be payable on the most recent interest or distribution payment date on any series of its most senior ranking non-cumulative preference shares which are then outstanding, then RBSG may not make any Interest Payments on any Tier 1 Notes, and RBSG may not set aside any sum to pay such Interest Payments, unless, on the relevant Interest Payment Date of the Tier 1 Notes, it sets aside an amount equal to the payment on such series of non-cumulative preference shares for the then-current payment period to provide for the payment in full of such payment on the next applicable interest or distribution payment date of such series of non-cumulative preference shares.

The effect of the above paragraph is that RBSG may not be able to pay interest in respect of the Tier 1 Notes.

#### ***Subordinated Notes, Optional Redemption***

The relevant Issuer may, subject to Condition 5(l), in the case of Dated Subordinated Notes and Undated Tier 2 Notes, and Condition 6(i), in the case of Tier 1 Notes, opt to redeem all, but not some only, of the Subordinated Notes of any Series at the price set out in the applicable Final Terms together with any outstanding interest:

- (i) in the event that it is obliged to pay additional amounts in respect of United Kingdom withholding taxation, or
- (ii) upon the occurrence of certain other changes in the treatment of the relevant Notes for taxation purposes as described in Condition 5(b) in the case of Dated Subordinated Notes and Undated Tier 2 Notes and Condition 6(b) in the case of Tier 1 Notes,

in each case provided that the relevant Issuer cannot avoid the foregoing by taking measures reasonably available to it and, in the case of Undated Tier 2 Notes and Tier 1 Notes, subject to the solvency conditions set out in Conditions 2(c)(ii) and 2(b)(i) respectively.

If at any time a Capital Disqualification Event occurs and is continuing in relation to any Series of Subordinated Notes, the relevant Issuer may, subject to Condition 5(l) in the case of Dated Subordinated Notes and Undated Tier 2 Notes, and Condition 6(i) in the case of Tier 1 Notes, redeem all, but not some only, of the Subordinated Notes of such Series at the price set out in the applicable Final Terms together with any outstanding interest and, in the case of Undated Tier 2 Notes and Tier 1 Notes, subject to the solvency conditions set out in Conditions 2(c)(ii) and 2(b)(i) respectively.

If the Subordinated Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Subordinated Notes.

***Amendments to, or Substitution, Variation or Redemption of, the Tier 1 Notes following the Suspension of the ACSM***

If, following any take-over offer or any reorganisation, restructuring or scheme of arrangement, RBSG ceases to be the Ultimate Owner, then the operation of the ACSM shall be suspended. In such event, unless a Permitted Restructuring Arrangement is put in place within six months of the occurrence of a Permitted Restructuring, an independent investment bank or financial institution appointed by RBSG shall determine, subject as provided in Condition 5(e), what amendments (if any) to the Terms and Conditions are appropriate to be made by RBSG and the Trustee in order to preserve substantially the economic effect of a holding of the Tier 1 Notes and to replicate the ACSM in the context of the capital structure of the new Ultimate Owner. If the investment bank or financial institution is unable to determine appropriate amendments, as notified to RBSG and the Trustee, each Tier 1 Note will (subject to the non-objection of, or the obtaining of consent of, the FSA) at the option of RBSG either be substituted for, or have their terms varied so that they become, in either case with the assistance of the Trustee, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities. If, notwithstanding the above, the Trustee does not assist as provided above, the FSA objects or (if consent is required) does not consent to such substitution or variation or it is otherwise not practicable for the Tier 1 Notes to be so substituted or varied, RBSG may, subject to Condition 6(i), elect to redeem the Tier 1 Notes at the price set out in the applicable Final Terms together with any outstanding interest, all as more particularly described in Condition 5(e).

If the Tier 1 Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Tier 1 Notes.

***Ordinary Notes, Optional Redemption***

The relevant Issuer may opt to redeem all, but not some only, of the Ordinary Notes of any Series at the price set out in the applicable Final Terms together with any outstanding interest for the taxation reasons described in (i) or (ii) above (and, in each case, subject to the proviso) of “Subordinated Notes, Optional Redemption”.

If the Ordinary Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Ordinary Notes.

***Subordinated Notes, Remedies for Non-Payment***

The sole remedy against the relevant Issuer available to the Trustee or any Noteholder or Couponholder for recovery of amounts owing in respect of any payment of principal or interest in respect of any Subordinated Notes will be the institution of proceedings for the winding up of the relevant Issuer and/or proving in any winding up of the relevant Issuer.

***No limitation on issuing senior or pari passu securities***

There is no restriction on the amount of securities or other liabilities which the relevant Issuer may issue or incur and which rank senior to, or *pari passu* with, any other issue of Subordinated Notes of such Issuer. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding up of the relevant Issuer and/or may increase the likelihood of a deferral of interest on any issue of Subordinated Notes of such Issuer as described above.

### ***Risks related to Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Modification, waivers and substitution*

The Terms and Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions also provide that the Trustee may, without the consent of the Noteholders, (i) agree to any modification of, or waiver or authorisation of any breach or proposed breach of, any of the relevant Terms and Conditions (ii) determine without the consent of the Noteholders that any Event of Default (as defined in the Trust Deed) or potential Event of Default (as defined in the Trust Deed) shall not be treated as such or (iii) agree to the substitution of another entity as principal debtor under any Notes in place of the Issuer, in each case in the circumstances described in Condition 14 in relation to Notes other than Tier 1 Notes and in Condition 15 in relation to Tier 1 Notes.

#### *EU Savings Directive*

Under EU Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), Member States are required to provide to the tax authorities of another Member State details of payments of interest (and similar income) paid by a person within its jurisdiction to an individual resident in that other Member State, or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria may instead impose a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld unless during such period they elect otherwise) (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 agreed to adopt similar measures to the Savings Directive (a withholding system in the case of Switzerland).

On 15th September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the Commission’s advice on the need for changes to the Savings Directive. On 13th November 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24th April 2009. If any of the proposed changes are made in relation to the Savings Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of or in respect of tax were to be withheld from that payment pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to, the Savings Directive, neither the Issuers nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to, the Savings Directive.

#### *Change of law*

Notes (other than Australian Domestic Notes) will be governed by English law, except that the subordination provisions of Subordinated Notes will be governed by Scots law and Australian Domestic Notes will be governed by the laws of New South Wales, Australia. No assurance can be given as to the impact of any possible judicial decision or change to English, Scots or Australian law

or administrative practice after the date of this Prospectus (and any supplement to it and/or applicable Final Terms for the relevant Notes).

*Notes where denominations involve integral multiples: definitive Notes*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

***Risks related to the market generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk, which may be relevant to an investment in any Notes:

*The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes would generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a material adverse effect on the market value of Notes.

*Exchange rate risks and exchange controls*

The Issuers will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Interest rate risks*

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

*Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. 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 Notes. 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 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 (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.



## GENERAL DESCRIPTION OF THE PROGRAMME

*This general description must be read as an introduction to this Prospectus. Any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference, by any investor. This general description does not purport to be complete and is taken from, and is qualified by, the remainder of this Prospectus and, in relation to the Terms and Conditions of any particular Tranche of Notes, Part A of the applicable Final Terms.*

### General

Under the Programme, the Issuers may, subject to compliance with all applicable laws, regulations and directives, from time to time issue Notes denominated in any currency as may be agreed with the relevant Dealer(s), subject as set out herein. An overview of the Terms and Conditions of the Ordinary, Tier 2 and Tier 3 Notes and the Terms and Conditions of the Tier 1 Notes is set out below. In addition, a summary description of the Issuers, the Terms and Conditions of the Ordinary, Tier 2 and Tier 3 Notes, the Terms and Conditions of the Tier 1 Notes, certain Risk Factors and of the Programme appears under “Summary of the Programme” below.

The Arranger of the Programme is The Royal Bank of Scotland plc. The Dealers are BNP PARIBAS, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities Ltd., Merrill Lynch International, Mizuho International plc, Morgan Stanley & Co. International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited. Other Dealers may also be appointed in accordance with the Programme Agreement (as defined in “Subscription and Sale” below). The Trustee is The Law Debenture Trust Corporation p.l.c. and the Agent is The Bank of New York Mellon.

The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the relevant Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Final Terms with respect to each Tranche of Notes attached to, or endorsed on, such Notes, as more fully described under “Form of the Notes” and “Forms of Final Terms” below. Each such Final Terms will, in the case of a Tranche of Notes which are to be admitted to the Official List and trading on the Market, be delivered to the UK Listing Authority and the Market, where appropriate, on or before the date of issue of such Tranche.

Subject as set out herein, this Prospectus and any supplement hereto will only be valid for issuing and, if applicable, admitting Notes to the Official List and to trading on the Market in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme (excluding for this purpose Notes due to be redeemed on the relevant day of calculation), does not exceed £90,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Sterling equivalent of the aggregate nominal amount of Notes outstanding at any one time under the Programme:—

- (a) subject to paragraph (b) below, the Sterling equivalent of Notes denominated in another Specified Currency shall be calculated, at the discretion of the relevant Issuer, either as of the date of agreement to issue such Notes or on the day preceding such agreement on which commercial banks and foreign exchange markets settle payments in London, on the basis of the spot rate for the sale of Sterling against the purchase of such Specified Currency in the London foreign exchange market quoted by RBS or any leading bank selected by the relevant Issuer on the relevant day of calculation; and
- (b) the Sterling equivalent of Dual Currency Notes, Index Linked Notes, Zero Coupon Notes, Partly Paid Notes (each as described under “Summary of the Programme” below) or any other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the original nominal amount of such Notes (in the case of Partly Paid Notes regardless of the amount paid up on such Notes).

As used herein, “**Specified Currency**” means the currency (including any national currency unit (being a non-decimal denomination of the euro)) in which Notes are denominated and, in the case of Dual Currency Notes, the currency or currencies in which payment in respect of Notes is to be or may be made.

### **Overview of the Terms and Conditions of the Ordinary, Tier 2 and Tier 3 Notes and the Terms and Conditions of the Tier 1 Notes**

Ordinary Notes:

Ordinary Notes (as described in Condition 2(a)) will constitute direct, unconditional, unsecured and unsubordinated obligations of the relevant Issuer and (save to the extent that laws affecting creditors’ rights generally in a bankruptcy, winding up or administration may give preference to any of such other obligations) equally with all other present and future unsecured and unsubordinated obligations of the relevant Issuer.

Dated Subordinated Notes

(i) *Status:*

Dated Subordinated Notes (as described in Condition 2(b)) will constitute unsecured and subordinated obligations of the relevant Issuer and the holders of Dated Subordinated Notes will, in the event of the Winding Up or Qualifying Administration of the relevant Issuer, be subordinated and postponed in right of payment in the manner provided in the Trust Deed and as specified in Condition 2(b) but shall rank at least *pari passu* with the claims of holders of all other subordinated obligations of the relevant Issuer and shall rank in priority to the claims of holders of all perpetual obligations of the relevant Issuer.

(ii) *Deferral:*

In the case of any Series of Dated Subordinated Notes which are also specified in the relevant Final Terms as being Tier 3 Notes, the relevant Issuer shall be entitled to defer the due date for payment of any principal and interest otherwise due in respect of such Dated Subordinated Notes. The relevant Issuer (A) shall give a Deferral Notice in circumstances where its Capital Resources would be less than its Capital Resources Requirement after payment of any such principal or interest in whole or in part and (B) may give a Deferral Notice where the FSA has required or requested the relevant Issuer to defer such payment. Interest will accrue on any deferred payment of principal. Promptly upon being satisfied that (x) its Capital Resources would not be less than its Capital Resources Requirement after payment of the whole or any part of any deferred payment or (y) the FSA will not object to the payment of the whole or any part of any deferred payment, the relevant Issuer shall give notice of its intention to repay such amount. In addition, all such deferred payments shall become due and repayable on the commencement of a winding up or Qualifying Administration of the relevant Issuer.

## Undated Tier 2 Notes

- (i) *Status:* Undated Tier 2 Notes (as described in Condition 2(c)) will constitute unsecured and subordinated obligations of the relevant Issuer and the holders of Undated Tier 2 Notes will be subordinated and postponed in right of payment in the manner provided in the Trust Deed and as specified in Condition 2(c) in that any payments in respect of Undated Tier 2 Notes will be conditional upon the relevant Issuer being solvent at the time of payment as provided in Condition 2(c)(ii) and the relevant Issuer shall have no liability to pay any such amount to the extent that it is insolvent or would become insolvent as a result of making such payment.
- (ii) *Deferral:* The relevant Issuer may elect to defer any interest payment subject as provided in Condition 3(f). Where a payment of interest is so deferred, no interest shall accrue on such Arrears of Interest but it may be paid at any time at the option of the relevant Issuer and shall, subject to the solvency condition described above, become due in full on the earlier of (i) any date fixed for redemption pursuant to Condition 5(b), (c) or (d) or (ii) the commencement of a Winding Up or a Qualifying Administration of the relevant Issuer.
- (iii) *Restrictions during period of deferral:* If any interest payment is deferred in respect of any Series of Undated Tier 2 Notes, then until such time as the full amount of such Arrears of Interest has been received by the Agent or the Trustee and no other Arrears of Interest in respect of such Notes remain unsatisfied, the relevant Issuer shall not and shall procure that no member of the Group shall declare or pay a distribution or dividend on any class of share capital (other than any Mandatory Preference Shares) of (1) RBSG (if at the relevant time RBSG is the Holding Company) or (2) the Holding Company (if at the relevant time the Holding Company is a company other than RBSG), or (3) the relevant Issuer to any person who is not a member of the Group or (4) RBSG (if at the relevant time the Holding Company is a company other than RBSG) to any person who is not a member of the Group (in each case other than a final dividend declared, made or paid by the relevant company before the relevant Issuer gives notice of its option not to pay interest as described above).

## Tier 1 Notes:

- (i) *Status:* Tier 1 Notes may only be issued by RBSG. Tier 1 Notes will constitute unsecured and subordinated obligations of RBSG and the holders of Tier 1 Notes will, in the event of the Winding Up or Qualifying Administration of RBSG, be subordinated and postponed in right of payment in the manner provided in the Trust Deed and as specified in Condition 2(b) in that any payments in respect of Tier 1 Notes will be conditional upon RBSG being solvent at the time of payment or the issue of the relevant Ordinary Shares, as the case may be, as provided in Condition 2(b) and

RBSG shall have no liability to pay any such amount to the extent that RBSG is insolvent or would become insolvent as a result of making such payment.

(ii) *Deferral:*

RBSG may elect to defer any interest payment as described in Condition 3(d). Where a payment of interest is so deferred no interest will accrue on any such Deferred Interest Payment except in the circumstances provided in Condition 4(e).

Any Deferred Interest Payment may be satisfied at any time at RBSG's election, provided that RBSG (subject to Condition 5(e)) must satisfy such Deferred Interest Payment on the earlier of the following to occur:

- (i) redemption of the relevant Tier 1 Notes at the option of RBSG;
- (ii) redemption, substitution or variation of the terms of the relevant Tier 1 Notes in accordance with Condition 6(b), 6(c) or 6(f); and
- (iii) substitution of the relevant Tier 1 Notes in accordance with Condition 6(j).

(iii) *Restrictions during period of deferral:*

If any interest payment is deferred, then until (x) the date on which RBSG next pays in full the Interest Payment due and payable on an Interest Payment Date in respect of the outstanding Tier 1 Notes of the relevant Series (or an amount equal to the same has been duly set aside or provided for in full for the benefit of such holders in a manner satisfactory to the Trustee) or, if earlier, (y) any Optional Deferred Interest Settlement Date upon which RBSG satisfies in full all Outstanding Interest Payments, RBSG shall not and shall procure that no member of the Group shall:

- (i) declare or pay any distribution or dividend on any Junior Securities (other than a final dividend declared, made or paid by the relevant company before RBSG gives notice that such interest payment is to be deferred and other than distributions or dividends paid by a member of the Group which is wholly-owned by another member of the Group); or
- (ii) redeem, purchase or otherwise acquire for any consideration any Junior Securities or Parity Securities.

(iv) *Alternative Coupon Satisfaction Mechanism ("ACSM"):*

Investors will receive payments in respect of Tier 1 Notes in cash. However (i) in respect of any Deferred Interest Payment RBSG must, and (ii) in respect of any Interest Payment, RBSG may, satisfy its obligation to make any payment (which term does not include any payment of principal) to holders by issuing and/or transferring its Ordinary Shares to the Trustee or its agent. In such event such Ordinary Shares shall be sold for a cash amount which the Agent, will pay to the holders in respect of the relevant ACSM Payment. An ACSM Calculation Agent will be

appointed at such time and used to calculate in advance the number of Ordinary Shares to be issued and/or transferred in order to enable the Trustee or its agent to raise the entire sum due on the relevant ACSM Payment Date.

Any Deferred Interest Payment will only be made by operation of the ACSM if the Ordinary Shares Threshold would not be exceeded as a result of the issue and/or transfer of the relevant Ordinary Shares and, in each case, only if the proceeds raised from the issue and/or transfer of the relevant Ordinary Shares is received no more than six months before the relevant ACSM Payment Date.

(v) *Market Disruption Event:*

If, in the opinion of RBSG, a Market Disruption Event exists on or after the 15th London Business Day preceding any ACSM Payment Date, the payment to holders may be deferred until the Market Disruption Event no longer exists.

(vi) *Suspension:*

If, following any take-over offer or any reorganisation, restructuring or scheme of arrangement, RBSG ceases to be the Ultimate Owner, then the operation of the ACSM shall be suspended. In such event, unless a Permitted Restructuring Agreement is put in place within six months of the occurrence of a Permitted Restructuring, an independent investment bank or financial institution appointed by RBSG shall determine, subject as provided in Condition 5(e), what amendments (if any) to the Terms and Conditions are appropriate to be made by RBSG and the Trustee in order to preserve substantially the economic effect, for the holders, of a holding of the Tier 1 Notes and to replicate the ACSM in the context of the capital structure of the new Ultimate Owner. If the investment bank or financial institution is unable to determine appropriate amendments, as notified to RBSG and the Trustee, each Tier 1 Note will (subject to the non-objection of, or the obtaining of consent of, the FSA) at the option of RBSG either be substituted for, or have their terms varied so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or be redeemed at the price as set out in the applicable Final Terms.

(vii) *Substitution or Variation instead of Redemption:*

If any event occurs under Condition 6(b) or 6(c) giving rise to a right to RBSG to redeem the Tier 1 Notes of any Series then, subject to Condition 6(f), RBSG may, instead of giving notice to redeem, substitute at any time all of the relevant Tier 1 Notes for, or vary the terms of the relevant Tier 1 Notes so that they remain Qualifying Tier 1 Securities or become Qualifying Upper Tier 2 Securities.

(viii) *Substitution for Substituted Preference Shares:*

Upon the occurrence and continuation of a Capital Breach Event, RBSG may, subject as provided in Conditions 6(i) and 6(j), substitute the Tier 1 Notes by Substituted Preference Shares, all as more particularly described in Condition 6(j).

(ix) *Interest restriction:*

If RBSG has not declared and paid in full, or has not set aside an amount to provide for the payment in full of the payment stated to be payable on the most recent interest or distribution payment date on any series of its most senior

ranking non-cumulative preference shares which are then outstanding, then RBSG may not make or set aside any sum in respect of Interest Payments on any Tier 1 Notes unless, on the relevant Interest Payment Date of the Tier 1 Notes, it sets aside an amount equal to the payment on such series of non-cumulative preference shares for the then-current payment period.

Subordinated Notes, Optional Redemption:

The relevant Issuer may, subject to Condition 5(l) in the case of Dated Subordinated Notes and Undated Tier 2 Notes, and Condition 6(i) in the case of Tier 1 Notes, redeem all, but not some only, of the Subordinated Notes of any Series at the price set out in the applicable Final Terms together with any outstanding interest:

- (i) in the event that it is obliged to pay additional amounts in respect of United Kingdom withholding taxation, or
- (ii) upon the occurrence of certain other changes in the treatment of the relevant Notes for taxation purposes as described in Condition 5(b) in the case of Dated Subordinated Notes and Undated Tier 2 Notes and Condition 6(b) in the case of Tier 1 Notes,

in each case provided that the relevant Issuer cannot avoid the foregoing by taking measures reasonably available to it and subject to the solvency condition set out in Condition 2(c)(ii) in the case of Undated Tier 2 Notes and Condition 2(b) in the case of Tier 1 Notes.

If at any time a Capital Disqualification Event occurs and is continuing in relation to any Series of Subordinated Notes, the relevant Issuer may, subject to Condition 5(l) in the case of Dated Subordinated Notes, Conditions 2(c)(ii)(x) and 5(l) in the case of Undated Tier 2 Notes, and Conditions 2(b) and 6(i) in the case of Tier 1 Notes, redeem all, but not some only, of the Subordinated Notes of such Series at the price set out in the applicable Final Terms together with any outstanding interest.

Subordinated Notes, Remedies for Non-Payment:

The sole remedy against the relevant Issuer available to the Trustee or any holder or Couponholder for recovery of amounts owing in respect of any payment of principal or interest in respect of any Subordinated Notes will be the institution of proceedings for the winding-up of the relevant Issuer and/or proving in any winding-up of the relevant Issuer.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which have been (1) previously published and (2) approved by the Financial Services Authority or filed with it, shall be deemed to be incorporated in, and form part of, this Prospectus (other than for the purposes of Guaranteed Notes):

- (a) the sections “Terms and Conditions of the Ordinary, Tier 2 and Tier 3 Notes” from the previous base prospectuses relating to the Programme dated 18th June 2007, 17th June 2008 and 16th June 2009, respectively;
- (b) the sections “Terms and Conditions of the Tier 1 Notes” from the previous base prospectuses relating to the Programme dated 18th June 2007, 17th June 2008 and 16th June 2009, respectively;
- (c) the registration document dated 10th June 2010 of RBSG, approved by the UK Listing Authority and published via the Regulatory News Service of the London Stock Exchange plc (the “RNS”) (the “**RBSG Registration Document**”);
- (d) the registration document dated 10th June 2010 of RBS, approved by UK Listing Authority and published via the RNS (the “**RBS Registration Document**” and, together with the RBSG Registration Document, the “**Registration Documents**”);
- (e) the annual report and accounts of RBS (including the audited consolidated annual financial statements of RBS, together with the audit report thereon) for the financial year ended 31st December 2009 (excluding the section headed “Risk Factors” on pages 5 to 23) which were published via the RNS on 9th April 2010;
- (f) the annual report and accounts of RBS (including the audited consolidated annual financial statements of RBS, together with the audit report thereon) for the financial year ended 31st December 2008 (excluding the section headed “Risk Factors” on pages 4 to 11);
- (g) the following sections of the 2009 annual report and accounts of RBSG, which were published via the RNS on 18th 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 as 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; (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 206; (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; (xxviii) Material contracts on pages 363 to 369; and (xxix) Glossary of terms on pages 383 to 387;
- (h) the following sections of the 2008 annual report and accounts of RBSG, which were published via the RNS on 9th March 2009: (i) Independent auditors’ report for the year ended 31st December 2008 on pages 172 to 173; (ii) Consolidated income statement for the year ended 31st December 2008 on page 174; (iii) Balance sheets as at 31st December 2008 on page 175; (iv) Statement of recognised income and expense for the year ended 31st December 2008 on page 176; (v) Cash flow statement for the year ended 31st December 2008 on page 177; (vi) Accounting policies on pages 178 to 188; (vii) Notes on the accounts for the year ended 31st December 2008 on pages 189 to 266; (viii) Business review on pages 23 to 144; (ix) Report of the Directors on pages 148 to 152; (x) Corporate governance on pages 153 to 158; (xi) Letter from the Chairman of the Remuneration Committee on page 159; (xii) Directors’ remuneration report on pages 160 to 168; (xiii) Directors’ interests in shares on page 169; (xiv) Amounts in accordance with IFRS on pages

268 to 277; (xv) Exchange rates on page 277; (xvi) Economic and monetary environment on page 278; (xvii) Supervision on page 279; (xviii) Regulatory reviews and developments on pages 280 to 281; (xix) Description of property and equipment on page 281; (xx) Major shareholders on page 281; and (xxi) Material contracts on pages 281 to 284;

- (i) the RBSG Interim Management Statement Q1 2010 published via RNS on 7th May 2010;
- (j) the following sections of the Shareholder Circular published by RBSG on 27th November 2009 (the “**Shareholder Circular**”): (i) “Financial Information” on page 5; (ii) “Part I – Letter From the Chairman of RBS” on pages 10 to 20; (iii) “Appendix 2 to the Letter From the Chairman of RBS – Principal Terms and Conditions of the APS” on pages 46 to 75; (iv) “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; (v) “Appendix 4 to the Letter From the Chairman of RBS – Key Terms of the State Aid Restructuring Plan” on pages 85 to 86; (vi) “Part II – Capital Resources and Liquidity Management” on pages 89 to 94; (vii) “Part VI – Definitions” on pages 121 to 133; (viii) “Annex 1 – Terms of Issue of the B Shares and the Dividend Access Share” on pages 134 to 170; and (ix) “Annex 3 – Scheme Principles” on pages 177 to 181; and
- (k) the press release headed “The Royal Bank of Scotland Group plc, The Royal Bank of Scotland plc and National Westminster Bank Plc – Clarification of Contractual Position Relating to Payments Under Preference Shares and Subordinated Securities” published via the RNS on 20th October 2009.

*Potential investors in Guaranteed Notes should note that the Registration Documents and the documents listed in (a) to (k) above (together with the Registration Documents, the “Disclosure relating to the Issuers”) are not incorporated by reference into this Prospectus for the purposes of issues of Guaranteed Notes. Accordingly, (i) potential investors in Guaranteed Notes should not rely on the Disclosure relating to the Issuers and (ii) in respect of issues of Guaranteed Notes, RBSG and RBS are not making any representation or warranty in relation to the assets and liabilities, financial position, profit and losses or prospects of RBSG and/or RBS and/or the Group or in relation to the accuracy or completeness of the Disclosure relating to the Issuers. Any decision to invest in Guaranteed Notes should be made accordingly.*

Any information or other documents themselves incorporated by reference, either expressly or implicitly, in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus, except where such information or other documents are specifically incorporated by reference into this Prospectus.

Each Issuer will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the information which is incorporated herein by reference. Written or oral requests for such information should be directed to the Issuers at their principal office set out at the end of this Prospectus.

## SUPPLEMENTAL PROSPECTUS

The Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new prospectus in accordance with the Prospectus Directive for use in connection with any subsequent issue of Notes. The Issuers have undertaken to the Dealers in the Programme Agreement (as defined in “Subscription and Sale”) that they will comply with section 87G of the FSMA. For the avoidance of doubt, nothing in this paragraph shall require either Issuer to supplement this Prospectus in the case of Guaranteed Notes.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.



## FORM OF THE NOTES

The Notes of each Tranche will be in either bearer form or, in the case of Australian Domestic Notes issued by Royal Bank, registered form (respectively, “**Bearer Notes**” and “**Registered Notes**”). Bearer Notes and Registered Notes will be issued outside the United States in reliance on the exemption from registration provided by Regulation S under the Securities Act (“**Regulation S**”). Bearer Notes will not be issued in the Australian domestic capital markets. Australian Domestic Notes will only be issued in registered form.

### **Bearer Notes**

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global Note or, if so specified in the applicable Final Terms, a permanent global Note which, in either case, will, (i) if the global Notes are stated in the applicable Final Terms to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to the Common Safekeeper for Euroclear and Clearstream, Luxembourg; and (ii) if the global Notes are issued in CGN form, be delivered on or prior to the original issue date of the Tranche to the Common Depository for Euroclear and Clearstream, Luxembourg. Delivering the global Notes to the Common Safekeeper does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue, or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary global Note if the temporary global Note is issued in CGN form) outside the United States and its possessions only to the extent that certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations (in the form referred to in the temporary global Note) has been received by Euroclear and/or Clearstream, Luxembourg.

If the global Note is issued in CGN form, upon the initial deposit of a global Note with the Common Depository, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid. If the global Note is issued in NGN form, the nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear or Clearstream, Luxembourg. The records of such clearing system shall be conclusive evidence of the nominal amount of Notes represented by the global Note and a statement issued by such clearing system at any time shall be conclusive evidence of the records of the relevant clearing system at that time.

On and after the date (the “**Exchange Date**”) which is 40 days after the date on which the temporary global Note is issued, interests in the temporary global Note will be exchangeable (provided that, if it is a Partly Paid Note (as described below), all instalments of the subscription moneys due before the date of such exchange have been paid) either for (a) interests in a permanent global Note without Receipts, Coupons or Talons or (b) for definitive Notes (where the applicable Final Terms so permit) in each case against certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations in accordance with the terms set out in the temporary global Note, unless such certification has already been given as described in the last sentence of the first paragraph above. The holder of a temporary global Note will not be entitled to receive any payment of interest or principal due on or after the Exchange Date.

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes” below) the Agent (as so defined) shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and an ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series and shall remain different until at least 40 days after the completion of the distribution of the Notes of such further Tranche as certified by the Agent to the relevant Dealer(s).

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the permanent global Note if the permanent global Note in CGN form) outside the United States and without any requirement for certification. Where the applicable Final Terms so permit, a permanent global Note will (provided that, if it is a Partly Paid Note, all instalments of the subscription moneys due before the date of such exchange have been paid) be exchangeable in whole or (subject to the Notes which continue to be represented by the permanent global Note being regarded by Euroclear and Clearstream, Luxembourg as fungible with the definitive Notes issued in partial exchange for such permanent global Note) in part, for security-printed definitive Notes with, where applicable, Receipts, Coupons and Talons attached, either (a) on 60 days' notice given at any time, from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note), to the Agent as described therein or (b) only upon the occurrence of an Exchange Event.

For these purposes, “**Exchange Event**” means:

- (A) in the case of issues of Notes which have denominations of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, as specified in the applicable Final Terms, (i) that an Event of Default (as defined in the Trust Deed) has occurred and is continuing or (ii) that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available; and
- (B) in the case of all other issues of Notes, (i) that an Event of Default (as defined in the Trust Deed) has occurred and is continuing, or (ii) that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) at the option of the relevant Issuer at any time.

The applicable Final Terms may provide that for the purposes of a particular permanent global Note, the definition of “**Exchange Event**” shall be “that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) and no successor clearing system satisfactory to the Trustee is available” (the “**Limited Exchange Event**”).

The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 12 or (in the case of Tier 1 Notes) Condition 13 if an Exchange Event described in (i) or (ii) in each of sub-paragraphs (A) and (B) above occurs or if it decides to exercise its option described in (iii) in sub-paragraph (B) above. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) in sub-paragraph (B) above, the Issuer may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

Global Notes and definitive Notes will be issued pursuant to the Agency Agreement. No definitive Note delivered in exchange for a permanent global Note will be mailed or otherwise delivered to any location in the United States in connection with such exchange. At the date hereof, neither Euroclear nor Clearstream, Luxembourg regard Notes in global form as fungible with Notes in definitive form. Temporary global Notes, permanent global Notes and definitive Notes will be authenticated and delivered by the Agent on behalf of the relevant Issuer.

Save where TEFRA is stated to be “Not Applicable” in the applicable Final Terms, the following legend will appear on all global Notes and definitive bearer Notes which have an original maturity of more than 365 days and on all Receipts, Coupons and Talons relating to such Notes:–

**“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”**

For so long as any of the Notes are represented by a global Note, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the relevant Issuer, the Trustee, the Agent and any Paying Agent (as defined in “Terms and Conditions of the Notes” below) as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal (including premium (if any)) and interest on such Notes, the right to which shall be vested, as against the relevant Issuer, the Trustee and any Paying Agent, solely in the bearer of the global Note in accordance with and subject to its terms (or the Trustee in accordance with the Trust Deed) and the expressions “**Noteholder**”, “**holder of Notes**” and related expressions shall be construed accordingly.

Notes which are represented by a global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the relevant Issuer, the Agent and the Trustee.

### **Registered Notes**

The Australian Domestic Notes issued by Royal Bank will be Registered Notes. Such Notes will be constituted by the Deed Poll and will take the form of entries on a register to be maintained by the Australian Registrar.

### **Crest Depository Interests**

For the purposes of this section headed “CREST Depository Interests”:

“**CREST**” means the relevant system in respect of which EUI is the operator;

“**CREST Deed Poll**” means a global deed poll entered into by the CREST Depository (as subsequently modified, supplemented and/or restated), the form of which is included in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual);

“**CREST Depository**” means CREST Depository Limited;

“**CREST Depository Interests**” or “**CDIs**” means dematerialised depository interests issued, held, settled and transferred through the CREST system representing interests in the relevant Notes;

“**CREST International Settlement Links Service**” means the CREST International Settlement Links Service pursuant to which the CDIs are settled;

“**CREST Manual**” means the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms);

“**CREST Nominee**” means CREST International Nominee Limited, as nominee for the CREST Depository;

“**CREST Participant**” means a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations); and

“**EUI**” means Euroclear UK & Ireland Limited (previously CRESTCo Limited) of 33 Cannon Street, London EC4M 5SB, United Kingdom.

Interests in Notes may be delivered, held and settled in CREST by means of the creation of CREST Depository Instruments (or CDIs), which are dematerialised depository interests representing interests in the relevant Notes (the “**Underlying Notes**”). CDIs are issued by the CREST Depository and are separate, independent securities constituted under English law and issued, held, settled and transferred through the CREST system by means of the CREST International Settlement Links Service and which represent indirect interests in the Underlying Notes.

A holder of CDIs is not the legal owner of the Underlying Notes. The Underlying Notes are held by the CREST Nominee. Rights in the Underlying Notes will be held through custodial and depository links through Euroclear and Clearstream, Luxembourg. The legal title to the Underlying Notes or to interests in the Underlying Notes will depend on the rules of Euroclear or Clearstream, Luxembourg in or through which the Underlying Notes are held.

Interests in the Underlying Notes will be credited to the CREST Nominee's account with Euroclear or Clearstream, Luxembourg and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST Participants. Holders of CDIs will not be entitled to deal directly in the Underlying Notes and accordingly all dealings in the Underlying Notes will be effected through CREST in relation to holding of CDIs.

#### *Rights in respect of the CDIs*

Each CDI will be treated as one Underlying Note for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to holders of CDIs any interest or other amounts received by it as holder of the Underlying Notes on trust for such holder of CDIs. Holders of CDIs will also be able to receive from the CREST Depository notices of meetings of holders of the Underlying Notes and other relevant notices issued by the relevant Issuer of the Underlying Notes.

Rights in respect of the Underlying Notes cannot be enforced by holders of CDIs except indirectly through the intermediary depositories and custodians described above. The rights of holders of CDIs to the Underlying Notes are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Notes. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Notes held in Euroclear or Clearstream, Luxembourg are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

#### *Transfers from CREST to Euroclear or Clearstream, Luxembourg*

Transfers of interests in Underlying Notes (represented by CDIs) by a CREST Participant to a participant of Euroclear or Clearstream, Luxembourg will be effected by cancellation of the CDIs and transfer of an interest in such Underlying Notes to the account of the relevant participant with Euroclear or Clearstream, Luxembourg.

#### *Additional Information*

The CDIs will have the same International Securities Identification Number (“**ISIN**”) as the ISIN of the Underlying Notes and will not require a separate listing on the Official List.

CDIs will be constituted and issued pursuant to the CREST Deed Poll. The rights of the holders of CDIs will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg

and the CREST Depository (as the issuer of the CDIs) including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Notes which are not represented by CDIs. Prospective investors in Notes represented by CDIs are referred to the provisions of such CREST Deed Poll to be entered into by the CREST Depository.

Holders of CDIs will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to, the CREST Manual applicable to the CREST International Settlement Links Service and holders of CDIs must comply in full with all obligations imposed on them by such provisions. Holders should note that the provisions of the CREST Deed Poll and the CREST Manual contain indemnities, warranties, representations and undertakings to be given by holders of the CDIs and limitations on the liability of the CREST Depository (as the issuer of the CDIs). Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. Holders of CDIs should refer to the terms of the CREST Deed Poll and the CREST Manual, copies of which are available from CREST at 33 Cannon Street, London EC4M 5SB, United Kingdom or by calling + 44 207 849 0000 or from the CREST website at [www.crestco.co.uk](http://www.crestco.co.uk).

Holders should note that the holders of CDIs may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the CDIs through the CREST International Settlement Links Services.

Holders of CDIs should note that neither RBSG, RBS nor any of their agents will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Investors should note that any Notes issued in temporary global Note form exchangeable for a permanent global Note will not initially be eligible for CREST settlement as CDIs. As such, investors investing in such Underlying Notes through CDIs will only receive the CDIs after such temporary global Note is exchanged for a permanent global Note, which could take up to 40 days after the issue of the relevant Underlying Notes.

## TERMS AND CONDITIONS OF THE ORDINARY, TIER 2 AND TIER 3 NOTES

*The following are (subject to amendment and other than the paragraphs in italics) the Terms and Conditions of Bearer Notes which will be (i) incorporated by reference into each global Note; (ii) endorsed upon each definitive Note (if any) or incorporated therein by reference and (iii) incorporated by reference in the Deed Poll as the terms and conditions of Registered Notes. The applicable Final Terms (as defined below) in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purposes of such Notes. Reference should be made to the section headed "Forms of Final Terms" for the forms of applicable Final Terms which will include the definition of certain terms used in the following Terms and Conditions.*

In these Terms and Conditions, the expression "**Notes**" shall mean (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency (each as defined in the applicable Final Terms (as defined below)) of the relevant Notes, (ii) definitive Notes issued in exchange for a temporary global Note or a permanent global Note, (iii) any global Note and (iv) Australian Domestic Notes (as defined below). The Notes are constituted by (a) in the case of Notes other than Notes denominated in Australian dollars and issued by The Royal Bank of Scotland plc in the Australian domestic capital markets ("**Australian Domestic Notes**"), a Trust Deed (the "**Original Trust Deed**") dated 22nd February 1994 as subsequently modified and/or supplemented and/or restated from time to time, most recently by a Twenty-Eighth Supplemental Trust Deed dated 10th June 2010 made between The Royal Bank of Scotland plc ("**Royal Bank**" or an "**Issuer**"), The Royal Bank of Scotland Group plc ("**RBSG**" or an "**Issuer**" and, together with Royal Bank, the "**Issuers**") and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include any successor as trustee) as Trustee for the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a global Note, be construed as provided in Condition 1 below) (the Original Trust Deed as so modified and as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**"), or (b) in the case of Australian Domestic Notes, the Deed Poll (as defined in Condition 1). References in Conditions 1 to 18 (inclusive) to "**the Issuer**" are to the entity named as such in the applicable Final Terms. In the case of Australian Domestic Notes, the "**Issuer**" named in the applicable Final Terms may either be The Royal Bank of Scotland plc or The Royal Bank of Scotland plc acting through its Australian branch ("**RBS Australia Branch**"). RBS Australia Branch may not issue Dated Subordinated Notes or Undated Tier 2 Notes (each as defined below). Accordingly, a reference in these Terms and Conditions to Royal Bank is, as the context requires, a reference to whichever of Royal Bank or RBS Australia Branch is the Issuer of the Notes as specified in the applicable Final Terms.

Interest bearing definitive Notes will have interest coupons ("**Coupons**") and, if applicable, talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupon(s) or Couponholder(s) (as defined below) shall, unless the context otherwise requires, be deemed to include a reference to Talon(s) or Talonholder(s) (as defined below), respectively. Definitive Notes redeemable in instalments will have receipts attached on issue ("**Receipts**") for the payment of the instalments of principal.

Where the applicable Final Terms of an issue of Ordinary Notes by RBS or RBS Australia Branch indicates that an Eligibility Certificate (as defined in the Guarantee) in respect of such Notes has been issued then, in respect of such Notes, The Commissioners of Her Majesty's Treasury ("**HM Treasury**") will unconditionally and irrevocably guarantee the due payment of all sums due and payable by the relevant Issuer under such Notes (the "**Guaranteed Notes**"). HM Treasury's obligations in that respect are contained in a deed of guarantee dated 13th October 2008 (as amended by supplemental deeds dated 20th October 2008 and 6th February 2009, and as further amended from time to time the "**Guarantee**"), the form of which is available at [www.dmo.gov.uk](http://www.dmo.gov.uk).

Payments in respect of the Notes (other than Australian Domestic Notes) will be made under an amended and restated Agency Agreement dated 10th June 2010 and made between the Issuers, The Bank of New York Mellon as agent (the "**Agent**", which expression shall include any successor as agent), the paying agent named therein (together with the Agent, the "**Paying Agents**") and the Trustee

(such Agreement as further amended, supplemented or restated from time to time, the “**Agency Agreement**”).

Payments in respect of Australian Domestic Notes issued by Royal Bank will be made under an Agency and Registry Agreement dated 30th June 2006 and made between Royal Bank, the Trustee and BTA Institutional Services Australia Limited (ABN 48 002 916 396) (formerly known as J.P. Morgan Institutional Services Australia Limited) as registrar (as further amended or supplemented from time to time, the “**Agency and Registry Agreement**”).

Notes may be issued at such times as shall be agreed between the relevant Issuer and the relevant Dealer(s) pursuant to an amended and restated Programme Agreement dated 10th June 2010 between the Issuers and the Dealers named therein. The relevant Issuer and the relevant Dealer(s) shall, prior to the time of issue of any Notes, agree upon the relevant provisions of the Notes to be issued pursuant to the terms set out below, such provisions to be indicated in the applicable Final Terms (as defined below), which may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify them for the purposes of this Note. References herein to the “**applicable Final Terms**” are to Part A of the Final Terms attached hereto or endorsed hereon and expressions defined or used in the applicable Final Terms shall have the same meanings in these Terms and Conditions, unless the context otherwise requires or unless otherwise stated.

The following statements are summaries of the detailed provisions of the Trust Deed and the applicable Final Terms. Copies of the Trust Deed (which contains the forms of the Notes, Receipts, Coupons and Talons), together with copies of the Agency Agreement which contains the form of the Final Terms for each issue of Notes, will be available for inspection, free of charge, at the registered office of the Trustee being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. A copy of the applicable Final Terms in relation to Notes other than Australian Domestic Notes may be obtained from the specified office of each of the Paying Agents. A copy of the Deed Poll, the Agency and Registry Agreement and the applicable Final Terms in relation to Australian Domestic Notes issued by Royal Bank may be obtained from the specified office of the Australian Registrar. In the case of Notes other than Australian Domestic Notes, the Noteholders, the holders of the Receipts (the “**Receiptholders**”), the holders of the Coupons (the “**Couponholders**”) and the holders of the Talons (the “**Talontholders**”) will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement, which will be binding on them. In the case of Australian Domestic Notes, the Noteholders will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Deed Poll and the Agency and Registry Agreement, which will be binding on them. Words and expressions defined in the Trust Deed shall have the same meanings where used herein unless the context otherwise requires or unless otherwise stated.

As used herein, “**Series**” means the Notes of each original issue of Notes together with the Notes of any further issues expressed to be consolidated and form a single series with the Notes of an original issue and which are denominated in the same currency and the terms of which (save for the Issue Date, the Interest Commencement Date or the Issue Price) are otherwise identical (including whether or not they are listed on any stock exchange) and shall be deemed to include the temporary and permanent global Notes and the definitive Notes of such Series; and the expressions “**Notes of the relevant Series**” and “**holders of Notes of the relevant Series**” and related expressions shall be construed accordingly. As used herein, “**Tranche**” means all Notes of the same Series with the same Issue Date, Interest Commencement Date and Issue Price.

*The obligations of the relevant Issuer in respect of payments of principal and interest on the Undated Tier 2 Notes are conditional upon the relevant Issuer being solvent at the time of payment by the relevant Issuer and immediately thereafter. In the event of a Winding Up or Qualifying Administration (each as defined in Condition 2(d)) of the relevant Issuer, the right to claim for interest (including Arrears of Interest (as defined in Condition 3(f))) may be limited by applicable insolvency laws.*

*The relevant Issuer may defer payments of interest in respect of Undated Tier 2 Notes as provided in Condition 3(f).*

## 1 Form, Denomination and Title

The Notes, other than Australian Domestic Notes issued by Royal Bank, are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or any combination of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, a Dual Currency Redemption Note, a Partly Paid Note, an Instalment Note or any combination of the foregoing depending upon the Redemption/Payment Basis specified in the applicable Final Terms. The appropriate provisions of these Terms and Conditions will apply accordingly.

In addition, the Notes will provide that the rights of Noteholders with regard to payments of principal will either be (i) unsubordinated (“**Ordinary Notes**”), (ii) subordinated in the manner described under Condition 2(b) below with a fixed redemption date and with terms capable of qualifying as Tier 2 Capital (the “**Dated Tier 2 Notes**”) or Upper Tier 3 Capital (the “**Tier 3 Notes**”) and, together with the Dated Tier 2 Notes, the “**Dated Subordinated Notes**”) or (iii) subordinated in the manner described under Condition 2(c) below with no fixed redemption date (“**Undated Tier 2 Notes**”). The terms “**Tier 2 Capital**” and “**Upper Tier 3 Capital**” have the respective meanings given to them by the FSA.

Subject as set out below, title to the Notes, Receipts (if any) and Coupons will pass by delivery. The Issuer, the Replacement Agent (as defined in the Agency Agreement) and any Paying Agent may (to the fullest extent permitted by applicable law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not such Note, Receipt or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph. The holder of each Receipt or Coupon, whether or not such Receipt or Coupon is attached to a Note, shall be subject to and bound by all the provisions contained in the relevant Note.

For so long as any of the Notes of this Tranche is represented by a global Note held on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”), each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, the Trustee and any Paying Agent, solely in the bearer of the relevant global Note in accordance with and subject to its terms (or the Trustee in accordance with the Trust Deed) (and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

Any reference to “**Euroclear**” and/or “**Clearstream, Luxembourg**” shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Agent.

The following provisions of this Condition 1 shall apply to Australian Domestic Notes (which may only be issued by Royal Bank) in place of the foregoing provisions of this Condition 1 in the event of any inconsistency.



Australian Domestic Notes are debt obligations of Royal Bank owing under the amended and restated Deed Poll executed on 18th June 2007 by Royal Bank in favour of the relevant Noteholders and the Trustee (the “**Deed Poll**”) and take the form of entries in a register (the “**Australian Register**”) to be maintained by BTA Institutional Services Australia Limited (ABN 48 002 916 396) (formerly known as J.P. Morgan Institutional Services Australia Limited) or such other Australian registrar appointed by Royal Bank and specified in the applicable Final Terms (the “**Australian Registrar**”). Although Australian Domestic Notes will not be constituted by the Trust Deed, Australian Domestic Notes will have the benefit of the other provisions of the Trust Deed. The Agency Agreement is not applicable to Australian Domestic Notes.

Australian Domestic Notes will not be serially numbered. Each entry in the Australian Register constitutes a separate and individual acknowledgement to the relevant Noteholder of the indebtedness of Royal Bank to the relevant Noteholder. No certificate or other evidence of title will be issued by or on behalf of Royal Bank to evidence title to an Australian Domestic Note unless Royal Bank determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

No Australian Domestic Note will be registered in the name of more than four persons. Any such Australian Domestic Note registered in the name of more than one person is held by those persons as joint tenants. Australian Domestic Notes will be registered by name only without reference to any trusteeship. The person registered in the Australian Register as a holder of an Australian Domestic Note will be treated by Royal Bank, the Trustee and the Australian Registrar as the absolute owner of that Australian Domestic Note and none of Royal Bank, the Trustee or the Australian Registrar will, except as ordered by a court or as required by statute, be obliged to take notice of any other claim to an Australian Domestic Note.

Australian Domestic Notes may only be issued by Royal Bank if (a) the consideration payable by the relevant Noteholder at the time of issue is at least A\$500,000 (disregarding moneys lent by the offeror or its associates) or if the Australian Domestic Notes are otherwise issued in a manner which would not require disclosure to investors under Part 6D.2 of the Corporations Act 2001 of Australia and (b) each subscription is in compliance with all applicable laws, regulations or directives.

Australian Domestic Notes may be transferred in whole but not in part. Australian Domestic Notes will be transferred by duly completed and (if applicable) stamped transfer and acceptance forms in the form specified by, and obtainable from, the Australian Registrar or by any other manner approved by Royal Bank and the Australian Registrar. Australian Domestic Notes entered in the Austraclear System (as defined below) will be transferable only in accordance with the Austraclear Regulations (as defined below).

Unless the Australian Domestic Notes are lodged in the Austraclear System, application for the transfer of Australian Domestic Notes must be made by the lodgment of a transfer and acceptance form with the Australian Registrar. Each transfer and acceptance form must be accompanied by such evidence (if any) as the Australian Registrar may require to prove the title of the transferor or the transferor’s right to transfer the Australian Domestic Notes and must be signed by both the transferor and the transferee.

Australian Domestic Notes will be eligible for lodgment into the Austraclear System. Australian Domestic Notes held in the Austraclear System will be held in the name of Austraclear. Title to Australian Domestic Notes held in the Austraclear System will be determined in accordance with the Austraclear Regulations.

Australian Domestic Notes may only be transferred in, to or from Australia if (a) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place, (b) the aggregate consideration payable by the transferee at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the transfer otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act 2001 of Australia and (c) the

transfer is in compliance with all applicable laws, regulations or directives. Australian Domestic Notes may only be transferred between persons in a jurisdiction or jurisdictions other than Australia if (y) a transfer and acceptance form is signed outside Australia, and (z) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place. A transfer to an unincorporated association is not permitted.

In these Terms and Conditions:

“**Austraclear**” means Austraclear Limited (ABN 94 002 060 773);

“**Austraclear Regulations**” means the regulations known as the “**Austraclear System Regulations**” established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System; and

“**Austraclear System**” means the system operated by Austraclear for holding securities and the electronic recording and settling of transactions in those securities between members of that system.

## 2 Status of the Notes

### (a) Status of the Ordinary Notes

The Ordinary Notes and the Receipts and Coupons relating thereto (if any) constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank *pari passu* and without any preference among themselves and (save to the extent that laws affecting creditors’ rights generally in a bankruptcy, winding up or administration may give preference to any of such other obligations) equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

### (b) Status of the Dated Subordinated Notes

#### (i) Status

The Dated Subordinated Notes and the Receipts and Coupons relating thereto (if any) constitute unsecured and, in accordance with paragraph (ii) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

#### (ii) Subordination

In the event of the Winding Up or Qualifying Administration (each as defined in Condition 2(d) below) of the Issuer, the rights and claims of the holders of the Dated Subordinated Notes (the “**Dated Subordinated Noteholders**”), the Receipts (if any) relating thereto (the “**Dated Subordinated Receipts**”, and “**Dated Subordinated Receiptholders**”) will be construed accordingly) and the Coupons (if any) relating thereto (the “**Dated Subordinated Coupons**”, and “**Dated Subordinated Couponholders**”) will be construed accordingly) against the Issuer in respect of or arising under the Dated Subordinated Notes and the relative Dated Subordinated Receipts and Dated Subordinated Coupons and the Trust Deed will be subordinated in the manner provided in this paragraph (ii) and in the Trust Deed to the claims of all Senior Creditors (as defined in this paragraph (ii)) but shall rank at least *pari passu* with the claims of holders of all other subordinated obligations (including guarantee obligations) of the Issuer and shall rank in priority to the claims of holders of all undated or perpetual subordinated obligations (including guarantee obligations) of the Issuer and to the claims of holders of all classes of share capital of the Issuer.

As used in this paragraph (ii) and paragraph (iii) below, “**Senior Creditors**” means creditors of the Issuer whose claims are admitted to proof in the winding up or administration of the Issuer and who are unsubordinated creditors of the Issuer.

(iii) *Set-Off*

Subject to applicable law, neither any Dated Subordinated Noteholder, Dated Subordinated Receiptholder or Dated Subordinated Couponholder nor the Trustee may exercise or claim any right of set off in respect of any amount owed to it by the Issuer arising under or in connection with the Dated Subordinated Notes, the Dated Subordinated Receipts or the Dated Subordinated Coupons and each Dated Subordinated Noteholder, Dated Subordinated Receiptholder and Dated Subordinated Couponholder shall, by virtue of his subscription, purchase or holding of any Dated Subordinated Note, Dated Subordinated Receipt or Dated Subordinated Coupon, be deemed to have waived all such rights of set off. To the extent that any set off takes place, whether by operation of law or otherwise, between: (y) any amount owed by the Issuer to a Dated Subordinated Noteholder, a Dated Subordinated Receiptholder or a Dated Subordinated Couponholder arising under or in connection with the Dated Subordinated Notes, the Dated Subordinated Receipts or the Dated Subordinated Coupons; and (z) any amount owed to the Issuer by such Dated Subordinated Noteholder, Dated Subordinated Receiptholder or, as the case may be, Dated Subordinated Couponholder, such Dated Subordinated Noteholder, Dated Subordinated Receiptholder or, as the case may be, Dated Subordinated Couponholder will immediately transfer such amount which is set off to the Issuer or, in the event of its winding up or administration (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held on trust for the Senior Creditors.

(iv) *Dated Subordinated Notes: Deferral of Payments on Tier 3 Notes*

In the case of Dated Subordinated Notes which are also specified in the relevant Final Terms as being Tier 3 Notes, the Issuer shall be entitled, by notice in writing to the Trustee (a “**Deferral Notice**”), to defer the due date for payment of any principal or interest in respect of such Dated Subordinated Notes in the circumstances described below, and, accordingly, on the giving of such Deferral Notice the due date for payment of any such principal or interest (the “**Deferred Payment**”) shall be so deferred and the Issuer shall not be obliged to make payment thereof on the date the same would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Issuer for any purpose. Accordingly the applicable provisions of these Terms and Conditions in relation to such Dated Subordinated Notes shall in all respects have effect subject to this Condition 2(b)(iv). The Issuer (A) shall give a Deferral Notice in circumstances where its Capital Resources (as defined below) would be less than its Capital Resources Requirement (as defined below) after payment of any such principal or interest in whole or in part and (B) may give a Deferral Notice where the FSA (as defined in Condition 2(d) below) has required or requested the Issuer to defer payment of the relevant Deferred Payment. Interest will accrue on principal deferred as aforesaid in accordance with the provisions of these Terms and Conditions and the Trust Deed, save that such interest shall only become due and payable at such time as the principal in respect of which it has accrued becomes due and payable under the following sentence. Promptly upon being satisfied that (x) (in the case of (A) above) its Capital Resources would not be less than its Capital Resources Requirement after payment of the whole or any part of any Deferred Payment or (y) (in the case of (B) above) the FSA will not object to the payment of the whole or any part of any Deferred Payment, the Issuer shall give to the Trustee

written notice thereof (the “**Payment Notice**”) and the relevant Deferred Payment (or the appropriate part of it) and any accrued interest as aforesaid shall become due and payable on the seventh day after the date of such Payment Notice. In addition, all Deferred Payments (or remaining part of any Deferred Payment part only of which has been made as aforesaid) which remain unpaid shall become due and payable in full on the commencement (as defined in the Trust Deed) of a winding up or Qualifying Administration of the Issuer. Where more than one Deferred Payment (or remaining part thereof) remains unpaid, payment of part thereof shall be made pro rata according to the amounts of such Deferred Payments remaining unpaid and of any accrued interest as aforesaid remaining unpaid. The Issuer shall promptly give notice to the Dated Subordinated Noteholders of the relevant Series in accordance with Condition 12 of any Deferral Notice or Payment Notice.

*In the case of Dated Subordinated Notes which constitute Upper Tier 3 Capital, the Financial Services Authority only permits payments of principal and interest to be made in respect of such Dated Subordinated Notes in circumstances where, after such payment is made, the Issuer’s Capital Resources would not be less than its Capital Resources Requirement.*

*Dated Tier 2 Notes have no provisions for the deferral of payments.*

(c) *Status of the Undated Tier 2 Notes*

(i) *Status*

The Undated Tier 2 Notes and the Coupons relating thereto constitute unsecured and, in accordance with paragraph (ii) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

(ii) *Subordination*

(x) The rights of the Trustee and the holders of the Undated Tier 2 Notes (the “**Undated Tier 2 Noteholders**”) and the Coupons relating thereto (the “**Undated Tier 2 Coupons**”, and “**Undated Tier 2 Couponholders**”) will be construed accordingly) in respect of the principal of and interest on the Undated Tier 2 Notes are subordinated to the claims of Senior Creditors (as defined in paragraph (z) below) and, accordingly, payments in respect of the principal of and interest on the Undated Tier 2 Notes are, in addition to the right of the Issuer to defer payment of interest in accordance with Condition 3(f), conditional upon the Issuer being solvent at the time of payment by the Issuer, and, subject to the provisions of Condition 2(c)(ii)(y) below, the Issuer shall have no liability to pay any amount in respect of the principal of and interest on the Undated Tier 2 Notes to the extent that the Issuer is insolvent or would become insolvent as a result of making such payment. For the purposes of this Condition 2(c)(ii)(x), the Issuer shall be solvent if (1) it is able to pay its debts as they fall due and (2) its Assets (as defined in Condition 2(d) below) exceed its Liabilities (as defined in Condition 2(d) below) to Senior Creditors. A report as to the solvency of the Issuer made by two authorised signatories of the Issuer or, in certain circumstances as provided in the Trust Deed, the Auditors (as defined in the Trust Deed) or, if the Issuer is in winding up, its liquidator or, if in an administration, its administrator, shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Undated Tier 2 Noteholders and Undated Tier 2 Couponholders as correct and sufficient evidence of such solvency.

(y) If, at any time, the Issuer is in Winding Up or in a Qualifying Administration, there shall be payable in respect of the principal of and interest on the Undated Tier 2 Notes (in lieu of any other payment by the Issuer) such amounts (if any) as would have been payable in respect thereof as if, on the day immediately prior to the commencement (as defined in the Trust Deed) of the Winding Up of the Issuer or the notice by the administrator, as the case may be, and thereafter, the Undated Tier 2 Noteholders and/or the Undated Tier 2 Couponholders and/or the Trustee, as the case may be, were holders of a class of preference shares (or preference shares forming part of a class of preference shares) in the capital of the Issuer having a preferential right to a return of assets in the Winding Up or Qualifying Administration over the holders of all other classes of shares for the time being in the capital of the Issuer on the assumption that such preference shareholders were entitled (to the exclusion of any other rights or privileges) to receive on a return of capital in such Winding Up or Qualifying Administration an amount equal to the principal amount of the Undated Tier 2 Notes together with interest accrued to the date of repayment (as provided in the Trust Deed), any interest that has not been paid as a consequence of the provisions of Condition 2(c)(ii)(x) above and any Arrears of Interest (as defined in Condition 3(f)).

(z) As used in this paragraph (ii) and paragraph (iii):

“**Senior Creditors**” means creditors of the Issuer (other than the Trustee, the Undated Tier 2 Noteholders and Undated Tier 2 Couponholders in respect of the principal of and interest on the Undated Tier 2 Notes) (a) who are depositors and/or other unsubordinated creditors of the Issuer or (b) whose claims are, or are expressed to be, subordinated to the claims of depositors and/or other unsubordinated creditors of the Issuer (whether only in the event of a winding up or administration of the Issuer or otherwise) but not further or otherwise (including, without limitation, the Dated Subordinated Noteholders, the Dated Subordinated Receiptholders and the Dated Subordinated Couponholders) or (c) who are subordinated creditors of the Issuer (whether as aforesaid or otherwise) other than those whose claims rank, or are expressed to rank, *pari passu* with or junior to the claims of the Trustee, the Undated Tier 2 Noteholders and the Undated Tier 2 Couponholders in respect of the principal of and interest on the Undated Tier 2 Notes and/or *pari passu* with or junior to any claims ranking *pari passu* with the claims of the Undated Tier 2 Noteholders and the Undated Tier 2 Couponholders in respect of the principal of and interest on the Undated Tier 2 Notes;

“**Assets**” means the total amount of the non consolidated gross assets of the Issuer; and

“**Liabilities**” means the total amount of the non consolidated gross liabilities of the Issuer,

in each case as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the above mentioned authorised signatories, Auditors, or the liquidator or administrator, as the case may be, may determine.

*It should be noted that if the Issuer would not otherwise be solvent, the amount of principal and of sums which would otherwise be payable as interest in respect of the Undated Tier 2 Notes will be available to meet the losses of the Issuer.*

*It should also be noted that the Issuer may defer payments of interest in respect of Undated Tier 2 Notes as provided in Condition 3(f).*

(iii) *Set-Off*

Subject to applicable law, neither any Undated Tier 2 Noteholder nor Undated Tier 2 Couponholder nor the Trustee may exercise or claim any right of set off in respect of any amount in respect of the principal of and interest on the Undated Tier 2 Notes owed to it by the Issuer and each Undated Tier 2 Noteholder and Undated Tier 2 Couponholder shall, by virtue of his subscription, purchase or holding of any Undated Tier 2 Note or Undated Tier 2 Coupon, be deemed to have waived all such rights of set-off. To the extent that any set-off takes place, whether by operation of law or otherwise, between: (y) any amount in respect of the principal of and interest on the Undated Tier 2 Notes owed by the Issuer to an Undated Tier 2 Noteholder or an Undated Tier 2 Couponholder; and (z) any amount owed to the Issuer by such Undated Tier 2 Noteholder or, as the case may be, Undated Tier 2 Couponholder, such Undated Tier 2 Noteholder or, as the case may be, Undated Tier 2 Couponholder will immediately transfer such amount which is set off to the Issuer or, in the event of its winding up or administration (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held on trust for the Senior Creditors.

(d) *Definitions*

In these Terms and Conditions:

“**Capital Regulations**” means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the FSA;

“**Capital Resources**” has the meaning given to such term in the Capital Regulations and shall include any successor term from time to time equivalent thereto as agreed between the Issuer and the Trustee;

“**Capital Resources Requirement**” has the meaning given to such term in the Capital Regulations and shall include any successor term from time to time equivalent thereto as agreed between the Issuer and the Trustee;

“**FSA**” means the Financial Services Authority or such other governmental authority in the United Kingdom (or, if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary supervisory authority with respect to the Issuer;

“**Qualifying Administration**” means that an administrator has been appointed in respect of the Issuer and has given notice that he/she intends to declare and distribute a dividend; and

“**Winding Up**” means any winding up of the Issuer excluding a solvent winding up solely for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the Notes of the relevant Series.

### 3 Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date specified in the applicable Final Terms at the rate(s) per annum equal to the Rate(s) of Interest payable (subject to Conditions 2(b), 2(c) and 3(f), if applicable) in arrear on the date(s) so specified on which interest is payable in each year (each an “**Interest Payment Date**”) and on the Maturity Date so specified if that does not fall on an Interest Payment Date. If the Notes are in definitive form, except as provided in the applicable Final Terms,

the amount of interest payable on each Interest Payment Date will be the Fixed Coupon Amount. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the period from the Interest Commencement Date to such Interest Payment Date differs from the period between subsequent Interest Payment Dates, the amount of the first interest payment will be the initial Broken Amount specified in the applicable Final Terms. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the final Broken Amount specified in the applicable Final Terms.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 3(a):

- (i) If “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date on which interest was paid (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date), the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and

- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year;
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; and
- (iii) if “**RBA Bond Basis**” is specified in the applicable Final Terms, one divided by the number of Interest Payment Dates in each twelve-month period (or, where the calculation period does not constitute an Interest Period, one divided by the number of Interest Payment Dates in each twelve-month period multiplied by the actual number of days in the calculation period divided by the number of days in the Interest Period ending on the next Interest Payment Date).

In this Condition:

“**Determination Period**” means the period from (and including) a Determination Date (as specified in the applicable Final Terms) to (but excluding) the next Determination Date;

“**euro**” has the meaning as is given to it in Condition 3(b)(i); and

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes and Index Linked Interest Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest and such interest will be payable (subject to Conditions 2(b), 2(c) and 3(f), if applicable) in arrear on either:

- (A) the Specified Interest Payment Date(s) (each an “**Interest Payment Date**”) in each year specified in the applicable Final Terms; or
- (B) if no Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each also an “**Interest Payment Date**”) which (save as otherwise mentioned in these Terms and Conditions or specified in the applicable Final Terms) falls the number of months or such other periods specified as the Interest Period(s) in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:



- (1) in the case where an Interest Period is specified in accordance with the preceding paragraph (B), the Floating Rate Convention, such Interest Payment Date (or other date) (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply mutatis mutandis or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day of the month in which such Interest Payment Date (or other date) would have fallen; or
- (2) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day.

In this Condition:

“**Business Day**” means (unless otherwise stated in the applicable Final Terms):

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and the Business Centre(s) (if any) specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London) which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the Trans European Automated Real time Gross Settlement Express Transfer (TARGET2) System, or any successor thereto, (the “**TARGET2 System**”) is open;

“**euro**” means the single currency introduced on 1st January 1999 pursuant to the Treaty on the Functioning of the European Union (but, for the avoidance of doubt, excluding any national currency units which are denominations of the euro); and

“**Interest Period**” means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date which may or may not be the same number of months or other period throughout the life of the Notes.

(ii) *Rate of Interest*

The rate of interest (the “**Rate of Interest**”) payable from time to time in respect of this Note if it is a Floating Rate Note or an Index Linked Interest Note will be determined in the manner specified in the applicable Final Terms.

(iii) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub paragraph (iii), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period equal to that Interest Period; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or on the Euro inter bank offered rate (“**EURIBOR**”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub paragraph (iii), (a) “**ISDA Definitions**” means the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series, published by the International Swaps and Derivatives Association, Inc. and (b) “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

When this sub paragraph (iii) applies, in respect of each relevant Interest Period:

- (A) the Rate of Interest for such Interest Period will be the Floating Rate determined by the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) in accordance with this sub paragraph (iii) plus or minus (as indicated in the applicable Final Terms) the Margin (if any); and
- (B) the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) will be deemed to have discharged its obligations under Condition 3(b)(vi) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub paragraph (iii).

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(iv) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m.

(London time) in the case of LIBOR or 11.00 a.m. (Brussels time) in the case of EURIBOR on the Interest Determination Date in question (as indicated in the applicable Final Terms) plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s). If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if subparagraph (A) above applies and no such offered quotation appears on the Relevant Screen Page or, if subparagraph (B) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at such time the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks (as defined below) or, if the Reference Rate is EURIBOR, the principal Euro zone office of each of the Reference Banks, to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the London inter bank market as at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, to leading banks in the Euro zone inter bank market as at 11.00 a.m. (Brussels time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such an offered quotation as provided above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (London time) in the case of LIBOR or, 11.00 a.m. (Brussels time) in the case of EURIBOR, on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in, if the Reference Rate is LIBOR, the London inter bank market or, if the Reference Rate is EURIBOR, the Euro zone inter bank market, plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such offered rates, the offered rate for deposits in the Specified Currency for the

relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately 11.00 a.m. (London time), in the case of LIBOR or, 11.00 a.m. (Brussels time) in the case of EURIBOR, on the relevant Interest Determination Date, any one or more banks selected by the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) for the purpose (which bank or banks shall be so selected after consultation with the Issuer and shall not include any bank or banks which in the opinion of the Issuer is not or are not suitable for such purpose) informs the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter bank market, or, if the Reference Rate is EURIBOR, the Euro zone inter bank market, as the case may be, plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

In this paragraph, the expression “**Reference Banks**” means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared and “**Euro-zone**” means the region comprised of member states of the European Union that have adopted the euro as the single currency in accordance with the Treaty on European Union.

If the Reference Rate from time to time in respect of this Note is specified in the applicable Final Terms as being other than the LIBOR or EURIBOR, the Rate of Interest in respect of this Note will be determined as provided in the applicable Final Terms.

(v) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period determined in accordance with the above provisions shall in no event be less than such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then the Interest Rate for such Interest Period determined in accordance with the above provisions shall in no event exceed such Maximum Rate of Interest.

(vi) *Determination of Rate of Interest and calculation of Interest Amount*

The Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest for any Interest Period in accordance with this Condition 3(b) unless otherwise specified in the applicable Final Terms:

1. if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non leap year divided by 365);
2. if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
3. if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Period falling in a leap year, 366;
4. if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
5. if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30;

6. if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30;

7. if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of

February but not the Maturity Date or (ii) such number would be 31, in which case  $D_2$  will be 30; and

8. if “**RBA Bond Basis**” is specified in the applicable Final Terms, one divided by the number of Interest Payment Dates in each twelve-month period (or, where the calculation period does not constitute an Interest Period, one divided by the number of Interest Payment Dates in each twelve-month period multiplied by the actual number of days in the calculation period divided by the number of days in the Interest Period ending on the next Interest Payment Date).

*(vii) Notification of Rate of Interest and Interest Amount*

The Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 12 as soon as possible after their determination but in no event later than the fourth London Business Day (where a “**London Business Day**” means a day (other than Saturday or Sunday) on which banks and foreign exchange markets are open for business in London) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 12.

*(viii) Determination or Calculation by Trustee*

If for any reason the Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with this paragraph (b), the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions in this Condition and to any terms specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and the Interest Amount(s)).

*(ix) Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b) whether by the Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) or the Trustee shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)), the Trustee, the other Paying Agents, the Australian Registrar and all Noteholders, Receiptholders and Couponholders and (in the absence of bad faith and wilful default) no liability to the Issuer, the Trustee, the Australian

Registrar, the Noteholders, the Receiptholders or the Couponholders shall attach to either the Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) or the Trustee in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Interest Notes*

In the case of Dual Currency Interest Notes, where the rate or amount of interest falls to be determined by reference to a Rate of Exchange (as specified in the applicable Final Terms), the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms and payment shall otherwise be made in accordance with Condition 4.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

(e) *Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless, upon, where applicable, due presentation thereof, payment of principal is improperly withheld or refused, or in the case of Australian Domestic Notes issued by Royal Bank, payment is not made in accordance with the Agency and Registry Agreement. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable has been received by the Agent, or, in the case of Australian Domestic Notes, the Australian Registrar and notice to that effect has been given to Noteholders in accordance with Condition 12 or individually.

(f) *Deferral of Interest on Undated Tier 2 Notes*

On any Interest Payment Date (as defined below) there may be paid (subject to Condition 2(c)(ii)(x)) the interest in respect of any Series of Undated Tier 2 Notes accrued in the Interest Period ending on the day immediately preceding such date, but the Issuer may defer such payment in accordance with this Condition 3(f). If the Issuer opts to defer payment of interest on an Interest Payment Date, it shall give not less than 30 days' notice of such option to the Trustee and the Undated Tier 2 Noteholders in accordance with Condition 12. Any interest in respect of any Series of Undated Tier 2 Notes not paid on any Interest Payment Date, together with any other interest in respect thereof not paid on any other Interest Payment Date, shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest may, at the option of the Issuer but subject to Condition 2(c)(ii)(x), be paid in whole or in part at any time upon the expiration of not less than 14 days' notice to such effect given to the Trustee, and to the Undated Tier 2 Noteholders of the relevant Series in accordance with Condition 12, but all Arrears of Interest in respect of all Undated Tier 2 Notes for the time being outstanding (as defined in the Trust Deed) shall (subject to Condition 2(c)(ii)(x)) become due in full on whichever is the earlier of (i) the date fixed for any repayment pursuant to Condition 5(b), (c) or (d), or (ii) the commencement of a Winding Up or a Qualifying Administration of the Issuer. If notice is given by the Issuer of its intention to pay the whole or any part of any Arrears



of Interest in respect of the Undated Tier 2 Notes of any Series, the Issuer shall be obliged (subject to Condition 2(c)(ii)(x)) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be in respect of the full amount of the Arrears of Interest accrued due to the relevant Interest Payment Date or consecutive Interest Payment Dates furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

If, on any Interest Payment Date, interest in respect of any Series of Undated Tier 2 Notes shall not have been paid either as a result of the exercise by the Issuer of its discretion pursuant to this Condition 3(f) or the operation of Condition 2(c)(ii)(x), then from the date of such Interest Payment Date until such time as the full amount of such Arrears of Interest has been received by the Agent or the Trustee and no other Arrears of Interest remains unsatisfied, the Issuer shall not and shall procure that no member of the Group shall declare or pay a distribution or dividend on any class of share capital (other than any Mandatory Preference Shares) of (1) RBSG (if at the relevant time RBSG is the Holding Company (as defined below)), or (2) the Holding Company (if at the relevant time the Holding Company is a company other than RBSG), or (3) the Issuer to any person who is not a member of the Group (as defined below), or (4) RBSG (if at the relevant time the Holding Company is a company other than RBSG) to any person who is not a member of the Group (in each case other than a final dividend declared, made or paid by the relevant company before the Issuer gives notice of its option not to pay interest as described above).

As used in this paragraph (f):

“**Group**” means the Holding Company and its subsidiaries (as such term is defined in the Companies Act 1985, as amended or re-enacted from time to time);

“**Holding Company**” means RBSG or otherwise the ultimate holding company for the time being of the Issuer and RBSG or, if at any relevant time there shall be no such Holding Company, then “Holding Company” shall mean the Issuer itself;

“**Interest Payment Date**” means each Interest Payment Date on which interest is to be paid on the relevant Undated Tier 2 Notes;

“**Interest Period**” means the period from and including one Interest Payment Date (or, in the case of the first Interest Period, the Interest Commencement Date of the relevant Undated Tier 2 Notes) up to but excluding the next (or first) Interest Payment Date; and

“**Mandatory Preference Shares**” means any class of preference shares the terms of which do not provide for the relevant issuer’s board of directors to be able to cancel, defer, pass or eliminate any distribution or dividend payment at its discretion.

## 4 Payments

### (a) *Method of Payment*

Subject as provided below:

- (i) payments in respect of definitive Notes in a Specified Currency (other than euro) will be made at the option of the bearer either by transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non resident account) maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively); and

- (ii) payments in respect of definitive Notes in euro will be made by credit or transfer to a euro account (or any other 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 subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

(b) *Presentation of Notes, Receipts and Coupons*

Payments of principal in respect of definitive Notes (if issued) will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of such definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States. Payments under paragraph (a) above made, at the option of the bearer of such Note or Coupon, by cheque shall be mailed or delivered to an address outside the United States furnished by such bearer. Subject to any applicable laws and regulations, such payments made by transfer will be made in immediately available funds to an account maintained by the payee with a bank located outside the United States. No payment in respect of any definitive Note or Coupon will be made upon presentation and surrender of such definitive Note or Coupon at any office or agency of the Issuer or any Paying Agent in the United States, nor will any such payment be made by transfer to an account, or by mail to an address, in the United States.

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above against presentation and surrender of the relevant definitive Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains, against which the amount payable in respect of the relevant instalment will be paid. If any definitive Notes are redeemed or become payable prior to the Maturity Date in respect thereof, principal will be payable on surrender of such Notes together with all unmatured Receipts appertaining thereto. Unmatured Receipts and Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the full amount of such missing unmatured Coupon as the sum so paid bears to the total sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time thereafter but before the expiry of ten years after the Relevant Date (as defined in Condition 6) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) or, if later, five years from the date on which such Coupon would otherwise have become due.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, all unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant global Note, where applicable, against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside the United States. A record of each payment made distinguishing between any payment of principal and any payment of interest, will be made on such global Note either by the Paying Agent to which such global Note is presented for the purpose of making such payment or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note. No person other than the holder of such global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of any Paying Agent in the United States (which expression, as used in this Condition, 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)) if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest due on the Notes in the manner provided above when due;
- (ii) payment in U.S. dollars of the full amount of such due principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences for the Issuer.

(c) *Payments in respect of Australian Domestic Notes*

The Australian Registrar will act as principal paying agent for Australian Domestic Notes pursuant to the Agency and Registry Agreement.

Payments of principal and interest will be made in Australian dollars to the persons registered at the close of business on the relevant Record Date (as defined below) as the holders of such Notes, subject in all cases to normal banking practice and all applicable laws and regulations. Payment will be made by cheques drawn on an Australian bank dispatched by post on the relevant payment date at the risk of the Noteholder or, at the option of the Noteholder, by the Australian Registrar in Sydney giving irrevocable instructions for the effecting of a transfer of the relevant funds to an Australian dollar account in Australia specified by the Noteholder to the Australian Registrar, or in any other manner in Sydney which the Australian Registrar and the Noteholder agree.

In the case of payments made by electronic transfer, payments will for all purposes be taken to be made when the Australian Registrar gives irrevocable instructions in Sydney for the making of the relevant payment by electronic transfer, being instructions which would be reasonably expected to result, in the ordinary course of banking business, in the funds transferred reaching the account of the Noteholder and, in the case of accounts maintained in Australia, reaching the account on the same day as the day on which the instructions are given.

If a cheque posted or an electronic transfer for which irrevocable instructions have been given by the Australian Registrar is shown, to the satisfaction of the Australian Registrar, not to have reached the Noteholder and the Australian Registrar is able to recover the relevant funds, the Australian Registrar may make such other arrangements as it thinks fit for the effecting of the payment.

Interest will be calculated in the manner specified in Condition 3 above and will be payable to the persons who are registered as Noteholders on the relevant Record Date and cheques will be made payable to the Noteholder (or, in the case of joint Noteholders, to the first named) and sent to his registered address, unless instructions to the contrary are given by the Noteholder (or, in the case of joint Noteholders, by all the Noteholders) in such form as may be prescribed by the Australian Registrar. Payments of principal will be made to, or to the order of, the persons who are registered as Noteholders on the relevant Record Date, subject, if so directed by the Australian Registrar, to receipt from them of such instructions as the Australian Registrar may require.

In this Condition 4(c), “**Record Date**” means, in the case of payments or principal or interest, the close of business in Sydney on the date which is the eighth calendar day before the due date of the relevant payment of principal or interest.

(d) *Payment Date*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Date, the holder thereof shall not be entitled to payment of the amount due until the next following Payment Date in the relevant place and shall not be entitled to any interest or other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, “**Payment Date**” means any day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation (save, in the case of a global Note, where presentation is not required) (and in the case of payment in euro in the place where the euro account specified by the payee is located) or, in respect of Australian Domestic Notes issued by Royal Bank, a day (other than a Saturday, Sunday or

public holiday) on which banks are open for general banking business in Sydney and Melbourne; and

- (ii) a Business Day (as defined in Condition 3(b)(i)).

(e) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 6 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed or the Deed Poll;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Instalment Notes, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 5(f)); and
- (vii) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed or the Deed Poll.

In this Condition, “euro” has the meaning as is given to it in Condition 3(b)(i).

## **5 Redemption and Purchase**

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each Ordinary Note and each Dated Subordinated Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date. Undated Tier 2 Notes have no final maturity date and are only redeemable in accordance with the following provisions of this Condition 5 or Condition 8(c).

(b) *Redemption for Tax Reasons*

The Notes of any Series may (subject, in the case of the Dated Subordinated Notes and the Undated Tier 2 Notes, to the provisions of Condition 5(l) and, in the case of the Undated Tier 2 Notes, Condition 2(c)(ii)(x)) be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of a Note other than a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) or only on an Interest Payment Date (in the case of a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), at their Early

Redemption Amount (as determined in accordance with paragraph (f) below), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) it has or will or would, but for redemption, become obliged to pay additional amounts as provided or referred to in Condition 6 in respect of any of the Notes of such Series;
- (ii) the payment of interest in respect of any of the Notes of such Series would be a “**distribution**” for United Kingdom tax purposes; or
- (iii) in respect of the payment of interest in respect of any of the Notes of such Series, the Issuer would not to any material extent be entitled to have any attributable loss or non-trading deficit set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date on which agreement is reached to issue the first Tranche of Notes of such Series or any similar system or systems having like effect as may from time to time exist),

in each such case, as a result of any change in, or amendment to, the laws or regulations of the Relevant Jurisdiction (as defined in Condition 6) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes of that Series and cannot be avoided by the Issuer taking reasonable steps available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts as referred to in paragraph (i) above, would be treated as making distributions as referred to in paragraph (ii) above or would not be entitled to have the loss or non-trading deficit set against the profits as referred to in paragraph (iii) above were a payment in respect of the Notes of that Series then due. Upon the expiration of such notice the Issuer shall be bound to redeem such Notes at their Early Redemption Amount together with, in the case of Undated Tier 2 Notes, all Arrears of Interest as aforesaid.

*(c) Redemption due to Capital Disqualification Event*

Any Series of Dated Subordinated Notes or Undated Tier 2 Notes may, subject to the provisions of Condition 5(l) and, in the case of Undated Tier 2 Notes, Condition 2(c)(ii)(x), be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of a Note other than a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) or only on an Interest Payment Date (in the case of a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note) on giving not less than 30 nor more than 60 days’ notice to the Trustee and the Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that a Capital Disqualification Event has occurred and is continuing.

Upon the expiration of such notice, the Issuer shall be bound to redeem such Notes at their Early Redemption Amount (as determined in accordance with paragraph (f) below) together with, in the case of Undated Tier 2 Notes, all Arrears of Interest as aforesaid.

As used in this Condition 5(c), a “**Capital Disqualification Event**” shall be deemed to have occurred if, with respect to the Notes of any Series which comprise a certain class of Eligible Capital (as defined below) on the Issue Date of the first Tranche of Notes of that Series, the FSA has confirmed to the Issuer that the Notes are no longer of a type capable of comprising that class of Eligible Capital.

“**Eligible Capital**” means that the relevant Notes are treated on issue by the FSA as eligible for inclusion in the Upper Tier Two Capital, Lower Tier Two Capital or Upper Tier Three Capital (as each such term, or the equivalent thereto from time to time, has the meaning given to it in the Capital Regulations), as the case may be, of the Issuer on a solo and/or consolidated basis.

(d) *Call Option – Redemption at the Option of the Issuer*

If the Issuer is specified in the applicable Final Terms as having an option to redeem the Notes of any Series (other than any Series of Guaranteed Notes), the Issuer may (subject, in the case of the Dated Subordinated Notes and the Undated Tier 2 Notes, to the provisions of Condition 5(l) and, in the case of the Undated Tier 2 Notes, Condition 2(c)(ii)(x) and unless otherwise specified in the applicable Final Terms), having given not less than 30 nor more than 60 days’ notice to the Agent and the Noteholders of that Series in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes of such Series then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date(s) and including, in the case of Undated Tier 2 Notes, all Arrears of Interest. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not greater than the Maximum Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of Notes of any Series, the Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot at such place and in such manner as the Agent may approve and deem fair and reasonable, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 not less than 15 nor more than 30 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this subparagraph (c) and notice to that effect shall be given by the Issuer to the Noteholders of the relevant Series in accordance with Condition 12 at least 10 days prior to the Selection Date.

(e) *Put Option – Redemption at the Option of the Noteholders\**

If the Noteholders of any Series (other than any Series of Guaranteed Notes) are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Note of such Series giving to the Issuer in accordance with Condition 12 not less than 45 nor more than 60 days’ notice or such other period of notice as is specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date (which Optional Redemption Date shall, in the case of a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note be an Interest Payment Date) and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

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\*Not applicable to Dated Subordinated Notes or Undated Tier 2 Notes.

If the Note is in definitive form, to exercise the right to require redemption of the Note the holder of the Note must deliver such Note at the specified office of any Paying Agent on any Business Day at any time during normal business hours of such Paying Agent falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a “**Put Notice**”) in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

(f) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 8, the Notes of any Series will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of:
  - (A) the Reference Price specified in the applicable Final Terms; and
  - (B) the product of the Accrual Yield specified in the applicable Final Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and payable; or
- (iv) in the case of Index Linked Redemption Notes, at the amount (the “**Calculated Redemption Amount**”) determined by reference to the Index and/or the Formula and in the manner specified in the applicable Final Terms; or
- (v) in the case of Dual Currency Redemption Notes where the amount payable upon redemption falls to be determined by reference to the Rate of Exchange, at the amount calculated by reference to such Rate of Exchange; and
- (vi) if and to the extent not taken into account in paragraphs (i) to (v) above, adding (if appropriate) interest accrued to the date fixed for redemption.

(g) *Instalments*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Final Terms in accordance with Condition 4(b).

(h) *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition, but subject as provided in the applicable Final Terms.



(i) *Purchases*

The Issuer may (subject, in the case of the Dated Subordinated Notes and the Undated Tier 2 Notes, to the prior consent of, or notification to (and no objection being raised by, the FSA), in each case solely to the extent then required) at any time purchase beneficially or procure others to purchase beneficially for its account Notes of any Series (provided that, in the case of definitive Notes, all unmatured Receipts and Coupons appertaining thereto are purchased therewith) in the open market, by tender or by private treaty. Notes purchased or otherwise acquired by the Issuer may be held or resold or, at the discretion of the Issuer and, in the case of Notes other than Guaranteed Notes only, surrendered to the Agent for cancellation (together with (in the case of definitive Notes) any unmatured Coupons or Receipts attached thereto or purchased therewith).

(j) *Cancellation*

All Notes which are redeemed or purchased or otherwise acquired as aforesaid and surrendered to the Agent for cancellation will forthwith be cancelled (together, in the case of definitive Notes, with all matured Receipts and Coupons attached thereto or surrendered therewith at the time of redemption) and thereafter may not be re-issued or resold.

(k) *Late Payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c), (d), (e) or (f) above or upon its becoming due and repayable as provided in Condition 8 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (f)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 12.

(l) *Redemption of Dated Subordinated Notes and Undated Tier 2 Notes*

Undated Tier 2 Notes and (in the case only of redemption prior to the relevant Maturity Date) Dated Subordinated Notes may only be redeemed by the Issuer pursuant to Condition 5(b), Condition 5(c) or 5(d) provided that:

- (i) the Issuer has notified the FSA at least one month (or such other period, longer or shorter, as the FSA may then require or accept) before it becomes committed to such a redemption and no objection thereto has been raised by the FSA or (if required) the FSA has provided its consent thereto; and
- (ii) when giving notice pursuant to Condition 5(l)(i) above, the Issuer has provided details, satisfactory to the Trustee, in order to demonstrate that following such redemption, the Issuer will (A) be in compliance with its capital resources requirements and (B) have sufficient financial resources to meet the overall financial adequacy rule, each as provided in the Capital Regulations (except to the extent that the FSA no longer so requires).

There is no fixed redemption date for Undated Tier 2 Notes and the Issuer shall (subject to the provisions of Condition 5(b), Condition 5(c), Condition 5(d) or this Condition 5(l)

and Condition 8) only have the right to repay them in accordance with such provisions as may be specified in the applicable Final Terms.

*(m) Interpretation*

In relation to Australian Domestic Notes, references in this Condition 5 to the Paying Agent or Agent shall be deemed to be to the Australian Registrar and references to the Agency Agreement shall be deemed to be to the Agency and Registry Agreement.

## **6 Taxation**

All payments of principal and/or interest in respect of Notes, Receipts and/or Coupons by the Issuer shall (save as may be provided in the applicable Final Terms) be made without withholding or deduction for, or on account of, any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay (subject, in the case of the Undated Tier 2 Notes, to Condition 2(c)(ii)(x)) such additional amounts as will result (after such withholding or deduction) in the payment to the holders of the Notes, Receipts or Coupons of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes, Receipts and/or Coupons; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

- (a) by or on behalf of any holder who is liable to such tax, duty or charge in respect of such Note, Receipt or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of such Note, Receipt or Coupon; and/or
- (b) in the United Kingdom; and/or
- (c) in circumstances where such withholding or deduction would not be required if the holder or any person acting on his behalf had obtained and/or presented any form or certificate or had made a declaration of non residence or similar claim for exemption upon the presentation or making of which the holder would have been able to avoid such withholding or deduction; and/or
- (d) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days; and/or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and/or
- (f) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; and/or
- (g) in respect of a payment in relation to Australian Domestic Notes issued by RBS Australia Branch, by, or by a party on behalf of, a holder who is liable to such taxes, duties or charges in respect of such a Note, Receipt or Coupon by reason of their being an associate of the Issuer for the purposes of section 128F(6) of the Income Tax Assessment Act 1936 of Australia; and/or
- (h) in relation to Australian Domestic Notes issued by RBS Australia Branch, in respect of a payment to, or to a third party on behalf of, an Australia resident holder or a non Australian resident holder carrying on business in Australia at or through a permanent establishment of the non Australian resident in Australia, in circumstances where such

withholding or deduction would not have been required if the holder or any person acting on his behalf had provided an appropriate tax file number, Australian business number or details of another exemption; and/or

- (i) in such other circumstances as may be specified in the applicable Final Terms.

The “**Relevant Date**” in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been duly received (in the case of Notes other than Australian Domestic Notes) in London by the Agent or the Trustee or (in the case of Australian Domestic Notes) by the Australian Registrar, in either case on or prior to such due date) the date on which, the full amount of such moneys having been so received, notice to that effect is given to the Noteholders in accordance with Condition 12.

The “**Relevant Jurisdiction**” means:

- (a) in the case of Australian Domestic Notes issued by RBS Australia Branch, the United Kingdom and the Commonwealth of Australia; and
- (b) in all other cases, the United Kingdom.

## **7 Prescription**

The Bearer Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 6) therefor. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 4(b) or any Talon which would be void pursuant to Condition 4(b). The rights of holders of Registered Notes to make claims against the Issuer for payments of principal will become void ten years after the Relevant Date. The rights of holders of Registered Notes to make claims against the Issuer for payments of interest will become void five years after the Relevant Date.

## **8 Events of Default**

### *(a) Ordinary Notes*

The Trustee at its discretion may, and if so requested in writing by the holders of at least one fifth in nominal amount of the Ordinary Notes of any Series then outstanding or if so directed by an Extraordinary Resolution of the holders of the Ordinary Notes of any Series then outstanding, shall (subject, in the case of the happening of any of the events mentioned in sub paragraph (ii) below, to the Trustee having certified in writing to the Issuer that the happening of such event is, in its opinion, materially prejudicial to the interests of holders of the Ordinary Notes of that Series), subject to its being indemnified and/or secured and/or prefunded to its satisfaction, give notice to the Issuer that the Ordinary Notes of that Series are, and they shall accordingly immediately become, due and payable if any of the following events occurs and is continuing:

- (i) if default is made for a period of seven days or more in the payment of any principal or 14 days or more in the payment of any interest due in respect of the Ordinary Notes of that Series or any of them; or
- (ii) if the Issuer fails to perform or observe any of its other obligations under the Ordinary Notes of that Series and the Receipts and Coupons (if any) relating thereto or the Trust Deed and (except in the case of a failure to observe a payment obligation under the terms thereof) such failure continues for a period of 30 days after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied; or

- (iii) if an order is made or an effective resolution is passed for the Winding Up, dissolution or liquidation of the Issuer.

Unless otherwise specified in the applicable Final Terms, Ordinary Notes which become due and repayable pursuant to this paragraph (a) shall be repaid by the Issuer at the relevant Early Redemption Amount specified in Condition 5(f).

At any time after the Ordinary Notes of any Series or any of them shall have become immediately due and repayable and have not been repaid the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment thereof together with accrued interest and to enforce the provisions of the Trust Deed, but it shall not be bound to institute any such proceedings unless (x) it shall have been so directed by an Extraordinary Resolution of the holders of Ordinary Notes of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Ordinary Notes of such Series then outstanding and (y) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No holder of Ordinary Notes of any Series or the Receipts or Coupons relating thereto shall be entitled to proceed against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

(b) *Dated Subordinated Notes*

- (i) If default shall be made in the payment of any principal or interest due on the Dated Subordinated Notes of the relevant Series for a period of seven days or more after any date on which the payment of principal is due or 14 days or more after any date on which the payment of interest is due (as the case may be) the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer and/or prove in any winding up of the Issuer, but may take no other action in respect of such default.
- (ii) If an order is made or an effective resolution is passed for the Winding Up of the Issuer, the Trustee may, and if so requested in writing by the holders of at least one fifth in nominal amount of the Dated Subordinated Notes of the relevant Series then outstanding or if so directed by an Extraordinary Resolution of the Dated Subordinated Noteholders of any Series then outstanding shall (if it shall have been indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Dated Subordinated Notes of such Series are, and they shall accordingly immediately become, due and repayable at their Early Redemption Amount (subject to Condition 2(b)(ii)).
- (iii) Without prejudice to paragraph (i) or (ii) above, if the Issuer breaches any of its obligations under the Trust Deed or the Dated Subordinated Notes, the Dated Subordinated Receipts or Dated Subordinated Coupons of the relevant Series (other than any obligation for the payment of principal or interest on such Dated Subordinated Notes, the Dated Subordinated Receipts or Dated Subordinated Coupons) then the Trustee may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Dated Subordinated Notes, Dated Subordinated Receipts or Dated Subordinated Coupons sooner than the same would otherwise have been payable by it.
- (iv) The Trustee shall not be bound to take any of the actions referred to in paragraph (i) or (iii) above to enforce the obligations of the Issuer in respect of the Dated Subordinated Notes, the Dated Subordinated Receipts and the Dated Subordinated Coupons of any Series or any other action pursuant to or in connection with the

Trust Deed or the Dated Subordinated Notes, the Dated Subordinated Receipts or the Dated Subordinated Coupons of any Series unless (x) it shall have been so directed by an Extraordinary Resolution of the Dated Subordinated Noteholders of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Dated Subordinated Notes of such Series then outstanding and (y) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

- (v) No Dated Subordinated Noteholder, Dated Subordinated Receiptholder or Dated Subordinated Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and then only in the name of the Trustee and on giving an indemnity satisfactory to the Trustee, and only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. No Dated Subordinated Noteholder, Dated Subordinated Receiptholder or Dated Subordinated Couponholder shall be entitled to institute proceedings for the winding up of the Issuer, or to prove in such winding up, except that if the Trustee, having become bound to proceed directly against the Issuer, fails to do so, or, being able to prove, fails to do so in such winding up (in each case within a reasonable period) and such failure shall be continuing, then any Dated Subordinated Noteholder, Dated Subordinated Receiptholder or Dated Subordinated Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding up of the Issuer and/or prove in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

(c) *Undated Tier 2 Notes*

Notwithstanding any of the provisions below in Condition 8(c), the right to institute winding up proceedings is limited to circumstances where the relevant payment of principal or interest (as the case may be) has become due. No principal, premium, interest or any other amount will be due unless the condition to payment set out in Condition 2(c)(ii)(x) is satisfied. Also, in the case of any payment of interest, such payment will not be due if the Issuer has elected to defer that payment pursuant to Condition 3(f).

- (i) If default shall be made in the payment of any principal or interest due on the Undated Tier 2 Notes of the relevant Series for a period of seven days or more after any date on which the payment of principal is due or 14 days or more after any date on which the payment of interest is due (as the case may be) the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer and/or prove in any winding up of the Issuer, but may take no other action in respect of such default.
- (ii) Without prejudice to paragraph (i) above, if the Issuer breaches any of its obligations under the Trust Deed or the Undated Tier 2 Notes or the Undated Tier 2 Coupons of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Undated Tier 2 Notes or Undated Tier 2 Coupons) then the Trustee may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Undated Tier 2 Notes or Undated Tier 2 Coupons sooner than the same would otherwise have been payable by it.

- (iii) The Trustee shall not be bound to take any of the actions referred to in paragraph (i) or (ii) above to enforce the obligations of the Issuer in respect of the Undated Tier 2 Notes and Undated Tier 2 Coupons of any Series or any other action pursuant to or in connection with the Trust Deed or the Undated Tier 2 Notes or the Undated Tier 2 Coupons of any Series unless (x) it shall have been so directed by an Extraordinary Resolution of the Undated Tier 2 Noteholders of such Series or so requested in writing by the holders of at least one fifth in nominal amount of the Undated Tier 2 Notes of such Series then outstanding and (y) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- (iv) No Undated Tier 2 Noteholder or Undated Tier 2 Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and then only in the name of the Trustee and on giving an indemnity satisfactory to the Trustee, and only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. No Undated Tier 2 Noteholder or Undated Tier 2 Couponholder shall be entitled to institute proceedings for the winding up of the Issuer or to prove in such winding up, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so, or, being able to prove, fails to do so in such a winding up (in each case, within a reasonable period) and such failure shall be continuing, then any Undated Tier 2 Noteholder or Undated Tier 2 Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding up of the Issuer and/or prove in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

## **9 Replacement of Notes, Receipts, Coupons and Talons**

Should any Bearer Note (including any global Note), Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bearer Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **10 Agent, Paying Agents and Registrar**

### *(a) Bearer Notes*

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as any Bearer Notes are listed on any stock exchange or admitted to listing by any other relevant listing authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or relevant listing authority;
- (ii) there will at all times be a Paying Agent with a specified office in a city in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated;

- (iii) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (iv) there will at all times be an Agent.

In addition, in relation to Bearer Notes, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 4(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 12.

In acting under the Agency Agreement, the Agent and the other Paying Agents will act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee, and do not assume any obligations or relationships of agency or trust to or with the Noteholders, Receiptholders and Couponholders, except that (without affecting the obligations of the Issuer to the Noteholders, Receiptholders and Couponholders to repay Notes and pay interest thereon) funds received by the Agent and any other Paying Agent for the payment of any sums due in respect of the Bearer Notes shall be held by them in trust for the Noteholders and/or Receiptholders and/or Couponholders until the expiration of the relevant period of prescription under Condition 7. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Issuer without being liable to account to the Noteholders, Receiptholders or Couponholders for any resulting profit.

(b) *Registered Notes*

The name of the initial Australian Registrar and its initial specified office is set out below.

In acting under the Agency and Registry Agreement, the Australian Registrar does not assume any responsibility for any obligation or relationship of agency or trust for or with any of the Noteholders, except that, all sums received from or on behalf of Royal Bank for the payment of principal or interest on any Australian Domestic Notes (excluding any withholdings or deductions made, or to be made, by the Australian Registrar in accordance with the Agency and Registry Agreement) shall be held on trust for the benefit of the persons entitled thereto until such sums shall be paid to such persons or otherwise disposed of as set forth in the Agency and Registry Agreement.

The Agency and Registry Agreement contains provisions for indemnification of the Australian Registrar and relief from responsibility in certain circumstances, and entitles the Australian Registrar to engage in any kind of business with the Issuer.

## **11 Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may (subject to Condition 7) be surrendered at the specified office of the Agent or any other Paying Agent outside the United States in exchange for a further Coupon sheet, including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## 12 Notices

All notices regarding the Notes (other than Australian Domestic Notes issued by Royal Bank) of any Series shall be validly given if published in a leading English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*). Any such notice will be deemed to have been given on the date of such publication in such leading newspaper or, if published more than once, on the date of the first publication. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes of any Series in accordance with this Condition. Notices regarding Australian Domestic Notes shall be published in a leading daily newspaper of general circulation in Australia. It is expected that such notices will normally be published in the *Australian Financial Review*. Any such notice will be deemed to have been given on the date of such publication. If the giving of notice as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

So long as no definitive Notes are in issue in respect of a particular Series, there may, so long as the global Note(s) for such Series is or are held in its or their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes, except that so long as the Notes for such Series are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's regulated market and the rules of the UK Listing Authority and the London Stock Exchange so require, the relevant notice shall also be published in a leading newspaper having general circulation in London. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent (in the case of Bearer Notes) or Royal Bank (in the case of the Australian Domestic Notes). Whilst any Notes are represented by a global Note, such notice may be given by a Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

## 13 Enforcement and Remedies

### (a) *All Notes*

Save as otherwise provided herein and without prejudice to Conditions 8(a), 8(b)(v) and 8(c)(iv), only the Trustee may pursue the remedies available under the general law or under the Trust Deed to enforce the rights of holders of Bearer Notes, Receiptholders and Couponholders and no holder of a Bearer Note, Receiptholder or Couponholder shall be entitled to take proceedings directly against the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails to do so within a reasonable time and such failure is continuing.

Holders of Registered Notes are entitled to enforce the Deed Poll independently from the Trustee, the Australian Registrar and each other holder of Registered Notes.

### (b) *Dated Subordinated Notes*

No remedy against the Issuer, other than as referred to in Condition 8(b), shall be available to the Trustee or any Dated Subordinated Noteholder, Dated Subordinated Couponholder or Dated Subordinated Receiptholder (i) for the recovery of amounts owing in respect of or arising under the Trust Deed, the Dated Subordinated Notes, the relative Dated Subordinated Coupons or the relative Dated Subordinated Receipts or (ii)



in respect of the breach of any other term or condition or other obligation binding on the Issuer under or in respect of the Trust Deed, the Dated Subordinated Notes, the relative Dated Subordinated Coupons or the relative Dated Subordinated Receipts.

*(c) Undated Tier 2 Notes*

No remedy against the Issuer, other than as referred to in Condition 8(c), shall be available to the Trustee or any Undated Tier 2 Noteholder or Undated Tier 2 Couponholder (i) for the recovery of amounts owing in respect of or arising under the Trust Deed, the Undated Tier 2 Notes or the relative Undated Tier 2 Coupons or (ii) in respect of the breach of any other term or condition or other obligation binding on the Issuer under or in respect of the Trust Deed, the Undated Tier 2 Notes or the relative Undated Tier 2 Coupons.

#### **14 Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor**

The Trust Deed contains provisions for convening meetings of Noteholders (or the holders of the Notes of any one or more Series) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Terms and Conditions of the Notes of any one or more Series or the provisions of the Trust Deed or the Deed Poll or the Agency and Registry Agreement. Such a meeting may be convened by the Trustee, the Issuer or the Trustee upon the request of Noteholders holding not less than ten per cent. in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being remaining outstanding. The quorum at any such meeting convened to consider a resolution proposed as an Extraordinary Resolution is two or more persons holding or representing a clear majority in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) whatever the nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding so held or represented, except that at any meeting the business of which includes the modification of certain of the Terms and Conditions of the Notes (or, as the case may be, the Notes of the relevant one or more Series) (including postponing the date of maturity of such Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Notes, varying the method of calculating the rate of interest or reducing the minimum or maximum rate of interest on the Notes, altering the currency of payment of such Notes and the Receipts and Coupons relating thereto or modifying the majority required to pass an Extraordinary Resolution) or certain of the provisions of the Trust Deed or the Deed Poll or the Agency and Registry Agreement, the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than two thirds, or at any adjourned such meeting not less than one third, in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding. An Extraordinary Resolution in writing or duly passed at any meeting of the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) shall be binding on all the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series), whether or not they are present at the meeting, and on all holders of Receipts and Coupons relating to the relevant Notes.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series), to:

- (a) any modification (subject to certain exceptions as provided in the Trust Deed) of the Terms and Conditions of the Notes (or, as the case may be, the Notes of any one or more Series) or of the provisions of the Trust Deed, the Agency and Registry Agreement or the Deed Poll which in its opinion is not materially prejudicial to the interests of the

Noteholders, Receiptholders or Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series); or

- (b) any modification of the Notes (or, as the case may be, the Notes of the relevant one or more Series), the Receipts and Coupons relating thereto or the Trust Deed, the Agency and Registry Agreement or the Deed Poll which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

In the case of Guaranteed Notes, no modification of the Terms and Conditions of the Guaranteed Notes shall be effected without the prior written consent of HM Treasury having been obtained by the relevant Issuer.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders (or, as the case may be, the holders of the Notes, Receipts or Coupons of the relevant one or more Series) and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders (or, as the case may be, the holders of the Notes of the relevant one or more Series) in accordance with Condition 12 as soon as practicable thereafter. No modification of these conditions insofar as it relates to the Terms and Conditions of any Series of either Dated Subordinated Notes or Undated Tier 2 Notes shall be effected without the prior consent of, or notification to (and no objection being raised by), the FSA.

The Trustee may also waive or authorise any breach or proposed breach of the Terms and Conditions of the Notes of any Series or the provisions of the Trust Deed, the Agency and Registry Agreement or the Deed Poll in relation to such Notes which, in its opinion, is not materially prejudicial to the interests of the Noteholders of the relevant Series.

The Trustee may also agree, subject to the conditions set out in the immediately following sentence and to such amendment of the Trust Deed (and the Deed Poll where applicable) and such other conditions as the Trustee may require, but without the consent of the Noteholders, the Receiptholders or the Couponholders of the relevant Series of Notes, to the substitution of the Holding Company or of a subsidiary of the Issuer or of a Successor in Business (as defined in the Trust Deed) in place of the Issuer as principal debtor under the Notes, the Receipts and the Coupons of any Series and under the Trust Deed (and the Deed Poll where applicable) in relation to such Notes, Receipts and Coupons. Such agreement shall only be granted if, *inter alia*, the Trustee is satisfied that such substitution is not materially prejudicial to the interests of the Noteholders, the Receiptholders and the Couponholders of such Series.

No such substitution shall be effected in relation to any Series of Dated Subordinated Notes or Undated Tier 2 Notes without the prior consent of, or notification to (and no objection being raised by), the FSA.

In connection with the exercise by it of any of its trusts, power, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders of the relevant Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders of that Series (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent provided

for in Condition 6 (and/or any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed).

Notwithstanding the foregoing, meetings of the holders of Australian Domestic Notes shall be convened and conducted in accordance with the provisions set out in the Schedule to the Deed Poll.

## **15 Further Issues**

The Issuer shall be at liberty from time to time without the consent of the relevant Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as (or the same in all respects save for the Issue Date, Interest Commencement Date and Issue Price), and so that the same shall be consolidated and form a single Series with, the outstanding Notes of a particular Series.

## **16 Indemnification**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any of its subsidiaries without accounting for any profit resulting therefrom and to act as Trustee for the holders of any other securities issued by the Issuer.

## **17 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## **18 Governing Law and Submission to Jurisdiction**

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons, and any non-contractual obligations arising out of or in connection with them, shall be governed by, and construed in accordance with, English law, except that the provisions of Conditions 2(b) and 2(c) (and related provisions of the Trust Deed) relating to subordination of the Dated Subordinated Notes and the Undated Tier 2 Notes, respectively, are governed by, and shall be construed in accordance with, Scots law. Australian Domestic Notes, the Deed Poll and the Agency and Registry Agreement are governed by, and shall be construed in accordance with, the laws in force in New South Wales, Australia, except that the provisions of Conditions 2(b) and 2(c) (and related provisions of the Trust Deed) relating to subordination of the Dated Subordinated Notes and the Undated Tier 2 Notes, respectively, are governed by, and shall be construed in accordance with, Scots law.

The Issuer has submitted to the jurisdiction of the English courts in the Trust Deed. In relation to Australian Domestic Notes, Royal Bank has irrevocably agreed for the benefit of holders of Australian Domestic Notes that the courts of New South Wales, Australia and courts of appeal from them are to have non exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Australian Domestic Notes, the Deed Poll or the Agency and Registry Agreement and that accordingly any suit, action or proceedings arising out of or in connection with the Australian Domestic Notes, the Deed Poll or the Agency and Registry Agreement may be brought in such courts provided that if Royal Bank (whether in or outside Australia) suspends payment or becomes unable to meet its obligations within the meaning of Section 11F of the Banking Act 1959 of Australia, an action against Royal Bank to enforce the Deed Poll may only be brought in Scotland.

## TERMS AND CONDITIONS OF THE TIER 1 NOTES

*The following are (subject to amendment and other than the paragraphs in italics) the Terms and Conditions of Notes which will be (i) incorporated by reference into each global Note; and (ii) endorsed upon each definitive Note (if any) or incorporated therein by reference. The applicable Final Terms (as defined below) in relation to any Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purposes of such Notes. Reference should be made to the section headed "Forms of Final Terms" for the forms of applicable Final Terms which will include the definition of certain terms used in the following Terms and Conditions.*

In these Terms and Conditions, the expression "**Notes**" shall mean (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency (each as defined in the applicable Final Terms (as defined below)) of the relevant Notes, (ii) definitive Notes issued in exchange for a temporary global Note or a permanent global Note and (iii) any global Note. The Notes are constituted by a Trust Deed (the "**Original Trust Deed**") dated 22nd February 1994 as subsequently modified and/or supplemented and/or restated from time to time, most recently by a Twenty-Eighth Supplemental Trust Deed dated 10th June 2010 made between The Royal Bank of Scotland Group plc (the "**Issuer**"), The Royal Bank of Scotland plc and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include any successor as trustee) as Trustee for the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a global Note, be construed as provided in Condition 1 below) (the Original Trust Deed as so modified and as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**").

Definitive Notes will have interest coupons ("**Coupons**") and talons for further Coupons ("**Talons**") attached on issue. Any reference herein to Coupon(s) or Couponholder(s) (as defined below) shall, unless the context otherwise requires, be deemed to include a reference to Talon(s) or Talonholder(s) (as defined below), respectively.

Payments in respect of the Notes will be made under an amended and restated Agency Agreement dated 10th June 2010 and made between the Issuer, The Royal Bank of Scotland plc, The Bank of New York Mellon as agent (the "**Agent**", which expression shall include any successor as agent), the paying agent named therein (together with the Agent, the "**Paying Agents**") and the Trustee (such Agreement as further amended, supplemented or restated from time to time, the "**Agency Agreement**").

Notes may be issued at such times as shall be agreed between the Issuer and the relevant Dealer(s) pursuant to an amended and restated Programme Agreement dated 10th June 2010 between the Issuer, The Royal Bank of Scotland plc and the Dealers named therein. The Issuer and the relevant Dealer(s) shall, prior to the time of issue of any Notes, agree upon the relevant provisions of the Notes to be issued pursuant to the terms set out below, such provisions to be indicated in the applicable Final Terms (as defined below), which may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify them for the purposes of this Note. References herein to the "**applicable Final Terms**" are to Part A of the Final Terms attached hereto or endorsed hereon and expressions defined or used in the applicable Final Terms shall have the same meanings in these Terms and Conditions, unless the context otherwise requires or unless otherwise stated.

The following statements are summaries of the detailed provisions of the Trust Deed and the applicable Final Terms. Copies of the Trust Deed (which contains the forms of the Notes, Coupons and Talons), together with copies of the Agency Agreement which contains the form of the Final Terms for each issue of Notes and the ACSM Calculation Agency Agreement (as defined below) (if any) will be available for inspection, free of charge, at the registered office of the Trustee being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. A copy of the applicable Final Terms may be obtained from the specified office of each of the Paying Agents. The Noteholders, the holders of the Coupons (the "**Couponholders**") and the holders

of the Talons (the “**Talonholders**”) will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the ACSM Calculation Agency Agreement (if any), which will be binding on them. Words and expressions defined in the Trust Deed shall have the same meanings where used herein unless the context otherwise requires or unless otherwise stated.

As used herein, “**Series**” means the Notes of each original issue of Notes together with the Notes of any further issues expressed to be consolidated and form a single series with the Notes of an original issue and which are denominated in the same currency and the terms of which (save for the Issue Date, the Interest Commencement Date or the Issue Price) are otherwise identical (including whether or not they are listed on any stock exchange) and shall be deemed to include the temporary and permanent global Notes and the definitive Notes of such Series; and the expressions “**Notes of the relevant Series**” and “**holders of Notes of the relevant Series**” and related expressions shall be construed accordingly. As used herein, “**Tranche**” means all Notes of the same Series with the same Issue Date, Interest Commencement Date and Issue Price.

*The obligations of the Issuer in respect of payments of principal and interest on the Notes are conditional upon the Issuer being solvent at the time of payment by the Issuer and immediately thereafter. In the event of a Winding Up or Qualifying Administration (each as defined below) of the Issuer, the right to claim for Outstanding interest may be limited by applicable insolvency laws.*

*The Issuer may defer payments of interest in respect of Notes as provided in Condition 3(d).*

## **1 Form, Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s) specified in the applicable Final Terms.

This Note may be a Fixed Rate Note, a Floating Rate Note or a combination of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Replacement Agent (as defined in the Agency Agreement) and any Paying Agent may (to the fullest extent permitted by applicable law) deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph. The holder of each Coupon, whether or not such Coupon is attached to a Note, shall be subject to and bound by all the provisions contained in the relevant Note.

For so long as any of the Notes of this Tranche is represented by a global Note held on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”), each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee and any Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, the Trustee and any Paying Agent, solely in the bearer of the relevant global Note in accordance with and subject to its terms (or the Trustee in accordance with the Trust Deed) (and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

Any reference to “Euroclear” and/or “Clearstream, Luxembourg” shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Agent.

## 2 Status of the Notes

### (a) Status

The Notes and the Coupons relating thereto constitute unsecured and, in accordance with paragraph (b) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves.

### (b) Subordination

- (i) The rights of the Trustee, the Noteholders and the Couponholders in respect of the principal of and interest on (including Coupons payable in cash or by way of the issuance of Ordinary Shares (as defined below) in accordance with Condition 4) the Notes are subordinated to the claims of Senior Creditors (as defined below) and, accordingly, payments in respect of the principal of and interest on the Notes are, in addition to the right of the Issuer to defer payment of interest in accordance with Condition 3(d), conditional upon the Issuer being solvent at the time of payment by the Issuer (or, as the case may be, at the time of issue of such Ordinary Shares), and, subject to the provisions of Condition 2(b)(ii) below, the Issuer shall have no liability to pay any amount in respect of the principal of and interest on the Notes (including Coupons payable in cash or by way of the issuance of Ordinary Shares in accordance with Condition 4) to the extent that the Issuer is insolvent or would become insolvent as a result of making such payment. For the purposes of this Condition 2(b)(i) the Issuer shall be solvent if (1) it is able to pay its debts as they fall due and (2) its Assets (as defined below) exceed its Liabilities (as defined below) to Senior Creditors. A report as to the solvency of the Issuer made by two authorised signatories of the Issuer or, in certain circumstances as provided in the Trust Deed, the Auditors (as defined in the Trust Deed) or, if the Issuer is in winding up, its liquidator or, if in administration, its administrator shall, in the absence of manifest error, be treated and accepted by the Issuer, the Trustee and the Noteholders and Couponholders as correct and sufficient evidence of such solvency.

The Issuer shall (except where Condition 2(b)(ii) applies) satisfy any Deferred Interest Payment (as defined below) which arises as a result of this Condition 2(b)(i) in the manner, and at the time, referred to in Condition 3(d).

- (ii) If, at any time, the Issuer is in Winding Up or in a Qualifying Administration, there shall be payable in respect of the principal of and interest on the Notes (in lieu of any other payment by the Issuer) such amounts (if any) as would have been payable in respect thereof as if, on the day immediately prior to the commencement (as defined in the Trust Deed) of the Winding Up of the Issuer or the notice by the administrator, as the case may be, and thereafter, the Noteholders and/or the Couponholders and/or the Trustee, as the case may be, were holders of shares in the capital of the Issuer as follows:
  - (A) for each £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified in the applicable Final Terms) otherwise payable in respect of any Interest Payment (as defined below), Deferred Interest Payment (which includes any Deferred Interest Payment which has not been settled in accordance with the ACSM (as defined below) as a result of the Ordinary Shares Threshold (as defined below), any insufficiency of

available authorised share capital or otherwise) or other amount payable in respect of, or arising from, each Note in respect of which the conditions specified in Condition 2(b)(i) are not satisfied on the date on which the same would otherwise be due and payable or which otherwise have not been satisfied, apart from principal: one preference share of £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified in the applicable Final Terms) each in the capital of the Issuer ranking equally with the Notional Preference Shares (as defined below);

- (B) subject to (C) below, for each £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified in the applicable Final Terms) otherwise payable in respect of the principal amount of each Note: such number of Ordinary Shares whose nominal value aggregates to £1 (or, where the Specified Currency is other than pounds sterling, whose nominal value aggregates to the equivalent of the Specified Currency Unit specified in the applicable Final Terms as determined as provided therein); and
- (C) if and to the extent that the principal amount of each Note exceeds the amount of Deferred Interest Payments attributable to such Note (the “**excess amount**”), for each £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified in the applicable Final Terms) of excess amount otherwise payable in respect of, or arising from, such Note: one preference share of £1 (or, where the Specified Currency is other than pounds sterling, the Specified Currency Unit specified in the applicable Final Terms) each in the capital of the Issuer ranking equally with the Notional Preference Shares.

- (iii) As used in paragraphs (i) and (ii) above:

“**Senior Creditors**” means creditors of the Issuer (other than the Trustee, the Noteholders and Couponholders in respect of the principal of and interest on the Notes) (a) who are unsubordinated creditors of the Issuer or (b) whose claims are, or are expressed to be, subordinated to the claims of unsubordinated creditors of the Issuer (whether only in the event of a winding up or administration of the Issuer or otherwise) but not further or otherwise or (c) who are subordinated creditors of the Issuer (whether as aforesaid or otherwise) other than those whose claims rank, or are expressed to rank, *pari passu* with or junior to the claims of the Trustee, the Noteholders and the Couponholders in respect of the principal of and interest on the Notes and/or *pari passu* with or junior to any claims ranking *pari passu* with the claims of the Noteholders and the Couponholders in respect of the principal of and interest on the Notes;

“**Assets**” means the total amount of the non consolidated gross assets of the Issuer; and

“**Liabilities**” means the total amount of the non consolidated gross liabilities of the Issuer,

in each case as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the above mentioned authorised signatories, Auditors, or the liquidator or administrator, as the case may be, may determine.

*It should be noted that if the Issuer would not otherwise be solvent, the amount of principal and of sums which would otherwise be payable as interest in respect of the Notes will be available to meet the losses of the Issuer.*

*It should also be noted that the Issuer may defer payments of interest in respect of Notes as provided in Condition 3(d).*

(c) *Set-Off*

Subject to applicable law, neither any Noteholder nor Couponholder nor the Trustee may exercise or claim any right of set off in respect of any amount in respect of the principal of and interest on the Notes owed to it by the Issuer and each Noteholder and Couponholder shall, by virtue of his subscription, purchase or holding of any Note or Coupon, be deemed to have waived all such rights of set-off. To the extent that any set-off takes place, whether by operation of law or otherwise, between: (y) any amount in respect of the principal of and interest on the Notes owed by the Issuer to a Noteholder or a Couponholder; and (z) any amount owed to the Issuer by such Noteholder or, as the case may be, Couponholder, such Noteholder or, as the case may be, Couponholder will immediately transfer such amount which is set off to the Issuer or, in the event of its winding up or administration (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held on trust for the Senior Creditors.

### 3 Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date specified in the applicable Final Terms at the rate(s) per annum equal to the Rate(s) of Interest payable (subject to Conditions 2(b)(i), 2(b)(ii), 3(c), 3(d), 4 and 5(e)) in arrear on the date(s) so specified on which interest is payable in each year (each an “**Interest Payment Date**”). If the Notes are in definitive form, subject to Conditions 2(b)(i), 2(b)(ii), 3(c), 3(d), 4 and 5(e) and except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will be the Fixed Coupon Amount. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the period from the Interest Commencement Date to such Interest Payment Date differs from the period between subsequent Interest Payment Dates, the amount of the first interest payment will be the initial Broken Amount specified in the applicable Final Terms.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form comprises more than one Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 3(a):



- (i) If “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date on which interest was paid (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date), the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In this Condition:

“**Determination Period**” means the period from (and including) a Determination Date (as specified in the applicable Final Terms) to (but excluding) the next Determination Date;

“**euro**” has the meaning as is given to it in Condition 3(b)(i); and

“**sub-unit**” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest and such interest will be payable (subject to Conditions 2(b)(i), 2(b)(ii), 3(c), 3(d), 4 and 5(e)) in arrear on either:

- (A) the Specified Interest Payment Date(s) (each an “**Interest Payment Date**”) in each year specified in the applicable Final Terms; or
- (B) if no Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each also an “**Interest Payment Date**”) which (save as otherwise mentioned in these Terms and Conditions or specified in the applicable Final Terms) falls the number of months or such other periods specified as the Interest Period(s) in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in the case where an Interest Period is specified in accordance with the preceding paragraph (B), the Floating Rate Convention, such Interest Payment Date (or other date) (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day of the month in which such Interest Payment Date (or other date) would have fallen; or
- (2) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day.

In this Condition:

“**Business Day**” means (unless otherwise stated in the applicable Final Terms):

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and the Business Centre(s) (if any) specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London) which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively or (2) in relation to any sum payable in euro, a day on which the Trans European Automated Real time Gross

Settlement Express Transfer (TARGET2) System, or any successor thereto, (the “**TARGET2 System**”) is open;

“**euro**” means the single currency introduced on 1st January 1999 pursuant to the Treaty on the Functioning of the European Union (but, for the avoidance of doubt, excluding any national currency units which are denominations of the euro); and

“**Interest Period**” means the period from and including an Interest Payment Date (or the Interest Commencement Date) to but excluding the next (or first) Interest Payment Date which may or may not be the same number of months or other period throughout the life of the Notes.

(ii) *Rate of Interest*

The rate of interest (the “**Rate of Interest**”) payable from time to time in respect of this Note if it is a Floating Rate Note will be determined in the manner specified in the applicable Final Terms.

(iii) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub paragraph (iii), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent or other person specified in the applicable Final Terms under an interest rate swap transaction if the Agent or that other person were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period equal to that Interest Period; and
- (C) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate (“**LIBOR**”) or on the Euro inter bank offered rate (“**EURIBOR**”) for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub paragraph (iii), (a) “**ISDA Definitions**” means the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series, published by the International Swaps and Derivatives Association, Inc. and (b) “**Floating Rate**”, “**Calculation Agent**”, “**Floating Rate Option**”, “**Designated Maturity**” and “**Reset Date**” have the meanings given to those terms in the ISDA Definitions.

When this sub paragraph (iii) applies, in respect of each relevant Interest Period:

- (A) the Rate of Interest for such Interest Period will be the Floating Rate determined by the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) in accordance with this sub paragraph (iii) plus or minus (as indicated in the applicable Final Terms) the Margin (if any); and
- (B) the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) will be deemed to have discharged its obligations under Condition 3(b)(vi) in

respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub paragraph (iii).

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(iv) *Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (B) (subject as below) the arithmetic mean (rounded if necessary to the fourth decimal place, with 0.00005 being rounded upwards) of the offered quotations (if there is more than one quotation on the Relevant Screen Page),

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time) in the case of LIBOR or 11.00 a.m. (Brussels time) in the case of EURIBOR on the Interest Determination Date in question (as indicated in the applicable Final Terms) plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s). If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at such time the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks (as defined below) or, if the Reference Rate is EURIBOR, the principal Euro zone office of each of the Reference Banks, to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for deposits in the Specified Currency for the relevant Interest Period to leading banks in the London inter bank market as at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, to leading banks in the Euro zone inter bank market as at 11.00 a.m. (Brussels time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent or other person specified in the applicable Final Terms as the

party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such an offered quotation as provided above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (London time) in the case of LIBOR or, 11.00 a.m. (Brussels time) in the case of EURIBOR, on the relevant Interest Determination Date, deposits in the Specified Currency for the relevant Interest Period by leading banks in, if the Reference Rate is LIBOR, the London inter bank market or, if the Reference Rate is EURIBOR, the Euro zone inter bank market, plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately 11.00 a.m. (London time), in the case of LIBOR or, 11.00 a.m. (Brussels time) in the case of EURIBOR, on the relevant Interest Determination Date, any one or more banks selected by the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) for the purpose (which bank or banks shall be so selected after consultation with the Issuer and shall not include any bank or banks which in the opinion of the Issuer is not or are not suitable for such purpose) informs the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter bank market, or, if the Reference Rate is EURIBOR, the Euro zone inter bank market, as the case may be, plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

In this paragraph, the expression “**Reference Banks**” means, in the case of (A) above, those banks whose offered rates were used to determine such quotation when such quotation last appeared on the Relevant Screen Page and, in the case of (B) above, those banks whose offered quotations last appeared on the Relevant Screen Page when no fewer than three such offered quotations appeared and “**Euro-zone**” means the region comprised of member states of the European Union that have adopted the euro as the single currency in accordance with the Treaty on European Union.

If the Reference Rate from time to time in respect of this Note is specified in the applicable Final Terms as being other than the LIBOR or EURIBOR, the Rate of Interest in respect of this Note will be determined as provided in the applicable Final Terms.

(v) *Minimum and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period determined in accordance with the above provisions shall in no event be less than such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then the Interest Rate for such Interest Period determined in accordance with the above provisions shall in no event exceed such Maximum Rate of Interest.

(vi) *Determination of Rate of Interest and calculation of Interest Amount*

The Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “**Interest Amount**”) payable on the Floating Rate Notes for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note; or

(B) in the case of Floating Rate Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest for any Interest Period in accordance with this Condition 3(b) unless otherwise specified in the applicable Final Terms:

1. if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non leap year divided by 365);
2. if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
3. if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Period falling in a leap year, 366;
4. if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;

5. if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and **D<sub>1</sub>** is greater than 29, in which case **D<sub>2</sub>** will be 30;

6. if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30;

7. if “**30E/360 (ISDA)**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

“**Y<sub>1</sub>**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y<sub>2</sub>**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M<sub>1</sub>**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M<sub>2</sub>**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D<sub>1</sub>**” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

“**D<sub>2</sub>**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D<sub>2</sub>** will be 30; and

8. if “**RBA Bond Basis**” is specified in the applicable Final Terms, one divided by the number of Interest Payment Dates in each twelve-month period (or, where the calculation period does not constitute an Interest Period, one divided by the number of Interest Payment Dates in each twelve-month period multiplied by the actual number of days in the calculation period divided by the number of days in the Interest Period ending on the next Interest Payment Date).

*(vii) Notification of Rate of Interest and Interest Amount*

The Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day (where a “**London Business Day**” means a day (other than Saturday or Sunday) on which banks and foreign exchange markets are open for business in London) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13.

*(viii) Determination or Calculation by Trustee*

If for any reason the Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with this paragraph (b), the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think



fit to the foregoing provisions in this Condition and to any terms specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and the Interest Amount(s)).

*(ix) Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this paragraph (b) whether by the Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) or the Trustee shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)), the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence of bad faith and wilful default) no liability to the Issuer, the Trustee, the Noteholders or the Couponholders shall attach to either the Agent (or the person specified in the Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) or the Trustee in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

*(c) Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption or the date of substitution thereof pursuant to Condition 6(f) or 6(j), as the case may be, unless, upon, where applicable, due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable has been received by the Agent and notice to that effect has been given to Noteholders in accordance with Condition 13 or individually.

*(d) Deferral of interest on Notes*

On any Interest Payment Date (as defined below) there may be paid (subject to Condition 2(b)(i)) the interest in respect of any Series of Notes accrued in the Interest Period ending on the day immediately preceding such date (the “**Interest Payment**”), but the Issuer may defer such payment in accordance with this Condition 3(d). If the Issuer opts to defer payment of interest on an Interest Payment Date, it shall give not less than 30 days’ notice of such option to the Trustee and the Noteholders in accordance with Condition 13. The Issuer shall (except where Condition 2(b)(ii) applies) satisfy any such Deferred Interest Payments, and any Deferred Interest Payments which arise as a result of the failure to satisfy the conditions to payment set out in Condition 2(b)(i), only by operation of the procedures set out in Condition 4. Such Deferred Interest Payments may be satisfied by the Issuer in the manner aforesaid at any time upon the expiry of not less than 14 days’ notice (the “**Optional Deferred Interest Settlement Date**”) to such effect given by the Issuer to the Noteholders in accordance with Condition 13, the Trustee, the Agent and the ACSM Calculation Agent (as defined below) and in any event the Issuer must (subject to Condition 5(e)) satisfy any Deferred Interest Payments in the manner aforesaid on the first

of the following to occur: (i) redemption of the Notes in accordance with Condition 6(d); (ii) redemption, substitution or variation of the terms of the Notes in accordance with Condition 6(b), 6(c) or 6(f) (the date on which any such redemption, substitution or variation referred to in (i) or (ii) above occurs being the “**Termination Date**”) or (iii) substitution of the Notes pursuant to Condition 6(j).

If, on any Interest Payment Date, all Interest Payments in respect of the Notes of the relevant Series shall not have been paid as a result of either the exercise by the Issuer of its discretion pursuant to this Condition 3(d) or the operation of Condition 2(b)(i), then from the date on which payment was originally, or but for the non-satisfaction of Condition 2(b)(i) would have been, due until (x) the date on which the Issuer next pays in full the Interest Payment due and payable on an Interest Payment Date on all outstanding Notes of such Series (or an amount equal to the same has been duly set aside or provided for in full for the benefit of the Noteholders in a manner satisfactory to the Trustee) or, if earlier, (y) any Optional Deferred Interest Settlement Date upon which the Issuer satisfies in full all Outstanding Interest Payments, the Issuer shall not and shall procure that no member of the Group shall (i) declare or pay a distribution or dividend on any Junior Securities (other than a final dividend declared, made or paid by the relevant company before the Issuer gives notice that such Interest Payment is to be deferred and other than distributions or dividends paid by a member of the Group which is wholly-owned by another member of the Group) or (ii) redeem, purchase, or otherwise acquire for any consideration any Junior Securities or Parity Securities.

As used in this paragraph (d):

“**Group**” means the Holding Company and its subsidiaries (as such term is defined in the Companies Act);

“**Holding Company**” means the Issuer or otherwise the ultimate holding company for the time being of the Issuer or, if at any relevant time there shall be no such Holding Company, then “Holding Company” shall mean the Issuer itself;

“**Interest Payment Date**” means each Interest Payment Date on which interest is to be paid on the relevant Notes; and

“**Interest Period**” means the period from and including one Interest Payment Date (or, in the case of the first Interest Period, the Interest Commencement Date of the relevant Notes) up to but excluding the next (or first) Interest Payment Date.

If the Issuer has not declared and paid in full, or has not set aside an amount to provide for the payment in full of, the interest payment stated to be payable on the most recent interest payment date on any series of its most senior ranking non-cumulative preference shares which are then outstanding, then the Issuer may not make any Interest Payments on the Notes, and the Issuer may not set aside any sum to pay such interest payments, unless, on the relevant Interest Payment Date of the Notes, it sets aside an amount equal to the payment on such series of non-cumulative preference shares for the then-current payment period to provide for the payment in full of such payment on the next applicable interest payment date of such series of non-cumulative preference shares.

Notwithstanding any other provision in these Terms and Conditions or the Trust Deed, the deferral of any Interest Payment by virtue of this Condition 3(d) or Condition 2(b)(i) shall not constitute a default for any purpose (including, without limitation, Condition 9(a)) on the part of the Issuer. Any Interest Payment so deferred shall not, except in the circumstances provided in Condition 4(e), bear interest.

#### 4 Alternative Coupon Satisfaction Mechanism

(a) *Alternative Coupon Satisfaction Mechanism*

Each ACSM Payment (as defined below), when due to be satisfied in accordance with these Terms and Conditions, will (except as provided in Condition 5(e)) be satisfied by the Issuer in full only through the issue and/or transfer of Ordinary Shares to the Trustee or its agent in accordance with this Condition 4. The Issuer shall appoint an ACSM Calculation Agent (if it has not already done so) and notify the Trustee, the Agent and the ACSM Calculation Agent not less than 16 London Business Days prior to the relevant ACSM Payment Date that an ACSM Payment is to be satisfied on such ACSM Payment Date. All other payments due must, subject to Conditions 2(b)(i) and 3(d), be satisfied in accordance with Condition 5(a) – (d).

Any relevant Deferred Interest Payment will only be made by operation of the ACSM if the Ordinary Shares Threshold would not be exceeded as a result of the issue and/or transfer of Payment Ordinary Shares (as defined below) in connection therewith and, in each case, only if the proceeds raised from the issue and/or transfer of the Payment Ordinary Shares is received no more than six months before the relevant ACSM Payment Date.

(b) *Issue of Ordinary Shares*

If any ACSM Payment is to be satisfied through the issue of Ordinary Shares as required by the provisions of this Condition 4 then:

- (i) by or before the close of business on the seventh London Business Day prior to the relevant ACSM Payment Date, the Issuer will issue and/or transfer to the Trustee (or, if so agreed between the Issuer and the Trustee, to an agent of the Trustee) such number of Ordinary Shares (the “**Payment Ordinary Shares**”) as, in the determination of the ACSM Calculation Agent, will have a market value as near as practicable to, but not less than, the relevant ACSM Payment to be satisfied in accordance with this Condition 4; and
- (ii) the Trustee has agreed to use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such Payment Ordinary Shares to or to the order of the ACSM Calculation Agent as soon as practicable (subject to any necessary consents being obtained) and in any case by not later than the close of business in London on the sixth London Business Day prior to the relevant ACSM Payment Date and the ACSM Calculation Agent shall be required to agree in the ACSM Calculation Agency Agreement to use reasonable endeavours to procure purchasers for such Payment Ordinary Shares. The ACSM Calculation Agent shall further be required to agree in the ACSM Calculation Agency Agreement to convert, as agent of the Trustee, the proceeds of such sale into the currency of payment, if necessary, at prevailing market exchange rates and deliver such converted proceeds of such sale to, or hold such converted proceeds of such sale to the order of, the Trustee, who shall pay or procure that its agent pays or shall instruct the ACSM Calculation Agent to pay such proceeds as it holds in respect of the relevant ACSM Payment on its due date to the Agent for application in accordance with Condition 4(c).

The Trustee shall not be liable to anyone for any loss occasioned by the transfer or sale of the Payment Ordinary Shares or the conversion of the proceeds of such sale as aforesaid, in each case by or on behalf of the Trustee, or any delay or failure in effecting such transfer or sale of the Payment Ordinary Shares or conversion of the proceeds (as the case may be) under these Terms and Conditions.

If the proceeds of the sale of the Payment Ordinary Shares will not, in the opinion of the ACSM Calculation Agent despite the arrangements described above, result in a sum at least equal to the relevant ACSM Payment being available to satisfy the necessary ACSM Payment in full on its due date, the Issuer, the Trustee and the ACSM Calculation Agent shall take such steps as are reasonably necessary to ensure, so far as practicable, that through issuing additional Ordinary Shares on one or more further occasions (also “**Payment Ordinary Shares**”) and allotting them in favour of the Trustee or its agent and following, *mutatis mutandis*, the procedures referred to above (and exchanged into the currency of payment, if necessary), a sum as near as practicable to, and at least equal to, the relevant ACSM Payment will be available to satisfy the relevant ACSM Payment in full on its due date. If, despite the operation of the above provisions, a shortfall exists on the London Business Day preceding the intended ACSM Payment Date, the Issuer shall, for a period of five years from such date, continue to use all reasonable endeavours to settle any ACSM Payment in accordance with this Condition 4 and may in accordance with the provisions of any ACSM Calculation Agency Agreement, and subject to having the relevant corporate authorisations in place, continue to issue and allot the relevant number of Payment Ordinary Shares until the Trustee shall have received funds on behalf of the Issuer equal to the full amount of such shortfall. The foregoing is subject to the proviso that if a shortfall exists on the London Business Day preceding the intended Termination Date no part of the ACSM Payment shall be due until such time as the Issuer is able to pay a sum at least equal to the ACSM Payment in full in accordance with the procedures set out in this Condition 4 on the Termination Date.

(c) *Issue Satisfies Payment*

Where the Issuer is required to satisfy an ACSM Payment hereunder by the issue and/or transfer of Payment Ordinary Shares to the Trustee (or its agent) and issues and/or sells such Payment Ordinary Shares, such issue and/or transfer shall satisfy the relevant ACSM Payment or, as the case may be, the relevant part of such ACSM Payment, if done in accordance with this Condition 4. The proceeds of sale of Payment Ordinary Shares shall be paid by the Agent to the Noteholders in respect of the relevant ACSM Payment.

(d) *Insufficiency*

The Issuer shall not be entitled to exercise its option pursuant to Condition 6(b), (c), (d), (f) or (j) to redeem, substitute or vary the terms of any of the Notes of the relevant Series until such time as the Issuer has available for, and the directors of the Issuer have the corresponding authority to, issue such number of Payment Ordinary Shares as is required to be issued in accordance with this Condition 4 for the purposes of satisfying in full in accordance with this Condition 4 any ACSM Payment required to be satisfied in connection with such redemption, substitution or variation of the terms of the Notes of the relevant Series.

(e) *Market Disruption*

Notwithstanding the provisions of Condition 4(b), if there exists, in the opinion of the Issuer, a Market Disruption Event (as defined below) with respect to Payment Ordinary Shares on or after the 15th London Business Day preceding any ACSM Payment Date, then the Issuer may give a notice to the Trustee, the Agent, the ACSM Calculation Agent and (in accordance with Condition 13) the Noteholders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant ACSM Payment may be deferred until such time as the Market Disruption Event, in the opinion of the Issuer, no longer exists.

Any such deferred ACSM Payment will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such

deferred ACSM Payment, unless, as a consequence of the existence of the relevant Market Disruption Event, the Issuer does not satisfy the relevant ACSM Payment for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred ACSM Payment from (and including) the date on which the relevant ACSM Payment was due to be made to (but excluding) the date on which such ACSM Payment is made. Any such interest shall accrue at a rate determined in accordance with Condition 3 and shall be satisfied only in accordance with this Condition 4, as soon as reasonably practicable after the relevant deferred ACSM Payment is made. No liability shall attach to the Trustee or its agent if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or its agent, the Trustee or its agent is unable to comply with the provisions of Condition 4(b).

*(f) Listing*

The Issuer shall ensure (to the extent possible) that, at the time when any Ordinary Shares are issued and/or transferred pursuant to this Condition 4, such Ordinary Shares are admitted to the Official List and are admitted to trading on the Market (or, if the London Stock Exchange is not a Recognised Stock Exchange at that time, such other stock exchange as is a Recognised Stock Exchange at that time).

## **5 Payments**

*(a) Method of Payment*

Subject as provided below:

- (i) payments in respect of definitive Notes in a Specified Currency (other than euro) will be made at the option of the bearer either by transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non resident account) maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in respect of definitive Notes in euro will be made by credit or transfer to a euro account (or any other 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 subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7.

*(b) Presentation of Notes and Coupons*

Payments of principal in respect of definitive Notes (if issued) will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of such definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States. Payments under paragraph (a) above made, at the option of the bearer of such Note or Coupon, by cheque shall be mailed or delivered to an address outside the United States furnished by such bearer. Subject to any applicable laws and regulations, such payments made by transfer will be made in immediately available funds to an account maintained by the payee with a bank located outside the United States. No payment in respect of any definitive Note or Coupon will be made upon presentation and surrender of such definitive Note or Coupon at any office or agency of the Issuer or any Paying

Agent in the United States, nor will any such payment be made by transfer to an account, or by mail to an address, in the United States.

Upon the date on which any Note in definitive form becomes due and repayable, all unmatured Coupons and Talons relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant global Note, where applicable, against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside the United States. A record of each payment made distinguishing between any payment of principal and any payment of interest, will be made on such global Note either by the Paying Agent to which such global Note is presented for the purpose of making such payment or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note. No person other than the holder of such global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of any Paying Agent in the United States (which expression, as used in this Condition, 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)) if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest due on the Notes in the manner provided above when due;
- (ii) payment in U.S. dollars of the full amount of such due principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences for the Issuer.

(c) *Payment Date*

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Date, the holder thereof shall not be entitled to payment of the amount due until the next following Payment Date in the relevant place and shall not be entitled to any interest or

other payment in respect of such delay. For these purposes, unless otherwise specified in the applicable Final Terms, “**Payment Date**” means any day which is both:

- (i) a day on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation (save, in the case of a global Note, where presentation is not required) (and in the case of payment in euro in the place where the euro account specified by the payee is located); and
- (ii) a Business Day (as defined in Condition 3(b)(i)).

(d) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Early Redemption Amount of the Notes;
- (iii) the Optional Redemption Amount(s) (if any) of the Notes; and
- (iv) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest (which shall include any Interest Payments, Deferred Interest Payments and/or Accrued Interest Payments) in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

In this Condition, “**euro**” has the meaning as is given to it in Condition 3(b)(i).

(e) *Suspension*

If, following any take-over offer made under the City Code on Take-overs and Mergers or any reorganisation, restructuring or scheme of arrangement, the Issuer ceases to be the Ultimate Owner (as defined below), then the Issuer shall as soon as practicable give notice to the Noteholders in accordance with Condition 13, the Trustee, the Agent and the ACSM Calculation Agent (if any), whereupon the operation of the ACSM shall be suspended (such event being a “**Suspension**”). In such event, unless a Permitted Restructuring Arrangement (as defined below) shall be put in place within six months of the occurrence of a Permitted Restructuring (as defined below) (in which case the Suspension shall cease upon such Permitted Restructuring Arrangement being put in place), an independent investment bank or financial institution appointed by the Issuer (at the Issuer’s expense) and approved by the Trustee shall determine, subject to the requirements that: (i) the Issuer shall not be obliged to reduce its net assets; (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the Notes for regulatory capital and solvency purposes unless the Issuer has given notice to the FSA in accordance with Condition 6(i) and no objection has been raised by the FSA or (if required) the consent of the FSA has been obtained to such an amendment (and, in any event, provided that such notice and/or consent is required to be given); and (iii) no such amendment may be made which would, in the Trustee’s opinion, impose more onerous obligations on it or reduce its protections without its consent, what amendments (if any) to these Terms and Conditions, the Trust Deed and any other relevant documents are appropriate in order (aa) to preserve substantially the economic effect, for the Noteholders, of a holding of the Notes prior to the Suspension and (bb) to replicate the

ACSM in the context of the capital structure of the new Ultimate Owner. Upon any such determination being reached and notified to the Trustee and the Issuer by such investment bank or financial institution, the Trustee and the Issuer shall, pursuant to the terms of the Trust Deed and without any requirement for the consent or the approval of the Noteholders or Couponholders, effect any necessary consequential changes to these Terms and Conditions and the Trust Deed and any other relevant documents, whereupon the satisfaction of any ACSM Payment (when due) by the method contemplated in Condition 4 shall no longer be subject to the Suspension.

If, after using all reasonable endeavours, such investment bank or financial institution is unable to formulate such amendments, it shall so notify the Issuer, the previous Ultimate Owner (if not the Issuer), the new Ultimate Owner, the Trustee, the Agent and the ACSM Calculation Agent (if any) and the Notes shall (subject, in each case, to the Issuer giving notice to the FSA in accordance with Condition 6(i) and no objection having been raised by the FSA or (if required) the consent of the FSA having been obtained (and, in any event, provided that such notice is required to be given) and with the prior agreement of the new Ultimate Owner) at the option of the Issuer (subject to the provisions of Condition 2(b)(i) and Condition 6(i)) either be substituted for, or have their terms varied so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or be redeemed, in each case as described below.

If the Notes are to be substituted for, or have their terms varied so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, the Issuer shall give not less than 30 nor more than 60 days' notice to the Trustee, the Agent, the ACSM Calculation Agent (if any) and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable) and all (but not some only) of the Notes will be substituted for, or have their terms varied so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph and subject to the receipt by it of the certificate of the two authorised signatories referred to in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities and subject further to the receipt by it of the notification of the relevant investment bank or financial institution referred to above) agree to such substitution or variation. In connection therewith, all Deferred Interest Payments (if any) will either (at the option of the Issuer) (x) be carried over such that the rights of the Noteholders with respect thereto are preserved in the new Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or (y) be satisfied (unless otherwise agreed by the Issuer and the Trustee) by the issue of Ordinary Shares to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue Ultimate Owner Ordinary Shares so as to enable it to satisfy the amount of such Deferred Interest Payments in accordance, *mutatis mutandis*, with Conditions 4(b), 4(c), 4(d) and 4(e) (with references to the Payment Ordinary Shares being construed as references to such Ultimate Owner Ordinary Shares which, when sold, provide a net cash amount (converted into the currency of payment, if necessary) of not less than the amount of such Deferred Interest Payments which fall to be satisfied by the Issuer). The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to participate in or assist the Issuer with the substitution of the Notes for, or the variation of the terms of the Notes so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate in or assist with any such substitution or variation if the terms of the proposed alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or reduce its protections. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the FSA objects or (if consent is required) does not consent to such substitution or variation or it is otherwise not practicable for the Notes to be substituted or varied as described above, the Issuer may, subject to the



provisions of Condition 6(i), elect to redeem the Notes as provided in this Condition 5(e). In connection with any substitution or variation in accordance with this Condition 5(e), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

If the Notes are to be redeemed by the Issuer in accordance with this Condition 5(e), the Issuer shall give notice thereof to the Trustee, the Agent, the ACSM Calculation Agent (if any) and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and which shall expire as soon as practicable after confirmation of no objection, or the obtaining of consent, from the FSA in each case to the extent required) and all (but not some only) of the Notes will be redeemed at (in the case of any redemption prior to the first Optional Redemption Date) their Early Redemption Amount (as determined in accordance with Condition 6(e) below) or (on or after the first Optional Redemption Date) their Optional Redemption Amount(s), together in each case with any Outstanding interest, not later than the 60th London Business Day following the giving of such notice by the Issuer to the Noteholders. Such redemption will, unless otherwise agreed by the Issuer and the Trustee, be effected by the issue of Ordinary Shares to the new Ultimate Owner in consideration for which the new Ultimate Owner shall issue Ultimate Owner Ordinary Shares so as to enable it to satisfy such redemption amount in accordance, *mutatis mutandis*, with Conditions 4(b), 4(c), 4(d) and 4(e) (with references to the Payment Ordinary Shares being construed as references to such Ultimate Owner Ordinary Shares which, when sold, provide a net cash amount (converted into the currency of payment, if necessary) of not less than the redemption amount which falls to be satisfied by the Issuer).

## 6 Redemption and Purchase

### (a) *No fixed maturity date*

The Notes have no final maturity date and are only redeemable or may only be redeemed, substituted, varied or purchased (subject to the provisions of Condition 2 and without prejudice to the provisions of Condition 9) in accordance with the following provisions of this Condition 6 or in the circumstances provided for in Condition 5(e).

### (b) *Redemption for Tax Reasons*

The Notes of any Series may (subject to the provisions of Condition 2(b)(i) and Condition 6(i)) be redeemed at the option of the Issuer in whole, but not in part, at any time (if and so long as the Note is a Fixed Rate Note) or only on an Interest Payment Date (if and so long as the Note is a Floating Rate Note) on giving not less than 30 nor more than 60 days' notice to the Trustee, the ACSM Calculation Agent (if any) and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), at their Early Redemption Amount (as determined in accordance with paragraph (e) below), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

- (i) it has or will or would, but for redemption, become obliged to pay additional amounts as provided or referred to in Condition 7 in respect of any of the Notes of such Series;
- (ii) any Interest Payment in respect of any of the Notes of such Series would be a “**distribution**” for United Kingdom tax purposes;
- (iii) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would not to any material extent be entitled to have any attributable loss or non-trading deficit set against the profits of

companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date on which agreement is reached to issue the first Tranche of Notes of such Series or any similar system or systems having like effect as may from time to time exist); or

- (iv) in respect of the Issuer's obligation to make any Interest Payment on the next following Interest Payment Date, the Issuer would otherwise suffer adverse tax consequences,

in each such case, as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of Notes of that Series and cannot be avoided by the Issuer taking reasonable steps available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts as referred to in paragraph (i) above, would be treated as making distributions as referred to in paragraph (ii) above, would not be entitled to have the loss or non-trading deficit set against the profits as referred to in paragraph (iii) above or would suffer adverse tax consequences as referred to in paragraph (iv) above were a payment in respect of the Notes of that Series then due. Upon the expiration of such notice the Issuer shall be bound to redeem such Notes at their Early Redemption Amount.

(c) *Redemption due to Capital Disqualification Event*

The Notes of any Series may (subject to the provisions of Condition 2(b)(i) and Condition 6(i)) be redeemed at the option of the Issuer in whole, but not in part, at any time (if and so long as the Note is a Fixed Rate Note) or only on an Interest Payment Date (if and so long as the Note is a Floating Rate Note) on giving not less than 30 nor more than 60 days notice to the Trustee, the ACSM Calculation Agent (if any) and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as determined in accordance with paragraph (e) below), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that a Capital Disqualification Event has occurred and is continuing. Upon the expiration of such notice, the Issuer shall be bound to redeem such Notes at their Early Redemption Amount (determined in accordance with paragraph (e) below).

(d) *Redemption at the Option of the Issuer*

The Issuer may (subject to the provisions of Condition 2(b)(i) and Condition 6(i) and unless otherwise specified in the applicable Final Terms), having given not less than 30 nor more than 60 days' notice to the Agent, the ACSM Calculation Agent (if any) and the Noteholders of that Series in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes of such Series then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with any Outstanding interest (such redemption amounts to be payable in cash in accordance with Condition 5, save for any Deferred Interest Payments which will be satisfied by the operation of Condition 4 and any other amount in respect of interest which may at the option of the Issuer be satisfied by the operation of Condition 4). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not greater than the Maximum Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of Notes of any Series, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot at such place and in such manner as the Agent may

approve and deem fair and reasonable, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 15 nor more than 30 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this subparagraph (d) and notice to that effect shall be given by the Issuer to the Noteholders of the relevant Series in accordance with Condition 13 at least 10 days prior to the Selection Date.

(e) *Early Redemption Amounts*

For the purpose of Condition 5(e), paragraphs (b) and (c) above and Condition 9, the Notes of any Series will be redeemed at the Early Redemption Amount calculated as follows:

- (i) subject as provided below, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; and
- (ii) if and to the extent not taken into account in paragraph (i) above, adding (if appropriate) any Outstanding interest,

(all such amounts so payable being payable in cash in accordance with Condition 5, save for any Deferred Interest Payments which will be satisfied by the operation of Condition 4 and any other amount in respect of interest which may at the option of the Issuer be satisfied by the operation of Condition 4).

(f) *Substitution or Variation Instead of Redemption*

If an event or circumstance giving rise to a right of the Issuer to redeem the Notes under Condition 6(b) or 6(c) above has occurred and is continuing, then the Issuer may instead of giving notice to redeem, subject to the provisions of Condition 2(b)(i) and Condition 6(i) (but without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days’ notice to the Trustee, the Agent, the ACSM Calculation Agent (if any) and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain, Qualifying Tier 1 Securities or become Qualifying Upper Tier 2 Securities, and the Trustee shall (subject to the following provisions of this paragraph and subject to the receipt by it of the certificate of the two authorised signatories referred to in the definition of Qualifying Tier 1 Securities or (as the case may be) Qualifying Upper Tier 2 Securities) agree to such substitution or variation.

If the Notes are to be substituted for preference shares, the provisions specified in Condition 6(j) will apply *mutatis mutandis* to such substitution.

In connection therewith, all Deferred Interest Payments (if any) will be satisfied by the operation of Condition 4. The Trustee shall (at the expense of the Issuer) use its reasonable endeavours to participate in or assist the Issuer with the substitution of the Notes for, or the variation of the terms of the Notes so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities (as the case may be), provided that the Trustee shall not be obliged to participate in, or assist with, any such

substitution or variation if the terms of the proposed alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities (as the case may be) or the participation in or assistance with such substitution or variation would impose, in the Trustee's opinion, more onerous obligations upon it or reduce its protections. If, notwithstanding the above, the Trustee does not participate or assist as provided above, the Issuer may, subject as provided herein, redeem the Notes as provided above.

Upon expiry of such notice, the Issuer shall vary the terms of or substitute the Notes in accordance with this Condition 6(f), as the case may be.

In connection with any substitution or variation in accordance with this Condition 6(f), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

*(g) Purchases*

The Issuer may (subject to the prior consent of, or notification to (and no objection being raised by), the FSA, in each case solely to the extent then required) at any time purchase beneficially or procure others to purchase beneficially for its account Notes of any Series (provided that, in the case of definitive Notes, all unmatured Coupons appertaining thereto are purchased therewith) in the open market, by tender or by private treaty. Notes purchased or otherwise acquired by the Issuer may be held or resold or, at the discretion of the Issuer, surrendered to the Agent for cancellation (together with (in the case of definitive Notes) any unmatured Coupons attached thereto or purchased therewith).

*(h) Cancellation*

All Notes which are redeemed or purchased or otherwise acquired as aforesaid and surrendered to the Agent for cancellation will forthwith be cancelled (together, in the case of definitive Notes, with all matured Coupons attached thereto or surrendered therewith at the time of redemption) and thereafter may not be re-issued or resold.

*(i) Conditions to Redemption, Substitution or Variation*

Notes may only be redeemed, substituted or varied by the Issuer pursuant to Condition 5(e), Condition 6(b), Condition 6(c), Condition 6(d), Condition 6(f) or Condition 6(j) provided that:

- (i) the Issuer has notified the FSA at least one month (or such other period, longer or shorter, as the FSA may then require or accept) before it becomes committed to such a redemption, substitution or variation and no objection thereto has been raised by the FSA or (if required) the FSA has provided its consent thereto;
- (ii) when giving notice pursuant to Condition 6(i)(i), the Issuer has provided details, satisfactory to the Trustee, in order to demonstrate that following such redemption, substitution or variation, as the case may be, the Issuer will (A) be in compliance with its capital resources requirements and (B) have sufficient financial resources to meet the overall financial adequacy rule, each as provided in the Capital Regulations (except to the extent that the FSA no longer so requires); and
- (iii) except in the case of redemption pursuant to Condition 5(e), the terms of Condition 4(d) have been satisfied prior thereto and all Deferred Interest Payments (if any) have been satisfied in full by the operation of Condition 4 and the ACSM Calculation Agency Agreement on or prior to the date thereof.

There is no fixed redemption date for Notes and the Issuer shall (subject to the provisions of Condition 5(e), Condition 6(b), Condition 6(c), Condition 6(d), Condition 6(f), this

Condition 6(i), Condition 6(j) and Condition 9) only have the right to repay them in accordance with such provisions as may be specified in the applicable Final Terms.

(j) *Substitution for Substituted Preference Shares*

- (i) At any time a Capital Breach Event has occurred and is continuing, the Issuer may, subject to the provisions of Condition 2(b)(i) and Condition 6(i) (but without any requirement for the consent or approval of the Noteholders) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Agent, the ACSM Calculation Agent (if any) and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable) of its intention to effect a Preference Share Substitution (as defined below) ("**Substitution Notice**"), cause the substitution in accordance with this Condition 6(j) of all (but not some only) of the Notes of the relevant Series for fully paid non-cumulative perpetual preference shares issued directly by the Issuer (the "**Substituted Preference Shares**") (such substitution being referred to herein as a "**Preference Share Substitution**") on the expiry of such notice (the "**Substitution Date**").

The Issuer may only effect a Preference Share Substitution if, prior to the delivery of the relevant Substitution Notice, it has created (and is then maintaining) a sufficient number of authorised (but unissued) Substituted Preference Shares to effect the Preference Share Substitution in accordance with this Condition 6(j) and has obtained (and is then maintaining) the corporate authorisations necessary to effect the substitution of the Notes of the relevant Series for the Substituted Preference Shares (including, but not limited to, the necessary resolutions of the shareholders of the Issuer to authorise the directors of the Issuer to issue and allot the Substituted Preference Shares).

The terms of the Substituted Preference Shares shall provide that (x) the Substituted Preference Shares may only be redeemed on the Substitution Preference Shares Early Redemption Date specified in the applicable Final Terms or (unless provided otherwise in the applicable Final Terms) any dividend payment date thereafter (save for any prior redemption, substitution or variation on terms analogous to the terms of Condition 6(c) or Condition 6(f) (to the extent that it relates to a Capital Disqualification Event) and subject to the same conditions as those set out in Condition 6(i)(i) and (ii)); (y) the Issuer has the right to choose whether or not to pay any dividend on the Substituted Preference Shares; and (z) any dividend payable on the Substituted Preference Shares shall be non-cumulative (and accordingly there shall be no provision analogous to the ACSM incorporated in the terms of the Substituted Preference Shares), and otherwise shall in all material commercial respects provide the holders thereof with at least the same economic rights and benefits (including those relating to non-cumulative (except as aforesaid) distributions and ranking) as are attached to the Notes and the Coupons taken together (save that the terms of the Substituted Preference Shares shall neither include any obligation on the Issuer to pay additional amounts on terms analogous with Condition 7 nor any right of the Issuer to redeem the Substituted Preference Shares on terms analogous with Condition 6(b) and need not contain a step up in the dividend rate) (such terms to be as reasonably determined by the Issuer, and in connection therewith a certificate signed by two authorised signatories of the Issuer to the effect that the terms of the Substituted Preference Shares comply with the foregoing shall be delivered to the Trustee prior to the Issuer being able to effect such Preference Share Substitution and the Trustee shall be entitled to accept the certificate as sufficient evidence of such compliance in which event it shall be conclusive and binding on the Noteholders and the Couponholders).

- (ii) In connection with any Preference Share Substitution in accordance with this Condition 6(j), all Deferred Interest Payments and Accrued Interest Payments (if any) will be satisfied on the Substitution Date by the operation of Condition 4.
- (iii) The Substitution Notice shall attach, or refer to the availability of, a substitution confirmation (the “**Substitution Confirmation**”) which each Noteholder will be required to complete, and which shall require each Noteholder to provide to the Issuer such information as the Issuer may reasonably require to be able to effect a Preference Share Substitution in accordance with this Condition 6(j). The form of such Substitution Confirmation shall also be made available at the specified office of each Paying Agent. To receive Substituted Preference Shares in respect of its holding of the Notes, each holder of definitive Notes must deliver to a Paying Agent a duly completed Substitution Confirmation together with all relevant Notes held by it on the London Business Day prior to the Substitution Date. Where Notes of any Series are represented by a permanent global Note and the permanent global Note is held on behalf of one or more clearing systems, a holder of a particular principal amount of such Notes represented by such permanent global Note may receive Substituted Preference Shares in accordance with the provisions of this Condition 6(j) by giving a Substitution Confirmation to a Paying Agent in accordance with the standard procedures of the relevant clearing system. Such procedures may include the giving of a confirmation to the relevant Paying Agent by electronic means by the relevant clearing system or any common depositary for the relevant clearing system (on the instruction of such holder) and at the same time presentation or procurement of the presentation of the permanent global Note to the Agent for notation accordingly within the time limits set forth in this Condition 6(j). Any Preference Share Substitution shall be effected subject in each case to any fiscal laws or other laws and regulations applicable thereto. Certificates (if any) for Substituted Preference Shares issued on a Preference Share Substitution will be despatched by or on behalf of the Issuer by mail free of charge (but uninsured and at the risk of the person entitled thereto) within one month of the later of the Substitution Date and receipt of a duly completed Substitution Confirmation. Noteholders will continue to be entitled to receive payments in respect of the Notes until the Substitution Date (provided that the Substituted Preference Shares are available for issue as aforesaid from the Substitution Date and the Issuer makes the payment referred to in Condition 6(j)(ii)) and thereafter Noteholders will have no further rights, title or interest in or to their Notes except to have them substituted in the manner described in this Condition 6(j). Each Substituted Preference Share allotted will rank for any dividend from the Substitution Date and will, without prejudice to Condition 6(j)(ii), have no entitlement to any Accrued Interest Payment or any other payment on the Notes.
- (iv) The Issuer will pay any stamp duty reserve taxes or capital duties or stamp duties or similar taxes payable in the United Kingdom arising on the allotment and issue of the Substituted Preference Shares. None of the Issuer, the Trustee and any of the Agents will be obliged to pay, and each Noteholder delivering Notes and a duly completed Substitution Confirmation to a Paying Agent must pay, any other taxes, stamp duty reserve taxes and capital, stamp, issue and registration duties arising on the relevant Preference Share Substitution. None of the Issuer, the Trustee and any of the Agents will be obliged to pay, and each Noteholder must pay, all, if any, taxes arising by reference to any disposal or deemed disposal of a Note in connection with such Preference Share Substitution. If it would have an adverse effect on the stamp duty, stamp duty reserve tax or other documentary or registration tax or duty position of the Noteholders or the Couponholders (or of any purchaser of the Substituted Preference Shares in respect of the purchase from the person to whom the Substituted Preference Shares are originally allotted) for the Substituted

Preference Shares not to be deposited on issue with a common depository on behalf of Euroclear or Clearstream, Luxembourg, the Issuer shall use all reasonable endeavours to procure that the Substituted Preference Shares are so deposited and that no election is made in respect of the Substituted Preference Shares in accordance with section 97A of the Finance Act 1986.

- (v) Prior to the publication of a Substitution Notice, the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that a Capital Breach Event has occurred and is continuing as at the date of the certificate, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the occurrence and continuation of such Capital Breach Event in which event it shall be conclusive and binding on the Noteholders and the Couponholders.
- (vi) Following delivery by the Issuer of a Substitution Notice, the Issuer shall use all reasonable endeavours to obtain and maintain a listing of the Substituted Preference Shares on a Recognised Stock Exchange.
- (vii) In connection with any Preference Share Substitution, the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.
- (viii) The provisions of this Condition 6(j) will apply *mutatis mutandis* to Condition 6(f) in the event that the Qualifying Tier 1 Securities for which the Notes may be substituted in accordance with Condition 6(f) comprise Substituted Preference Shares.
- (ix) Notwithstanding any other provision of this Condition 6(j), the Issuer shall be entitled to take such steps as it may determine to be necessary or desirable to avoid or mitigate any stamp duty, stamp duty reserve tax or other tax consequences arising in relation to the issue of Substituted Preference Shares, and its obligations under this Condition 6(j) in respect of a Preference Share Substitution shall be satisfied if there shall be issued and delivered to the Noteholders perpetual non-cumulative securities issued by another entity and secured on Substituted Preference Shares and representing and/or passing through to Noteholders the economic effect of such Substituted Preference Shares and in particular with provisions relating to payments which match those in relation to the Substituted Preference Shares (as to timing and amount, and as to waiver and subordination) and provided that:
  - (a) if at the relevant time the Substituted Preference Shares are rated by one or more Rating Agencies, each such Rating Agency shall assign the same rating to such perpetual non-cumulative securities as it has assigned to the Substituted Preference Shares; or
  - (b) if at the relevant time the Substituted Preference Shares are not rated by any Rating Agency, an independent investment bank or financial institution of international repute, selected by the Issuer and approved by the Trustee, shall have confirmed to the Issuer that in its opinion, if a rating were to be given to the Substituted Preference Shares at such time by a Rating Agency, such Rating Agency would be likely to assign at least the same rating to such perpetual non-cumulative securities.

## 7 Taxation

All payments of principal and/or interest in respect of Notes and/or Coupons by the Issuer shall (save as may be provided in the applicable Final Terms) be made without withholding or deduction for, or on account of, any present or future tax, duty or charge of whatsoever nature

imposed or levied by or on behalf of the United Kingdom or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay (subject to Condition 2(b)(i)) such additional amounts as will result (after such withholding or deduction) in the payment to the holders of the Notes or Coupons of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes and/or Coupons; except that no such additional amounts shall be payable with respect to any Note or Coupon presented for payment:

- (a) by or on behalf of any holder who is liable to such tax, duty or charge in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; and/or
- (b) in the United Kingdom; and/or
- (c) in circumstances where such withholding or deduction would not be required if the holder or any person acting on his behalf had obtained and/or presented any form or certificate or had made a declaration of non residence or similar claim for exemption upon the presentation or making of which the holder would have been able to avoid such withholding or deduction; and/or
- (d) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days; and/or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and/or
- (f) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; and/or
- (g) in such other circumstances as may be specified in the applicable Final Terms.

The “**Relevant Date**” in respect of any payment means the date on which such payment first becomes due or (if the full amount of the moneys payable has not been duly received in London by the Agent or the Trustee on or prior to such due date) the date on which, the full amount of such moneys having been so received, notice to that effect is given to the Noteholders in accordance with Condition 13.

## **8 Prescription**

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

## **9 Events of Default**

*Notwithstanding any of the provisions below in Condition 9, the right to institute winding up proceedings is limited to circumstances where payment has become due. No principal, premium, interest or any other amount will be due unless the condition to payment set out in Condition 2(b)(i) is satisfied. Also, in the case of any Interest Payment, such payment will not be due if the*



*Issuer has elected to defer that payment pursuant to Condition 3(d) or if the circumstances referred to in any of Conditions 4(d), 4(e) or 5(e) then apply.*

- (a) If default shall be made in the payment of any principal or any interest (which shall include any Interest Payment, Deferred Interest Payment, Accrued Interest Payment or any other amount in respect of interest) due on the Notes of the relevant Series for a period of seven days or more after any date on which the payment of principal is due or 14 days or more after any date on which the payment of interest is due (as the case may be), the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer and/or prove in any winding up of the Issuer, but may take no other action in respect of such default.
- (b) Without prejudice to paragraph (a) above, if the Issuer breaches any of its obligations under the Trust Deed or the Notes or the Coupons of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes or Coupons) then the Trustee may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Notes or Coupons sooner than the same would otherwise have been payable by it.
- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above to enforce the obligations of the Issuer in respect of the Notes and Coupons of any Series or any other action pursuant to or in connection with the Trust Deed or the Notes or the Coupons of any Series unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders of such Series or so requested in writing by the holders of at least one fifth in nominal amount of the Notes of such Series then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- (d) No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and then only in the name of the Trustee and on giving an indemnity satisfactory to the Trustee, and only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. No Noteholder or Couponholder shall be entitled to institute proceedings for the winding up of the Issuer or to prove in such winding up, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so, or, being able to prove, fails to do so in such a winding up (in each case, within a reasonable period) and such failure shall be continuing, then any Noteholder or Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding up of the Issuer and/or prove in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

## **10 Replacement of Notes Coupons and Talons**

Should any Note (including any global Note), Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## **11 Agent and Paying Agents**

The names of the initial Agent and the other initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, subject to the approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent or ACSM Calculation Agent and/or appoint additional or other Paying Agents or (as the case may be) another ACSM Calculation Agent (if an ACSM Calculation Agent has already been appointed) and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as any Notes are listed on any stock exchange or admitted to listing by any other relevant listing authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or relevant listing authority;
- (ii) whenever a function expressed in these Terms and Conditions to be performed by the ACSM Calculation Agent falls to be performed, appoint and (for so long as such function is required to be performed) maintain an ACSM Calculation Agent;
- (iii) there will at all times be a Paying Agent with a specified office in a city in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated;
- (iv) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (v) there will at all times be an Agent.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5(b). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13.

Under no circumstances shall the Trustee be required to appoint an ACSM Calculation Agent (where the Issuer has failed to do so or otherwise), and the Trustee shall not be responsible, or liable to any person, for the consequences of any failure by the Issuer to appoint an ACSM Calculation Agent. None of the Issuer, the Trustee and the Paying Agents shall have any responsibility to any person for any errors or omissions in any calculation, or any sale of Ordinary Shares made pursuant to Condition 4 or otherwise, by the ACSM Calculation Agent.

In acting under the Agency Agreement, the Agent and the other Paying Agents will act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee, and do not assume any obligations or relationships of agency or trust to or with the Noteholders and Couponholders, except that (without affecting the obligations of the Issuer to the Noteholders and Couponholders to repay Notes and pay interest thereon) funds received by the Agent and any other Paying Agent for the payment of any sums due in respect of the Notes shall be held by them in trust for the Noteholders and/or Couponholders until the expiration of the relevant period of prescription under Condition 8. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Issuer without being liable to account to the Noteholders or Couponholders for any resulting profit.

In acting under any ACSM Calculation Agency Agreement, the ACSM Calculation Agent will act solely as agent of the Issuer and does not assume any obligations or relationships of agency or trust to or with the Noteholders and Couponholders. Any ACSM Calculation Agency Agreement may contain provision for the indemnification of the ACSM Calculation Agent and for relief from responsibility in certain circumstances, and may entitle it to enter into business transactions with the Issuer without being liable to account to the Noteholders or Couponholders for any resulting profit.

## **12 Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon forming part of such Coupon sheet may (subject to Condition 8) be surrendered at the specified office of the Agent or any other Paying Agent outside the United States in exchange for a further Coupon sheet, including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

## **13 Notices**

All notices regarding the Notes of any Series shall be validly given if published in a leading English language daily newspaper of general circulation in London (which is expected to be the Financial Times). Any such notice will be deemed to have been given on the date of such publication in such leading newspaper or, if published more than once, on the date of the first publication. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes of any Series in accordance with this Condition. Any such notice will be deemed to have been given on the date of such publication. If the giving of notice as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

So long as no definitive Notes are in issue in respect of a particular Series, there may, so long as the global Note(s) for such Series is or are held in its or their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes, except that so long as the Notes for such Series are listed on the Official List and admitted to trading on the Market and the rules of the UK Listing Authority and the London Stock Exchange so require, the relevant notice shall also be published in a leading newspaper having general circulation in London. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any Notes are represented by a global Note, such notice may be given by a Noteholder to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

## **14 Enforcement**

Save as otherwise provided herein and without prejudice to Condition 9(d), only the Trustee may pursue the remedies available under the general law or under the Trust Deed to enforce the rights of holders of Notes and Couponholders and no Noteholder or Couponholder shall be entitled to take proceedings directly against the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails to do so within a reasonable time and such failure is continuing.

No remedy against the Issuer, other than as referred to in Condition 9, shall be available to the Trustee or any Noteholder or Couponholder (i) for the recovery of amounts owing in respect of or arising under the Trust Deed, the Notes or the relative Coupons or (ii) in respect of the breach of any other term or condition or other obligation binding on the Issuer under or in respect of the Trust Deed, the Notes or the relative Coupons.

## 15 Meetings of Noteholders, Modification, Waiver and Substitution of Principal Debtor

The Trust Deed contains provisions for convening meetings of Noteholders (or the holders of the Notes of any one or more Series) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Terms and Conditions of the Notes of any one or more Series or the provisions of the Trust Deed or the ACSM Calculation Agency Agreement (if any). Such a meeting may be convened by the Trustee, the Issuer or the Trustee upon the request of Noteholders holding not less than ten per cent. in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being remaining outstanding. The quorum at any such meeting convened to consider a resolution proposed as an Extraordinary Resolution is two or more persons holding or representing a clear majority in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) whatever the nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding so held or represented, except that at any meeting the business of which includes the modification of certain of the Terms and Conditions of the Notes (or, as the case may be, the Notes of the relevant one or more Series) (including postponing any date for payment of interest on such Notes, reducing or cancelling the amount of principal or the rate of interest payable in respect of such Notes, varying the method of calculating the rate of interest or reducing the minimum or maximum rate of interest on the Notes, altering the currency of payment of such Notes and Coupons relating thereto or modifying the majority required to pass an Extraordinary Resolution) or certain of the provisions of the Trust Deed or the ACSM Calculation Agency Agreement (if any), the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than two thirds, or at any adjourned such meeting not less than one third, in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding. An Extraordinary Resolution in writing or duly passed at any meeting of the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) shall be binding on all the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series), whether or not they are present at the meeting, and on all holders of Coupons relating to the relevant Notes. The agreement or approval of the Noteholders shall not be required in the case of any variation of these Terms and Conditions and/or the Trust Deed required to be made in the circumstances described in Conditions 5(e) and 6(f) in connection with the substitution of the Notes for, or the variation of the terms of the Notes so that they become, alternative Qualifying Tier 1 Securities or Qualifying Upper Tier 2 Securities (as the case may be), and to which the Trustee has agreed pursuant to the relevant provisions of Conditions 5(e) and 6(f), as the case may be.

The Trustee may agree, without the consent of the Noteholders or Couponholders (or, as the case may be, the holders of the Notes or Coupons of the relevant one or more Series), to:

- (a) any modification (subject to certain exceptions as provided in the Trust Deed) of the Terms and Conditions of the Notes (or, as the case may be, the Notes of any one or more Series) or of the provisions of the Trust Deed or the ACSM Calculation Agency Agreement (if any) which in its opinion is not materially prejudicial to the interests of the Noteholders or Couponholders (or, as the case may be, the holders of the Notes or Coupons of the relevant one or more Series); or
- (b) any modification of the Notes (or, as the case may be, the Notes of the relevant one or more Series) and Coupons relating thereto or the Trust Deed or the ACSM Calculation Agency Agreement (if any) which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders and the Couponholders (or, as the case may be, the holders of the Notes or Coupons of the relevant one or more Series) and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders (or, as the case may be, the holders of the Notes of the relevant one or more Series) in accordance with Condition 13 as soon as practicable thereafter. No modification of these conditions insofar as it relates to the Terms and Conditions of any Series of Notes shall be effected without the prior consent of, or notification to (and no objection being raised by), the FSA.

The Trustee may also waive or authorise any breach or proposed breach of the Terms and Conditions of the Notes of any Series or the provisions of the Trust Deed, the ACSM Calculation Agency Agreement (if any) in relation to such Notes which, in its opinion, is not materially prejudicial to the interests of the Noteholders of the relevant Series.

The Trustee may also agree, subject to the conditions set out in the immediately following sentence and to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders of the relevant Series of Notes, to the substitution of the Holding Company or of a subsidiary of the Issuer or of a Successor in Business (as defined in the Trust Deed) in place of the Issuer as principal debtor under the Notes and the Coupons of any Series and under the Trust Deed in relation to such Notes and Coupons. Such agreement shall only be granted if, *inter alia*, the Trustee is satisfied that such substitution is not materially prejudicial to the interests of the Noteholders and the Couponholders of such Series.

No such substitution shall be effected in relation to any Series of Notes without the prior consent of, or notification to (and no objection being raised by), the FSA.

In connection with the exercise by it of any of its trusts, power, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders of the relevant Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders of that Series (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent provided for in Condition 7 (and/or any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed).

## **16 Further Issues**

The Issuer shall be at liberty from time to time without the consent of the relevant Noteholders or Couponholders to create and issue further notes having terms and conditions the same as (or the same in all respects save for the Issue Date, Interest Commencement Date and Issue Price), and so that the same shall be consolidated and form a single Series with, the outstanding Notes of a particular Series.

## **17 Indemnification**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any of its subsidiaries without accounting for any profit resulting therefrom and to act as Trustee for the holders of any other securities issued by the Issuer.

## 18 Authorisations

The Issuer shall, subject to compliance with the requirements of the Companies Act, use all reasonable endeavours to obtain and maintain at all times all corporate authorisations and take any other corporate actions required for the issue and allotment of such number of Ordinary Shares as it reasonably considers would be required to be issued in order to enable the Issuer to make a payment satisfying the aggregate amount of ACSM Payments (if any) and the aggregate of the Interest Payments due over the next 12 month period (or such longer period as, in the opinion of the board of directors of the Issuer, is prudent having regard to amounts which may become payable through the operation of Condition 4), provided that such reasonable endeavours shall be satisfied where the relevant corporate authorisation or action required is to be obtained or done by the passing of a resolution of the shareholders of the Issuer and the board of directors of the Issuer proposes the relevant resolution to its shareholders for approval at any general meeting of the Issuer and, if such proposal is rejected, the relevant resolution is proposed again at the next general meeting of the Issuer.

In the event of breach by the Issuer of this Condition 18, the Trustee may only require the Issuer to put before the next general meeting of the Issuer a resolution to remedy the breach and may take no other action against the Issuer in respect of any such breach.

The Trustee shall not be obliged to monitor compliance by the Issuer with this Condition and shall be entitled to assume, unless it has actual knowledge to the contrary, that the Issuer is complying with its obligations under this Condition.

Any authorised but unissued Ordinary Shares which the Issuer is required to maintain other than in connection with the Notes shall be discounted in determining whether the Issuer is complying with its obligations under this Condition 18.

## 19 Definitions

In these Terms and Conditions:

“**Accrued Interest Payment**” means, as at any given time, where these Terms and Conditions provide that interest shall continue to accrue after an Interest Payment Date in respect of a Note, the amount of interest accrued thereon at that time in accordance with Conditions 3(c) or 4(e), as the case may be;

“**ACSM Calculation Agency Agreement**” means any agreement entered into by the Issuer, the Trustee and the ACSM Calculation Agent in respect of the appointment of the ACSM Calculation Agent to perform the functions expressed to be performed by the ACSM Calculation Agent under these Terms and Conditions;

“**ACSM Calculation Agent**” means the independent investment bank or financial institution, appointed on the terms of an ACSM Calculation Agency Agreement, selected by the Issuer and approved by the Trustee, for the purposes of performing the functions expressed to be performed by it under these Terms and Conditions;

“**ACSM Payment**” means any Deferred Interest Payment and/or any Accrued Interest Payment pursuant to Condition 4(e) and any other Interest Payment in respect of which the Issuer has at its option notified the Trustee, the Agent and the Calculation Agent not less than 16 London Business Days prior to the relevant Interest Payment Date that such Interest Payment is to be satisfied in accordance with Condition 4 on such Interest Payment Date which will thereby become an ACSM Payment Date;

“**ACSM Payment Date**” means the date on which an ACSM Payment is due to be satisfied pursuant to these Terms and Conditions provided that where the provisions of Condition 4(e) cause an ACSM Payment to be deferred, references therein to “**ACSM Payment Date**” shall be

to the date on which such ACSM Payment would otherwise have been due to be satisfied had such ACSM Payment not been deferred pursuant to Condition 4(e);

“**Alternative Coupon Satisfaction Mechanism**” or “**ACSM**” means the mechanism described in Condition 4;

“**Capital Breach Event**” means the occurrence of a breach by the Issuer or the Group or any member of the Group of the United Kingdom capital adequacy requirements, guidelines or measures or any other regulatory capital requirements, guidelines or measures applicable to the Issuer or the Group or any member of the Group, as the case may be (whether or not such requirements, guidelines or measures have the force of law and whether they are applied generally or specifically to the Issuer or the Group or any member of the Group, as the case may be);

“**Capital Disqualification Event**” is deemed to have occurred (i) if the FSA has confirmed to the Issuer that the Notes are no longer of a type eligible for inclusion in the Tier 1 Capital of the Issuer on a solo and/or consolidated basis or (ii) if at any time the Issuer or the Group is required under the Capital Regulations to have Tier 1 Capital and the Issuer would be entitled pursuant to Condition 6(j) to substitute the Notes by Substituted Preference Shares, the FSA has confirmed to the Issuer that such Substituted Preference Shares are no longer of a type eligible for inclusion in the Tier 1 Capital of the Issuer on a solo and/or consolidated basis;

“**Capital Regulations**” means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the FSA;

“**Companies Act**” means the Companies Act 1985 (as amended or re-enacted from time to time);

“**Deferred Interest Payment**” means (i) any Interest Payment which, pursuant to Condition 3(d), the Issuer has elected to defer and which has not been satisfied and (ii) any Interest Payment which, by reason of the conditions to payment set out in Condition 2(b)(i), has not been satisfied;

“**Eligible Company**” means a company incorporated in a member state of the European Union or in the United States of America by or on behalf of the Issuer whose ordinary shares are listed (i) on the Official List and are admitted to trading on the Market or (ii) on such other stock exchange as is a Recognised Stock Exchange at the time and as the Trustee may approve, such approval not to be unreasonably withheld or delayed;

“**Financial Services Authority**” or “**FSA**” means the Financial Services Authority or such other governmental authority in the United Kingdom (or, if the Issuer becomes domiciled in a jurisdiction other than the United Kingdom, in such other jurisdiction) having primary supervisory authority with respect to the Issuer;

“**Interest Payment**” shall have the meaning given to such term in Condition 3(d);

“**Junior Securities**” means the Ordinary Shares and any other securities of the Issuer or any other member of the Group ranking or expressed to rank junior to the Notes either issued directly by the Issuer or, where issued by a member of the Group, where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer which ranks or is expressed to rank junior to the Notes;

“**London Stock Exchange**” means the London Stock Exchange plc;

“**Market**” means the London Stock Exchange’s regulated market;

“**Market Disruption Event**” means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by any stock exchange on which the Ordinary Shares are for the time being listed) or on settlement procedures for transactions in the Ordinary Shares on any stock exchange on which the Ordinary

Shares are for the time being listed if, in any such case, that suspension or limitation is, in the determination of the ACSM Calculation Agent, material in the context of the sale of the Ordinary Shares, or (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Ordinary Shares or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the Payment Ordinary Shares, or (iii) where, pursuant to these Terms and Conditions, monies are required to be converted from one currency into another currency in respect of any Interest Payment, the occurrence of any event that makes it impracticable to effect such conversion;

“**New Holding Company**” means an Eligible Company that becomes the Ultimate Owner following a Permitted Restructuring;

“**Notional Preference Shares**” means an actual or notional class of preference shares in the capital of the Issuer having an equal right to return of assets in the winding up or administration to, and so ranking *pari passu* with, the most senior class or classes of issued preference shares with non-cumulative dividends (if any) in the capital of the Issuer from time to time and which have a preferential right to a return of assets in the winding up or administration over, and so rank ahead of the holders of all other classes of issued shares for the time being in the capital of the Issuer but ranking junior to the claims of Senior Creditors and junior to any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any Upper Tier 2 Securities in a winding up or administration of the Issuer is determined;

“**Official List**” means the official list of the UK Listing Authority;

“**Ordinary Shares**” means ordinary shares in the capital of the Issuer;

“**Ordinary Shares Threshold**” means, in connection with any Deferred Interest Payment, that the aggregate number of Ordinary Shares issued and/or transferred by the Issuer in any rolling 12-month period shall not exceed 2 per cent. of the aggregate number of the Ordinary Shares in issue (including those in issue and held in treasury);

“**Outstanding**”, in relation to any Interest Payment, Deferred Interest Payment or interest not falling within the definition of Interest Payment, means that such payment (a) has either become due and payable or would have become due and payable except for the non-satisfaction on the relevant date of the condition to payment set out in Condition 2(b)(i) or the deferral, postponement or suspension of such payment in accordance with any of Condition 3(d), 4(d), 4(e) or 5(e); and (b) in any such case has not been satisfied and, in relation to any Accrued Interest Payment, means any amount thereof which has not been satisfied whether or not payment has become due;

“**Parity Securities**” means (i) the most senior ranking class or classes of non-cumulative preference shares in the capital of the Issuer from time to time and (ii) any other securities of the Issuer or any other member of the Group ranking or expressed to rank *pari passu* with the Notes and/or such preference shares as regards participation in profits either issued directly by the Issuer or, where issued by a member of the Group, where the terms of the securities benefit from a guarantee or support agreement entered into by the Issuer which ranks or is expressed to rank *pari passu* with the Notes and/or such preference shares and in the case of (i) and (ii) above comply with the then current requirements of the FSA in relation to, or are otherwise treated by the FSA as, Tier 1 Capital;

“**Permitted Restructuring**” means the completion of (i) an offer made by or on behalf of an Eligible Company to all (or as nearly as may be practicable all) shareholders of the Issuer (or, if the Issuer is not the Ultimate Owner, the then Ultimate Owner) to acquire the whole (or as nearly as may be practicable the whole) of the issued ordinary share capital of the Issuer (or, if the Issuer is not the Ultimate Owner, the then Ultimate Owner) other than that which is already held by or on behalf of such Eligible Company or (ii) a reorganisation or restructuring whether by



way of a scheme of arrangement or otherwise pursuant to which an Eligible Company acquires all (or as nearly as may be practicable all) of the issued ordinary share capital of the Issuer (or, if the Issuer is not the Ultimate Owner, the then Ultimate Owner) other than that which is already held by such Eligible Company or pursuant to which all (or as nearly as may be practicable all) of the issued ordinary share capital of the Issuer (or, if the Issuer is not the Ultimate Owner, the then Ultimate Owner) not held by the New Holding Company is cancelled;

**“Permitted Restructuring Arrangement”** means, in relation to a Permitted Restructuring, an arrangement whereby the following conditions are satisfied: (a) the execution of a trust deed supplemental to the Trust Deed and/or such other documentation as may be necessary to ensure that (i) the ACSM as described in Condition 4, the Trust Deed and any ACSM Calculation Agency Agreement operates so that Ordinary Shares may be exchanged for Ultimate Owner Ordinary Shares issued by the New Holding Company in such a manner that ensures that upon the sale of such Ultimate Owner Ordinary Shares the holder of each Note then outstanding will receive, in the event of a payment to be satisfied pursuant to Condition 4, an amount not less than that which would have been receivable had such a Permitted Restructuring not taken place and (ii) the economic effect, for the Noteholders, of a holding of the Notes prior to the Permitted Restructuring is substantially preserved; and (b) the Trustee is satisfied that the credit ratings that would be assigned to the Notes by the Rating Agencies following any such Permitted Restructuring, shall not be lower than those assigned to the Notes immediately prior to such Permitted Restructuring taking place (if any) as confirmed by such Rating Agency in writing;

**“Qualifying Administration”** means that an administrator has been appointed in respect of the Issuer and has given notice that he/she intends to declare and distribute a dividend;

**“Qualifying Tier 1 Securities”** means securities issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two authorised signatories of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities), provided that they shall (1) contain terms which comply with the then current requirements of the FSA in relation to Tier 1 Capital; (2) include terms which provide for at least the same interest rate from time to time applying to the Notes; (3) rank at least *pari passu* with the Notes; and (4) preserve any existing rights under these Terms and Conditions to any Accrued Interest Payment or any other accrued interest which has not been satisfied, except that such securities need not necessarily include provisions analogous to the provisions of Condition 4; and
- (b) are (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed;

**“Qualifying Upper Tier 2 Securities”** means securities issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to an investor than the terms of the Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two authorised signatories of the Issuer shall have been delivered to the Trustee prior to the issue of the relevant securities), provided that they shall (1) contain terms which comply with the then current requirements of the FSA in relation to Upper Tier 2 Capital; (2) include terms which provide for the same interest rate from time to time applying to the Notes; (3) rank senior to, or *pari passu* with, the Notes; and (4) preserve any existing rights under these Terms and Conditions to any Accrued Interest Payment or any other accrued interest which has not been satisfied, except that such securities need not include provisions analogous to the provisions of Condition 4; and

- (b) are (i) listed on the Official List and admitted to trading on the Market or (ii) listed on such other stock exchange as is a Recognised Stock Exchange at that time as selected by the Issuer and approved by the Trustee, such approval not to be unreasonably withheld or delayed;

“**Rating Agency**” means Fitch Ratings Ltd., Moody’s Investors Service, Inc. or Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies Inc, or their respective successors;

“**Recognised Stock Exchange**” means a recognised stock exchange as defined in section 841 of the Income and Corporation Taxes Act 1988 as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

“**Tier 1 Capital**” and “**Tier 2 Capital**” have the respective meanings given to them from time to time by the FSA;

“**UK Listing Authority**” means the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000;

“**Ultimate Owner**” means, at any given time, the ultimate holding company of the Group at that time;

“**Ultimate Owner Ordinary Shares**” means securities issued by the Ultimate Owner, the terms of which are *mutatis mutandis* substantially the same as those of the Ordinary Shares;

“**Upper Tier 2 Capital**” has the meaning given to it by the FSA from time to time;

“**Upper Tier 2 Securities**” means the Issuer’s outstanding debt securities which constitute Upper Tier 2 Capital (except for any such securities which are Parity Securities) and such other securities outstanding from time to time (except as aforesaid) which rank or are expressed to rank *pari passu* with such debt securities; and

“**Winding Up**” means any winding up of the Issuer excluding a solvent winding up solely for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed) of the holders of the Notes of the relevant Series.

## **20 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## **21 Governing Law and Submission to Jurisdiction**

The Trust Deed, the Agency Agreement, the ACSM Calculation Agency Agreement (if any), the Notes and the Coupons, and any non-contractual obligations arising out of or in connection with them, shall be governed by, and construed in accordance with, English law, except that the provisions of Condition 2 (and related provisions of the Trust Deed) relating to subordination of the Notes shall be governed by, and construed in accordance with, Scots law.

The Issuer has submitted to the jurisdiction of the English courts in the Trust Deed.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes (other than Guaranteed Notes) will be applied by the relevant Issuer to fund its general banking and insurance business (as applicable). If in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

The net proceeds from each issue of Guaranteed Notes will be applied solely to refinance liabilities of RBS which had the benefit of the Guarantee.

## DESCRIPTION OF THE 2008 CREDIT GUARANTEE SCHEME

On 8th October 2008, the United Kingdom Government announced measures intended, *inter alia*, to provide sufficient liquidity to the banking sector, to make available new capital to United Kingdom banks (including RBS) and to ensure that the banking system has the funds necessary to maintain lending in the medium term.

Following its announcement on 8th October 2008 referred to above, on 13th October 2008 the United Kingdom Government announced a credit guarantee scheme for bank and building society debt issuance, as extended and amended by way of a market notice issued by the United Kingdom Government on 15th December 2008 and by way of an announcement by the United Kingdom Government on 19th January 2009, and as may be amended from time to time (the “**Scheme**”).

RBS applied to take part in the Scheme and was named as an initial eligible institution by HM Treasury on 13th October 2008. Under the Scheme HM Treasury, at the request of RBS, may provide an unconditional and irrevocable direct guarantee which ensures timely payment of plain vanilla, non-complex, senior and unsecured debt instruments issued by RBS of a term of not more than three years. HM Treasury’s obligations in that respect are contained in a deed of guarantee dated 13th October 2008 (as amended by supplemental deeds dated 20th October 2008 and 6th February 2009 and as further amended from time to time, the “**Guarantee**”), the form of which is available at [www.dmo.gov.uk](http://www.dmo.gov.uk). Any demand under the Guarantee must be made in writing and in the form attached to the rules of the 2008 Credit Guarantee Scheme entitled “The Commissioners of Her Majesty’s Treasury Rules of the 2008 Credit Guarantee Scheme” issued by the Debt Management Office (the “**Scheme Rules**”). The Guarantee is available only in respect of debt instruments issued in Sterling, United States dollars, euro, Japanese Yen, Australian dollars, Canadian dollars or Swiss francs or any other currency which HM Treasury at its discretion may determine. The issue documentation for a particular issue of debt instruments will indicate if the Guarantee is to apply to that issue. Any such instruments issued with the benefit of the Guarantee will be exempt from the Prospectus Directive in accordance with Article 1.2(d) thereof and no prospectus approved by the FSA will be prepared in connection therewith. As a participant in the Scheme, RBS is obliged to pay fees on guaranteed liabilities which will be based on an annual rate equal to 50 basis points plus 100 per cent. of RBS’ median five-year Credit Default Swap spread observed during July 2007 to July 2008, as determined by HM Treasury. This fee applies to all guaranteed issues under the Scheme since its launch on 13th October 2008. Additional amounts may be payable if the debt instruments are issued in U.S. Dollars, Euro, Japanese Yen, Australian dollars, Canadian dollars or Swiss francs or any other currency which HM Treasury at its discretion may determine. RBSG and RBS are also required to enter into a counter-indemnity in favour of HM Treasury, which they did on 14th October 2008. Other than for taxation reasons, RBS is not permitted to redeem debt instruments issued with the benefit of the Guarantee early, in whole or in part, ahead of the scheduled maturity date. The Guarantee does not apply to debt instruments issued by RBSG. The HM Treasury Guarantee will be available, at HM Treasury’s discretion in accordance with the Scheme Rules, in respect of debt instruments issued by RBS until the scheme finally closes in 2014. The drawdown window for new issuance closed on 28th February 2010 with institutions able to rollover existing debt until the final closure of the scheme in 2014. In that respect, RBS is therefore entitled to apply after the end of the drawdown window for an Eligibility Certificate in respect of an eligible debt instrument provided that the instrument is to be issued by RBS solely for the purpose of refinancing a liability of RBS which had the benefit of the Guarantee on or around the date of the latter instrument’s scheduled maturity, provided that the maturity date of the relevant debt instrument must be before (or including) 9th April 2014. The proceeds of any debt instruments issued with the benefit of the Guarantee are required to be applied by RBS in refinancing liabilities of RBS and its directly or indirectly wholly-owned subsidiaries incorporated in the United Kingdom which mature after 13th October 2008.

## UNITED KINGDOM TAXATION

*The comments below are of a general nature and relate to certain United Kingdom tax implications for persons who are the absolute beneficial owners of their Notes (including Australian Domestic Notes) and Coupons and may not apply to certain classes of person (such as dealers and persons connected with an Issuer). They are not intended to be exhaustive. The comments address the position of such persons under current law and HM Revenue & Customs' practice. The United Kingdom tax treatment of prospective holders of Notes (including Australian Domestic Notes) depends on their individual circumstances and may be subject to change in the future. Prospective holders of the Notes (including Australian Domestic Notes) who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek independent advice.*

### Interest

1. Payments of interest made in respect of Notes which carry a right to interest and which are listed on a recognised stock exchange (as defined in section 1005 of the Income Tax Act 2007 (the "Act")) may be made without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning and in accordance with the provisions of Part 6 of the FSMA) by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange. The Australian Stock Exchange is also a recognised stock exchange for these purposes. The Australian Domestic Notes will qualify as quoted Eurobonds, to the extent that they carry a right to interest and are both admitted to trading on the Australian Stock Exchange, and are officially listed in Australia with provisions corresponding to those generally applicable to EEA state exchanges. Provided, therefore, that the Notes (including the Australian Domestic Notes) remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax whether or not the issuer carries on a banking business in the United Kingdom and whether or not the interest is paid in the ordinary course of its business.

Additionally, RBS is entitled to make payments of interest without deduction or withholding for or on account of United Kingdom income tax provided that it continues to be a bank within the meaning of section 991 of the Act and the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the Act. According to HM Revenue & Customs' published practice, interest on such Notes should be treated as paid in the ordinary course of a bank's business unless (*inter alia*) the issue of such Notes is regarded as relating to the capital structure of the bank. Therefore, interest paid on the Subordinated Notes by RBS will not be considered to be in the ordinary course of RBS's business where such Notes conform to any of the Tier 1, Tier 2 or Tier 3 definitions adopted by the UK Financial Services Authority, whether or not the Notes actually count towards Tier 1, Tier 2 or Tier 3 capital for regulatory purposes.

Each Issuer is entitled to make payments of interest without deduction or withholding for or on account of United Kingdom income tax if, at the time the relevant payments are made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that, broadly, the person beneficially entitled to the income is a company within the charge to United Kingdom corporation tax in respect of the interest or falls within a list of specified tax-exempt entities and bodies (unless HM Revenue & Customs has given a direction that this exemption shall not apply, having reasonable grounds for believing the conditions for this exemption will not be met).

In all other cases an amount must generally be withheld on account of 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 Notes (including Australian Domestic Notes) HM Revenue & Customs can issue a notice to the Issuer to pay interest to the holder of the Notes without deduction of tax (or for the interest to be paid with

tax deducted at the rate provided for in the relevant double tax treaty). Further, this withholding will not apply if the relevant interest is paid on Notes with a maturity of less than 365 days from the date of issue and which are not issued under arrangements, the effect of which is to render such Notes part of a borrowing with a total term of 365 days or more.

2. Payments of interest in respect of Notes may have a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment even if paid without withholding or deduction. Exemption from or reduction of such United Kingdom tax liability may be available under an applicable double taxation treaty.

Where the interest is paid without deduction or withholding on account of United Kingdom tax, the interest will not be chargeable to United Kingdom tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom in connection with which the interest is received or to which the relevant Notes are attributable (and where the holder of Notes is a company; unless that holder of Notes carries on a trade or vocation in the United Kingdom through a permanent establishment in connection with which the interest is received or the Notes are attributable). There are certain exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such holders of Notes.

Noteholders should note that the provisions relating to additional amounts set out in Condition 6 of the Terms and Conditions would not apply if HM Revenue & Customs sought to assess the person entitled to the relevant interest directly to United Kingdom tax on interest. However, exemption from or reduction of such United Kingdom tax liability might be available for holders of Notes who are not resident in the United Kingdom under an applicable double taxation treaty.

3. HM Revenue & Customs has the power to require any person in the United Kingdom paying or crediting interest to or receiving interest on behalf of another person to provide information (including the name and address of the beneficial owner) to HM Revenue & Customs in respect of the interest and the identity of the payee or person entitled to the interest whether or not resident in the United Kingdom. In certain circumstances, HM Revenue & Customs may be entitled to exchange such information with the tax authorities of other jurisdictions. HM Revenue & Customs also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes 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 HM Revenue & Customs published practice indicates that HM Revenue & Customs will not exercise the power referred to above to require this information in respect of amounts payable on redemption of deeply discounted securities where such amounts are paid on or before 5th April 2011.
4. The references to “interest” in 1 to 3 above mean “interest” as understood in United Kingdom tax law. The statements in 1 to 3 do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

### **EU Directive on the Taxation of Savings Income**

The EU has adopted the EU Council Directive 2003/48/EC regarding the taxation of savings income (the “**Savings Directive**”). The Savings Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in another Member State or to certain limited types of entities established in that other Member State, except that, for a transitional period Austria and Luxembourg may instead impose a withholding system (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld unless during such period they elect otherwise) (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries) unless during such period they elect otherwise. A number of non-EU

countries and territories including Switzerland have adopted similar measures to the Savings Directive (a withholding system in the case of Switzerland).

On 15th September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Savings Directive, which included the Commission's advice on the need for changes to the Savings Directive. On 13th November 2008 the European Commission published a more detailed proposal for amendments to the Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24th April 2009. If any of the proposed changes are made in relation to the Savings Directive, they may amend or broaden the scope of the requirements described above.

#### **Discounts and other returns – United Kingdom withholding tax**

If Notes are issued at a discount to their principal amount, any such discount element is not subject to any United Kingdom withholding tax. If Notes are redeemed at a premium to their principal amount (as opposed to being issued at a discount) then, depending on the circumstances, such premium may constitute a payment of interest for United Kingdom tax purposes and hence be subject to the United Kingdom withholding tax rules and reporting requirements outlined above.

#### **Withholding tax on Guarantee payments**

Noteholders should be aware that the withholding tax treatment of payments under the Guarantee is not free from uncertainty. The following guidance does not purport to be comprehensive or to deal with all possible circumstances, and any Noteholder who is in any doubt as to the tax treatment of payments under the Guarantee is advised to obtain professional advice.

Where a payment is made under the Guarantee in respect of Notes which carry a right to interest and are listed on a recognised stock exchange (as defined in section 1005 of the Act), the better view is considered to be that such payment should be made without withholding or deduction for or on account of United Kingdom income tax. In addition, no withholding should apply to payments under the Guarantee in respect of Notes with a maturity of less than 365 days (and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of 365 days or more).

Subject to the availability of any relief, payments under the Guarantee may be subject to United Kingdom withholding tax at a maximum rate of 20 per cent. Investors should note that in the event that any payment made by HM Treasury in respect of the Guarantee is made subject to deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of any nature, no additional amounts shall be payable by the Issuer, any Paying Agent or any other person in respect of such deduction or withholding.

## AUSTRALIAN TAXATION

*The following is a summary of the taxation treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, “**Australian Tax Act**”), at the date of this Prospectus, of payments of interest (as defined in the Australian Tax Act) on Australian Domestic Notes to be issued by an Issuer under the Programme and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of Australian Domestic Notes (including, dealers in securities, custodians or other third parties who hold Australian Domestic Notes on behalf of any other persons). It does not, for example, deal with the position of Australian residents or non Australian residents who hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia.*

*Prospective holders of Australian Domestic Notes should also be aware that particular terms of issue of any Series of Australian Domestic Notes may affect the tax treatment of that and other Series of Australian Domestic Notes. The following is a general guide and should be treated with appropriate caution. Prospective holders of Australian Domestic Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Australian Domestic Notes for their particular circumstances.*

*Australian Domestic Notes may be issued by either Royal Bank or RBS Australia Branch. There may be different tax consequences depending upon whether the Australian Domestic Notes are issued by Royal Bank or RBS Australia Branch.*

### **AUSTRALIAN DOMESTIC NOTES ISSUED BY ROYAL BANK FROM AN OFFICE OUTSIDE AUSTRALIA**

#### **1. Interest withholding tax (“IWT”)**

So long as Royal Bank continues to be a non-resident of Australia and the Australian Domestic Notes issued by Royal Bank are not attributable to a permanent establishment of Royal Bank in Australia, payments of principal and interest made under Australian Domestic Notes issued by Royal Bank will not be subject to Australian IWT.

#### **2. Other tax matters**

Subject to the “Recent Developments” section below, under Australian laws as presently in effect:

- (a) *income tax – offshore Note holders* – payment of principal and interest to a holder of the Australian Domestic Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes;
- (b) *gains on disposal of Australian Domestic Notes – offshore Note holders* – a holder of the Australian Domestic Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income tax on gains realised during that year on sale or redemption of the Australian Domestic Notes, provided such gains do not have an Australian source. A gain arising on the sale of Australian Domestic Notes by a non-Australian resident holder to another non-Australian resident where the Australian Domestic Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia would not be regarded as having an Australian source;
- (c) *deemed interest* – there are specific rules that can apply to treat a portion of the purchase price of Australian Domestic Notes as interest for IWT purposes when certain Australian Domestic Notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian resident (who does not acquire them in the course of carrying on business at or through a permanent establishment outside Australia) or a non-



resident who acquires them in the course of carrying on business at or through a permanent establishment in Australia. These rules should not apply in circumstances where the Australian Domestic Notes issued by Royal Bank are not attributable to a permanent establishment of Royal Bank in Australia;

- (d) *death duties* – no Australian Domestic Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;
- (e) *stamp duty and other taxes* – no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Australian Domestic Notes;
- (f) *other withholding taxes on payments in respect of Australian Domestic Notes* – so long as Royal Bank continues to be a non-resident of Australia and does not carry on business at or through a permanent establishment in Australia, the tax file number requirements of Part VA of the Australian Income Tax Assessment Act of 1936 and section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia (“**Taxation Administration Act**”) should not apply in connection with Australian Domestic Notes issued by Royal Bank;
- (g) *supply withholding tax* – payments in respect of the Australian Domestic Notes can be made free and clear of the “supply withholding tax” imposed under section 12-190 of Schedule 1 to the Taxation Administration Act;
- (h) *goods and services tax (GST)* – neither the issue nor receipt of the Australian Domestic Notes will give rise to a liability for GST in Australia on the basis that the supply of Australian Domestic Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by Royal Bank, nor the disposal of the Australian Domestic Notes, would give rise to any GST liability in Australia; and
- (i) *debt/equity rules* – Division 974 of the Australian Tax Act contains tests for characterising debt (for all entities) and equity (for companies) for Australian tax purposes, including for the purposes of dividend withholding tax and IWT. Division 974 should not affect the Australian tax treatment of holders of Australian Domestic Notes issued by Royal Bank.

## **AUSTRALIAN DOMESTIC NOTES ISSUED BY RBS AUSTRALIA BRANCH**

### **1. Interest withholding tax**

As RBS Australia Branch is a permanent establishment of Royal Bank in Australia, payments of interest (as defined in section 128A(1AB) of the Australian Tax Act) made under Australian Domestic Notes issued by RBS Australia Branch to non Australian residents who do not hold those Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia or Australian residents who hold those Australian Domestic Notes in the course of carrying on business at or through a permanent establishment outside Australia will be subject to Australian IWT unless a relevant exemption applies.

An exemption from Australian IWT imposed under Division 11A of Part III of the Australian Tax Act is available, in respect of the Australian Domestic Notes where RBS Australia Branch is the issuer under section 128F of the Australian Tax Act if the following conditions are met:

- (a) the issuer is a non-resident of Australia carrying on business at or through a permanent establishment in Australia when it issues those Australian Domestic Notes, and when interest (as defined in section 128A(1AB) of the Australian Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;
- (b) those Australian Domestic Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to

ensure that lenders in capital markets are aware that the issuer is offering those Australian Domestic Notes for issue. In summary, the five methods are:

- offers to 10 or more unrelated financiers or securities dealers;
- offers to 100 or more investors;
- offers of listed notes;
- offers via publicly available information sources; and
- offers to a dealer, manager or underwriter who offers to sell those notes within 30 days by one of the preceding methods.

In addition, the issue of any of those Australian Domestic Notes (whether in global form or otherwise) and the offering of interests in any of those Australian Domestic Notes by one of these methods should satisfy the public offer test;

- (c) the issuer does not know, or have reasonable grounds to suspect, at the time of issue, that those Australian Domestic Notes or interests in those Australian Domestic Notes were being, or would later be, acquired, directly or indirectly, by an “associate” of RBS Australia Branch, except as permitted by section 128F(5) of the Australian Tax Act; and
- (d) at the time of the payment of interest, the issuer does not know, or have reasonable grounds to suspect, that the payee is an “associate” of the issuer, except as permitted by section 128F(6) of the Australian Tax Act.

#### *Associates*

An “associate” of the issuer for the purposes of section 128F of the Australian Tax Act includes (i) a person or entity which holds more than 50 per cent. of the voting shares of, or otherwise controls, the issuer, (ii) an entity in which more than 50 per cent. of the voting shares are held by, or which is otherwise controlled by, the issuer, (iii) a trustee of a trust where the issuer is capable of benefiting (whether directly or indirectly) under that trust, and (iv) a person or entity who is an “associate” of another person or company which is an “associate” of the issuer under any of the foregoing.

However, for the purposes of sections 128F(5) and (6) of the Australian Tax Act (see paragraphs (c) and (d) above), “associate” does not include:

- (A) onshore associates (ie Australian resident associates who do not hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia); or
- (B) offshore associates (ie Australian resident associates who hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who do not hold the Australian Domestic Notes in the course of carrying on business through a permanent establishment in Australia) who are acting in the capacity of:
  - (i) in the case of section 128F(5), a dealer, manager or underwriter in relation to the placement of the relevant Australian Domestic Notes, or a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme; or
  - (ii) in the case of section 128F(6), a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investment scheme.

### *Compliance with section 128F of the Australian Tax Act*

Unless otherwise specified in any relevant Final Terms (or another relevant supplement to this Prospectus), if RBS Australia Branch is the issuer of the Australian Domestic Notes, it intends to issue them in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

### *Exemptions under recent tax treaties*

The Australian government has signed new or amended double tax conventions (“**New Treaties**”) with a number of countries (each a “**Specified Country**”) which contain certain exemptions from IWT.

In broad terms, once implemented, the New Treaties prevent IWT being imposed on interest derived by either:

- the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; or
- a “financial institution” which is a resident of a Specified Country and which is unrelated to and dealing wholly independently with the issuer. The term “financial institution” refers to either a bank or any other form of enterprise which substantially derives its profits by carrying on a business of raising and providing finance. (However, interest paid under a “back-to-back loan” or economically equivalent arrangement will not qualify for this exemption.)

The Australian Federal Treasury maintains a listing of Australia’s double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation which is available to the public at the Federal Treasury’s Department’s website at: <http://www.treasury.gov.au/contentitem.asp?pageId=&ContentID=625>.

## **2. Other tax matters**

Subject to the “recent developments” section below, under Australian laws as presently in effect:

- (a) *income tax – offshore Note holders* – assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Australian Domestic Notes, payment of principal and interest (as defined in section 128A(1AB) of the Australian Tax Act) to a holder of the Australian Domestic Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes;
- (b) *gains on disposal of Australian Domestic Notes – offshore Note holders* – a holder of the Australian Domestic Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income tax on gains realised during that year on sale or redemption of the Australian Domestic Notes, provided such gains do not have an Australian source. A gain arising on the sale of Australian Domestic Notes by a non-Australian resident holder to another non-Australian resident where the Australian Domestic Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia would not be regarded as having an Australian source;
- (c) *deemed interest* – there are specific rules that can apply to treat a portion of the purchase price of Australian Domestic Notes as interest for IWT purposes when certain Australian Domestic Notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian resident (who does not acquire them in the course of carrying on business at or through a permanent establishment outside Australia) or a non-resident who acquires them in the course of carrying on business at or through a permanent establishment in Australia. These rules do not apply in circumstances where the deemed interest

- would have been exempt under section 128F of the Australian Tax Act if the Australian Domestic Notes had been held to maturity by a non-resident;
- (d) *death duties* – no Australian Domestic Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;
  - (e) *stamp duty and other taxes* – no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Australian Domestic Notes;
  - (f) *other withholding taxes on payments in respect of Australian Domestic Notes* – section 12-140 of Schedule 1 to the Taxation Administration Act imposes a type of withholding tax at the rate of (currently) 46.5 per cent. on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number (“TFN”), (in certain circumstances) an Australian Business Number (“ABN”) or proof of some other exception (as appropriate). Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Australian Domestic Notes, then the requirements of section 12-140 do not apply to payments to a holder of Australian Domestic Notes in registered form who is not a resident of Australia and not holding those Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of Australian Domestic Notes in registered form may be subject to a withholding where the holder of those Australian Domestic Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);
  - (g) *supply withholding tax* – payments in respect of the Australian Domestic Notes can be made free and clear of the “supply withholding tax” imposed under section 12-190 of Schedule 1 to the Taxation Administration Act;
  - (h) *goods and services tax (GST)* – neither the issue nor receipt of the Australian Domestic Notes will give rise to a liability for GST in Australia on the basis that the supply of Australian Domestic Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by RBS Australia Branch, nor the disposal of the Australian Domestic Notes, would give rise to any GST liability in Australia; and
  - (i) *debt/equity rules* – Division 974 of the Australian Tax Act contains tests for characterising debt (for all entities) and equity (for companies) for Australian tax purposes, including for the purposes of dividend withholding tax and IWT. RBS Australia Branch intends to issue Australian Domestic Notes which are to be characterised as “debt interests” for the purposes of the tests contained in Division 974 and the returns paid on the Australian Domestic Notes are to be “interest” for the purpose of section 128F of the Australian Tax Act. Accordingly, Division 974 is unlikely to adversely affect the Australian tax treatment of holders of Australian Domestic Notes.
  - (j) *additional withholdings from certain payments to non-residents* – Section 12-315 of Schedule 1 to the Taxation Administration Act gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents. However, section 12-315 expressly provides that the regulations will not apply to interest and other payments which are already subject to the current IWT rules or specifically exempt from those rules. Further, regulations may only be made if the responsible minister is satisfied the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The regulations promulgated prior to the date of this Prospectus are not relevant to any payments in respect of the Australian Domestic Notes. Future regulations should not apply to repayments of principal under the Australian Domestic Notes, as in the absence of any issue discount, such amounts will generally not be reasonably related to assessable income. The possible application of any regulations to the proceeds of any sale of the Australian Domestic Notes will need to be monitored.

## RECENT DEVELOPMENTS

### *Taxation of financial arrangements*

The *Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009* (“**TOFA Act**”) has been enacted.

The TOFA Act contains rules which represent a new code for the taxation of receipts and payments in relation to financial arrangements. The rules contemplate a number of different methods for bringing to account gains and losses in relation to “financial arrangements” (including, fair value, accruals, retranslation, realisation, hedging and financial records).

The rules apply from the commencement of the first tax year beginning on or after 1st July 2010 (although taxpayers may elect to apply the rules for the tax year commencing on or after 1st July 2009 if they wish to do so). Further, the rules are not to apply to “financial arrangements” which are current at the commencement date. In relation to current “financial arrangements” at that time, taxpayers may be able to elect to apply the rules if they wish, but certain tax adjustments are required if such an election is made.

The TOFA Act does not alter the rules relating to the imposition of IWT. The TOFA rules do not override the IWT exemption available under section 128F of the Australian Tax Act.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the “**Programme Agreement**”) dated 10th June 2010, agreed with the Issuers a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes” above. In the Programme Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

### **Selling Restrictions**

#### **(a) United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified by the relevant Dealer, or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Notes during the distribution compliance period, as defined in Regulation S under the Securities Act, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issue of Dual Currency Notes and Index Linked Notes will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer or Dealers may agree as indicated in the applicable Final Terms. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

#### **(b) European Economic Area**

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

- (i) if the final terms in relation to the Notes specify that an offer of those Notes 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 Notes 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;
- (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (iv) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (v) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (ii) to (v) above shall require the relevant Issuer or any Dealer 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 Notes to the public**” in relation to any Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

**(c) United Kingdom**

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

- (i) in relation to any Notes issued by RBSG which have a maturity of less than one year from the date of issue, (x) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (y) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by RBSG as an Issuer;
- (ii) 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 FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not, or in the case of RBS, would not, if RBS was not an authorised person, apply to the relevant Issuer; and

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

**(d) Australia**

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (“**Corporations Act**”) in relation to the Programme or any Notes has been, or will be, lodged with the Australian Securities and Investments Commission (“**ASIC**”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, unless the relevant Final Terms (or any other supplement to this Prospectus) otherwise provides, it:

- (i) has not made or invited and will not make or invite an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (ii) has not distributed or published, and will not distribute or publish, this Prospectus or any other offering material or advertisement relating to the Notes in Australia,

unless

- (w) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternative currency, and in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act and complies with the terms of any authority granted under the Banking Act 1959 of the Commonwealth of Australia;
- (x) the offer or invitation does not constitute an offer to a “retail client” for the purposes of section 761G of the Corporations Act;
- (y) such action complies with all applicable laws, regulations and directives in Australia; and
- (z) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

In addition, each Dealer has agreed that, in connection with the primary distribution of Australian Domestic Notes to be issued by RBS Australia Branch, it will not offer or invite any offer for the issue or sale of such Australian Domestic Notes to any person if, at the time of such issue or sale, the employees of the Dealer aware of, or involved in, the issue or sale knew or had reasonable grounds to suspect that, as a result of such issue or sale, any such Australian Domestic Notes or an interest in any such Notes were being, or would later be, acquired (directly or indirectly) by an associate of RBS Australia Branch within the meaning of section 128F(9) of the Income Tax Assessment Act 1936 of Australia (“**Tax Act**”), except as permitted by section 128F(5) of the Tax Act.

**(e) Japan**

Each Dealer understands that the Notes have not been, and will not be, registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the “**FIEA**”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Control Law (Law No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.



**(f) The Netherlands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any Notes with a maturity of less than 12 months and a denomination of less than €50,000 will only be offered in The Netherlands to professional market parties as defined in the Dutch Financial Supervision Act and the decrees issued pursuant thereto.

**(g) France**

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

**(i) Offer to the public in France:**

it has only made and will only make an offer of Notes to the public in France in the period beginning (x) when a prospectus in relation to those Notes has been approved by the Autorité des marchés financiers (“AMF”), on the date of its publication or, (y) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of the approval of the base prospectus all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or

**(ii) Private placement in France:**

in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the relevant Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (x) providers of investment services relating to portfolio management for the account of third parties, and/or (y) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 to D.411-3 of the French *Code monétaire et financier*.

**(h) General**

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

None of the Issuers, the Dealers and the Trustee represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

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

## FORMS OF FINAL TERMS

### PART I – APPLICABLE FINAL TERMS FOR ISSUES BY RBSG

Final Terms dated [date]

The Royal Bank of Scotland Group plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £90,000,000,000

**Euro Medium Term Note Programme**

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in paragraph 37 of Part A below, provided such person is one of the persons mentioned in paragraph 37 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]

## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [date] [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated [date]]. The Prospectuses [and the supplemental Prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from [address].

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

- |                                      |                                                                                                                                               |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Issuer:                           | The Royal Bank of Scotland Group plc                                                                                                          |
| 2. [(i)] Series Number:              | [ ]                                                                                                                                           |
| [(ii)] Tranche Number:               | [ ]                                                                                                                                           |
|                                      | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).</i>                  |
| 3. Specified Currency or Currencies: | [ ]                                                                                                                                           |
| 4. Aggregate Nominal Amount:         | [ ]                                                                                                                                           |
| [(i)] Series:                        | [ ]                                                                                                                                           |
| [(ii)] Tranche:                      | [ ]                                                                                                                                           |
| 5. Issue Price:                      | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)] |
| 6. (i) Specified Denominations:      | [ ]                                                                                                                                           |

*(Note – Although RBSG may issue Notes with a denomination of less than €50,000 or equivalent, where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed:*

*“[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000].”*)

*(If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency).*

- (ii) Calculation Amount: [ ]  
*(If only one Specified Denomination, insert the Specified Denomination.*  
*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. [(i)] Issue Date: [ ]  
[(ii)] Interest Commencement Date: [ ]
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[specify reference rate] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
[Index Linked Interest]  
[Dual Currency Interest]  
[(specify other)]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[(specify other)]  
*(N.B. If the Final Redemption Amount of each Note is other than 100 per cent. of the Note's nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another interest or redemption/payment basis]*
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]

13. (i) Status of the Notes: [Ordinary Notes]/[Dated Subordinated Notes[(Tier 3 Notes)]]/[Undated Tier 2 Notes]/[Tier 1 Notes]
- [If the Notes are Tier 1 Notes, include the following:*
- (A) Specified Currency Unit: [ ]
- (B) Substitution Preference Shares [ ]  
Early Redemption Date:
- (ii) [Date [Board] approval for issuance [ ]  
of Notes obtained: *(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]*

14. Method of distribution: [Syndicated/Non-syndicated]

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]  
*(Applicable to Notes in definitive form)*
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA)/specify other]
- (vi) Determination Dates: [ ] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s)/Specified Interest Payment Dates: [ ]

- (ii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
- (iii) Business Centre(s): [   ]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ ISDA Determination/*specify other*]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent): [   ]
- (vi) Screen Rate Determination:
- Reference Rate: [   ]  
(LIBOR/EURIBOR or other)
- Interest Determination Date(s): [   ]  
*(Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- Relevant Screen Page: [   ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (vii) ISDA Determination:
- Floating Rate Option: [   ]
- Designated Maturity: [   ]
- Reset Date: [   ]
- (viii) Margin(s): [+/-][   ] per cent. per annum
- (ix) Minimum Rate of Interest: [   ] per cent. per annum
- (x) Maximum Rate of Interest: [   ] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual or Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 or 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) RBA Bond Basis (*specify other*) (*See Condition 3 for alternatives*)]

- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [ ]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [ ]
- (iv) Determination Date(s): [ ]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (vi) Interest Period(s)/Specified Interest Payment Dates: [ ]
- (vii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (viii) Business Centre(s): [ ]
- (ix) Minimum Rate/Amount of Interest: [ ] per cent. per annum
- (x) Maximum Rate/Amount of Interest: [ ] per cent. per annum
- (xi) Day Count Fraction: [ ]
19. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [ ]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

20. **Issuer Call:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [ ]
  - (b) Maximum Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

21. **Investor Put:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example,*



clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

22. **Final Redemption Amount:** [[ ] per Calculation Amount/specify other/see Appendix]

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

*(N.B. If the Final Redemption Amount of each Note is other than 100 per cent. of the Note's nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

(i) Index/Formula/variable: [give or annex details]

(ii) Calculation Agent responsible for calculating the Final Redemption Amount: [ ]

(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ]

(iv) Determination Date(s): [ ]

(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]

(vi) Payment Date: [ ]

(vii) Minimum Final Redemption Amount: [ ]

(viii) Maximum Final Redemption Amount: [ ]

23. **Early Redemption Amount**

Early Redemption Amount(s) payable on redemption for taxation reasons or following the occurrence of a Capital Disqualification Event (in the case of Dated Subordinated Notes, Undated Tier 2 Notes or Tier 1 Notes only), or an event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

[ ] per Calculation Amount/specify other/see Appendix

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

(a) Form:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for

Definitive Notes [on and after the Exchange Date on 60 days' notice given at any time/only upon the occurrence of an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon the occurrence of an Exchange Event/in the limited circumstances set out in the Permanent Global Note]]

*[N.B. If Limited Exchange Event applies, insert details and a new form of Permanent Global Note needs to be executed if Limited Exchange Event applies.]*

*(N.B. The exchange upon notice at any time option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

(b) New Global Note:

[Yes][No]

*(If the Notes are intended to be eligible collateral for Eurosystem monetary policy and intra-day credit operations, the New Global Note should be used. The New Global Note should only be used if it is intended that the Notes be held in a manner which would allow Eurosystem eligibility and a "yes" election is made in the section in Part B under the heading "Operational Information" entitled "Intended to be held in a manner which would allow Eurosystem eligibility".)*

25. Special provisions relating to Payment Dates:

[Not Applicable/give details. Note that this item relates to the date and place of payment, and not Interest Period end dates, to which items 15(ii), 16(iii) and 18(viii) relate]

26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes/No. If yes, give details]

27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

[Not Applicable/give details]

28. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
29. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to these Final Terms apply]
30. Consolidation provisions: [Not Applicable/The provisions annexed to these Final Terms apply]
31. Other final terms or special conditions: [Not Applicable/*give details*]  
*(When adding any other final terms, consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

## DISTRIBUTION

32. (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/*give names, addresses and underwriting commitments*]  
*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)*
- (ii) Date of [Syndication] Agreement: [ ]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
33. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
34. Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount
35. Additional selling restrictions: [Not Applicable/*give details*]
36. Whether TEFRA D/TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA rules not applicable]
37. Non-exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and [*specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) – which must be jurisdictions where the Prospectus and any supplements have been passported*] (“**Public Offer Jurisdictions**”) during the period from [*specify date*] until [*specify date*] (“**Offer Period**”). See further Paragraph 3 of Part B below.

**PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [*specify relevant regulated market*]] of the Notes described herein pursuant to the £90,000,000,000 Euro Medium Term Note Programme of The Royal Bank of Scotland Group plc and The Royal Bank of Scotland plc.

**RESPONSIBILITY**

The Royal Bank of Scotland Group plc (as Issuer) accepts responsibility for the information contained in these Final Terms. [[*Information on underlying assets*] has been extracted from [*source*]. The Royal Bank of Scotland Group plc (as Issuer) confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading. ]

Signed on behalf of The Royal Bank of Scotland Group plc (as Issuer):

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

1. **LISTING** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market]* with effect from [ ] [Not Applicable]
- (Where documenting a fungible issue, indicate that original securities are already admitted to trading.)*
2. **RATINGS**
- Ratings:** **The Notes to be issued have been rated:**
- [Standard & Poor's: [ ]]  
[Moody's Investors Service Limited: [ ]]  
[Fitch Ratings Limited: [ ]]
- [Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider and is not already included in the Prospectus.]*
- (The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
3. **TERMS AND CONDITIONS OF THE OFFER**
- Offer Price: [Issue Price] *[specify]*
- Conditions to which the offer is subject: [Not Applicable/*give details*]
- Description of the application process: [Not Applicable/*give details*]
- Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/*give details*]
- Details of the minimum and/or maximum amount of application: [Not Applicable/*give details*]
- Details of the method and time limits for paying up and delivering the Notes: [Not Applicable/*give details*]
- Manner in and date on which results of the offer are to be made public: [Not Applicable/*give details*]
- Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*]
- Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/*give details*]
- Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/*give details*]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/give details]]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/give details]

**4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

*Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

**5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer [ ]

*(See also “Use of Proceeds” wording in Prospectus – if reasons for offer are different from making profit and/or hedging certain risks, include those reasons here.)*

[(ii) Estimated net proceeds: [ ]

*(If proceeds are intended for more than one use, split out and present in order of priority. If proceeds are insufficient to fund all proposed uses, state amount and sources of other funding.)*

[(iii) Estimated total expenses: [ ]

*(Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”.)*

*(N.B.: If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above is also required.)*

**6. [Fixed rate notes only – YIELD]**

Indication of yield: [ ]

Calculated as [include details of method of calculation in summary form] on the Issue Date.

As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield. ]

**7. [Floating Rate Notes only – HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

**8. [Index-Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Where the underlying is an index, include the name of the index and a description if composed by the Issuer, and if the index is not composed by the Issuer, include details of where the information about the index can be obtained. Where the underlying is not an index, include equivalent information.]\**

*\*Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.*

**9. [Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

*Include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

**10. OPERATIONAL INFORMATION**

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/give name(s) and number(s) [and address(es) ]]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
- [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the international central securities depositories as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [include this text if “yes” selected in which case the Notes must be issued in NGN form]

**PART II – (A) APPLICABLE FINAL TERMS FOR ISSUES BY RBS OF NOTES OTHER THAN GUARANTEED NOTES**

**Final Terms dated [date]**

**The Royal Bank of Scotland plc**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under the £90,000,000,000**

**Euro Medium Term Note Programme**

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in paragraph 37 of Part A below, provided such person is one of the persons mentioned in paragraph 37 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]



## PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [date] [and the supplemental Prospectus dated [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [date]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectuses dated [original date] and [current date] [and the supplemental Prospectuses dated [date]] and [date]. The Prospectuses [and the supplemental Prospectuses] are available for viewing at [address] [and] [website] and copies may be obtained from [address].

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Final Terms.]*

*[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.]*

1. Issuer: [The Royal Bank of Scotland plc]  
[The Royal Bank of Scotland plc acting through its Australian branch]
2. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]  
*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).*
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount: [ ]  
[(i)] Series: [ ]  
[(ii)] Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only if applicable)]

6. (i) Specified Denominations: [     ]
- (Note – Although RBS may issue Notes with a denomination of less than €50,000 or equivalent, where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed:*
- “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000].”*)
- [In respect of issues of Australian Domestic Notes, the following wording should be used:*
- “A\$[     ] and multiples thereof, subject to a minimum aggregate consideration of A\$500,000 per offeree or the offer not otherwise requiring disclosure to investors under Part 6D.2 of the Corporations Act 2001 of Australia”*]
- (ii) Calculation Amount: [     ]
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. [(i)] Issue Date: [     ]
- [(ii)] Interest Commencement Date [     ]
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9. Interest Basis: [[     ] per cent. Fixed Rate]  
 [[specify reference rate] +/- [     ] per cent. Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency Interest  
 (specify other)]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
 [Instalment]  
 [(specify other)]  
*(N.B. If the Final Redemption Amount of each Note is other than 100 per cent. of the Note’s nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for change of Notes into another interest or redemption/payment basis]*
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. (i) Status of the Notes: [Ordinary Notes]/[Dated Subordinated Notes[(Tier 3 Notes)]]/[Undated Tier 2 Notes]
- (ii) [Date [Board] approval for issuance of Notes obtained: [ ]  
*(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]*
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date [adjusted in accordance with *[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]*]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount  
*(Applicable to Notes in definitive form)*
- (iv) Broken Amount(s): [per Calculation Amount, payable on the Interest Payment Date falling [in/on][ ]]  
*(Applicable to Notes in definitive form)*
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA)/RBA Bond Basis/specify other]
- (vi) Determination Dates: [ ] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Interest Period(s)/Specify Interest Payment Dates: [ ]

- (ii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
- (iii) Business Centre(s): [     ]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent): [     ]
- (vi) Screen Rate Determination:
- Reference Rate: [     ]  
(LIBOR/EURIBOR or other)
- Interest Determination Date(s): [     ]  
*(Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- Relevant Screen Page: [     ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (vii) ISDA Determination:
- Floating Rate Option: [     ]
- Designated Maturity: [     ]
- Reset Date: [     ]
- (viii) Margin(s): [ +/- ] [     ] per cent. per annum
- (ix) Minimum Rate of Interest: [     ] per cent. per annum
- (x) Maximum Rate of Interest: [     ] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual or Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 or 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) RBA Bond Basis (*specify other*) (*See Condition 3 for alternatives*)]

- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [     ]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Accrual Yield: [     ] per cent. per annum
- (ii) Reference Price: [     ]
- (iii) Any other formula/basis of determining amount payable: [     ]
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula/other variable: *[give or annex details]*
- (ii) Calculation Agent responsible for calculating the interest due: [     ]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [     ]
- (iv) Determination Date(s): [     ]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (vi) Interest Period(s)/Specified Interest: [     ]  
Payment Dates:
- (vii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
- (viii) Business Centre(s): [     ]
- (ix) Minimum Rate/Amount of Interest: [     ] per cent. per annum
- (x) Maximum Rate/Amount of Interest: [     ] per cent. per annum
- (xi) Day Count Fraction: [     ]
19. **Dual Currency Interest Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

20. **Issuer Call:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [ ]
  - (b) Maximum Redemption Amount: [ ]
- (iv) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

21. **Investor Put:** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): [ ] per Calculation Amount
- (iii) Notice period (if other than as set out in the Conditions): [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution*

*of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*

**22. Final Redemption Amount**

[[ ] per Calculation Amount  
*specify other/see Appendix]*

In cases where the Final Redemption Amount is Index-Linked or other variable-linked:

*(N.B. If the Final Redemption Amount of each Note is other than 100 per cent. of the Note's nominal value, the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*

(i) Index/Formula/variable: [give or annex details]

(ii) Calculation Agent responsible for calculating the Final Redemption Amount: [ ]

(iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [ ]

(iv) Determination Date(s): [ ]

(v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]

(vi) Payment Date: [ ]

(vii) Minimum Final Redemption Amount: [ ]

(viii) Maximum Final Redemption Amount: [ ]

**23. Early Redemption Amount**

Early Redemption Amount(s) payable on redemption for taxation reasons or following the occurrence of a Capital Disqualification Event (in the case of Dated Subordinated Notes or Undated Tier 2 Notes only), or an event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions):

[ ] per Calculation Amount/*[specify other]/*  
see Appendix

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

### 24. Form of Notes:

#### (a) Form:

#### Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on and after the Exchange Date on 60 days' notice given at any time/only upon the occurrence of an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon the occurrence of an Exchange Event/in the limited circumstances set out in the Permanent Global Note]]

*[N.B. If Limited Exchange Event applies, insert details and a new form of Permanent Global Note needs to be executed if Limited Exchange Event applies.]*

#### [Australian Domestic Notes]

*(N.B. The exchange upon notice at any time option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

#### [(b) New Global Note:

[Yes][No]

*(If the Notes are intended to be eligible collateral for Eurosystem monetary policy and intra-day credit operations, the New Global Note should be used. The New Global Note should only be used if it is intended that the Notes be held in a manner which would allow Eurosystem eligibility and a "yes" election is made in the section in Part B under the heading "Operational Information" entitled "Intended to be held in a manner which would allow Eurosystem eligibility".)]*

*(N.B. Delete this item 24(b) if the Notes are Australian Domestic Notes)*

### 25. Special provisions relating to Payment Dates:

*[Not Applicable/give details. Note that this item relates to the date and place of payment, and not Interest Period end dates, to which items 15(ii), 16(iii) and 18(viii) relate]*



26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/*give details*]
28. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
29. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to these Final Terms apply]
30. Consolidation provisions: [Not Applicable/The provisions annexed to these Final Terms apply]
31. Other final terms or special conditions: [Not Applicable/*give details*]  
*(When adding any other final terms, consideration should be given as to whether such terms constitute a “significant new factor” and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)*

## DISTRIBUTION

32. (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/*give names, addresses and underwriting commitments*]
- (ii) Date of [Syndication] Agreement: [ ]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]  
*(N.B. Specify “Not Applicable” if the Notes are Australian Domestic Notes)*
33. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
34. Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount
35. Additional selling restrictions: [Not Applicable/*give details*]
36. Whether TEFRA D/TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA rules not applicable]
37. Non-exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers [and [*specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s)*] – which must be jurisdictions where the Prospectus and any supplements have been *passported*] (“**Public Offer Jurisdictions**”) during the period from [*specify date*] until [*specify date*] (“**Offer Period**”). See further Paragraph 3 of Part B below.

**PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdiction] [and] [admission to trading on [specify relevant regulated market]] of the Notes described herein pursuant to the £90,000,000,000 Euro Medium Term Note Programme of The Royal Bank of Scotland Group plc and The Royal Bank of Scotland plc.

**RESPONSIBILITY**

[The Royal Bank of Scotland plc] [The Royal Bank of Scotland plc acting through its Australian branch] (as Issuer) accepts responsibility for the information contained in these Final Terms. [[Information on underlying assets] has been extracted from [source]. [The Royal Bank of Scotland plc] [The Royal Bank of Scotland plc acting through its Australian branch] (as Issuer) confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading. ]

Signed on behalf of [The Royal Bank of Scotland plc] [The Royal Bank of Scotland plc acting through its Australian branch] (as Issuer):

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

*(N.B. If the Notes are Australian Domestic Notes, delete items 3 – 9 and, in addition, consider moving items 1, 2 and 10 to a new item 38 to Part A)*

- 1. LISTING** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market]* with effect from [ ] [Not Applicable]  
*(Where documenting a fungible issue, indicate that original securities are already admitted to trading.)*
- 2. RATINGS**  
Ratings: The Notes to be issued have been rated:  
[Standard & Poor's: [ ]]  
[Moody's Investors Service Limited: [ ]]  
[Fitch Ratings Limited: [ ]]  
*[Include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider and is not already included in the Prospectus.]*  
*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*
- 3. TERMS AND CONDITIONS OF THE OFFER**
- Offer Price: [Issue Price] *[specify]*
- Conditions to which the offer is subject: [Not Applicable/give details]
- Description of the application process: [Not Applicable/give details]
- Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not Applicable/give details]
- Details of the minimum and/or maximum amount of application: [Not Applicable/give details]
- Details of the method and time limits for paying up and delivering the Notes: [Not Applicable/give details]
- Manner in and date on which results of the offer are to be made public: [Not Applicable/give details]
- Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/give details]
- Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/give details]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/give details]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/give details]]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [None/give details]

**4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

*Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*

“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]

**5. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i)] Reasons for the offer [ ]

*(See also “Use of Proceeds” wording in Prospectus– if reasons for offer are different from making profit and/or hedging certain risks, include those reasons here.)*

[(ii)] Estimated net proceeds: [ ]

*(If proceeds are intended for more than one use, split out and present in order of priority. If proceeds are insufficient to fund all proposed uses, state amount and sources of other funding.)*

[(iii)] Estimated total expenses: [ ]

*(Expenses are required to be broken down into each principal intended “use” and presented in order of priority of such “uses”.)*

*(N.B.: If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, (i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above is also required.)*

**6. [Fixed Rate Notes only – YIELD**

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.]

**7. [Floating Rate Notes only – HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

**8. [Index-Linked or other variable-linked Notes only – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Include details of where past and future performance and volatility of the index/formula/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. Where the underlying is an index, include the name of the index and a description if composed by the Issuer and, if the index is not composed by the Issuer, include details of where the information about the index can be obtained. Where the underlying is not an index, include equivalent information.] \**

*\* Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies.*

**9. [Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT**

*Include details of where past and future performance and volatility of the relevant rate[s] can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

**10. OPERATIONAL INFORMATION**

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/Austraclear System/give name(s) and number(s) [and address(es)]]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]
- [(vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
- [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the international central securities depositories as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [include this text if “yes” selected in which case the Notes must be issued in NGN form]]

*(N.B. Delete this item 10(vi) if the Notes are Australian Domestic Notes)*

**PART II – (B) APPLICABLE FINAL TERMS FOR ISSUES BY RBS OF GUARANTEED NOTES**

**Final Terms dated [date]**

**The Royal Bank of Scotland plc**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**Guaranteed by The Commissioners of Her Majesty’s Treasury of the United Kingdom**

**under the £90,000,000,000**

**Euro Medium Term Note Programme**

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [date] [and the supplemental Prospectus dated [date]] ([together,] the “**Exempt Prospectus**”) which, for the purposes of the issue of the Notes described in these Final Terms, does not constitute a prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC)). This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Exempt Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Exempt Prospectus. The Exempt Prospectus is available for viewing at [address] [and] [website] and copies may be obtained from [address].

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] [and the supplemental Prospectus dated [date]] ([together,] the “**Original Exempt Prospectus**”). This document constitutes the Final Terms of the Notes described herein and must be read in conjunction with the Prospectus dated [current date] [and the supplemental Prospectus dated [date]] ([together,] the “**Exempt Prospectus**”), save in respect of the Conditions which are extracted from the Original Exempt Prospectus and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Original Exempt Prospectus and the Exempt Prospectus. The Original Exempt Prospectus and the Exempt Prospectus are available for viewing at [address] [and] [website] and copies may be obtained from [address].

*[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

An Eligibility Certificate (as defined in the Guarantee) has been issued in respect of the Notes. Accordingly, The Commissioners of Her Majesty’s Treasury (the “**Guarantor**”) have unconditionally and irrevocably guaranteed the due payment of all sums due and payable by the Issuer under the Notes.

The Guarantor’s obligations in that respect are contained in a deed of guarantee dated 13th October 2008 (as amended by supplemental deeds dated 20th October 2008 and 6th February 2009 and as further amended from time to time, the “**Guarantee**”), the form of which is available at [www.dmo.gov.uk](http://www.dmo.gov.uk).

- 1. Issuer: [The Royal Bank of Scotland plc]  
[The Royal Bank of Scotland plc acting through its Australian branch]
- 2. [(i)] Series Number: [ ]  
[(ii)] Tranche Number: [ ]

*(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).*

3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount: [ ]
- [(i)] Series: [ ]
- [(ii)] Tranche: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (*in the case of fungible issues only if applicable*)]
6. (i) Specified Denominations: [ ]
- (Note – Although RBS may issue Notes with a denomination of less than €50,000 or equivalent, where multiple denominations above €50,000 or equivalent are being used the following sample wording should be followed:*
- “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000]. No Notes in definitive form will be issued with a denomination above [€99,000].”)*
- [In respect of issues of Australian Domestic Notes, the following wording should be used:*
- “A\$[ ] and multiples thereof, subject to a minimum aggregate consideration of A\$500,000 per offeree or the offer not otherwise requiring disclosure to investors under Part 6D.2 of the Corporations Act 2001 of Australia”]*
- (ii) Calculation Amount: [ ]
- (If only one Specified Denomination, insert the Specified Denomination.*
- If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. [(i)] Issue Date: [ ]
- [(ii)] Interest Commencement Date [ ]
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[specify reference rate] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
*(specify other)*  
(further particulars specified below)

10. Redemption/Payment Basis: [Redemption at par]  
[(specify other)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for change of Notes into another interest or redemption/payment basis]
12. Put/Call Options: Not Applicable
13. (i) Status of the Notes: Ordinary Notes
- (ii) [Date [Board] approval for issuance of Notes obtained: [ ]  
(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)]
14. Method of distribution: [Syndicated/Non-syndicated]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate(s) of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [ ] per Calculation Amount  
(Applicable to Notes in definitive form)
- (iv) Broken Amount(s): [per Calculation Amount, payable on the Interest Payment Date falling [in/on][ ]]  
(Applicable to Notes in definitive form)
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA)/RBA Bond Basis/specify other]
- (vi) Determination Dates: [ ] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Interest Period(s)/Specified Interest Payment Dates: [ ]



- (ii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/*specify other*]
- (iii) Business Centre(s): [     ]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent): [     ]
- (vi) Screen Rate Determination:
- Reference Rate: [     ]  
(LIBOR/EURIBOR or other)
- Interest Determination Date(s): [     ]  
*(Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- Relevant Screen Page: [     ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (vii) ISDA Determination:
- Floating Rate Option: [     ]
- Designated Maturity: [     ]
- Reset Date: [     ]
- (viii) Margin(s): [ +/- ] [     ] per cent. per annum
- (ix) Minimum Rate of Interest: [     ] per cent. per annum
- (x) Maximum Rate of Interest: [     ] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual or Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 or 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) RBA Bond Basis (*specify other*) (*See Condition 3 for alternatives*)]

- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [     ]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Accrual Yield: [     ] per cent. per annum
- (ii) Reference Price: [     ]
- (iii) Any other formula/basis of determining amount payable: [     ]
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** Not Applicable
19. **Dual Currency Interest Note Provisions** Not Applicable

#### PROVISIONS RELATING TO REDEMPTION

20. **Issuer Call:** Not Applicable
21. **Investor Put:** Not Applicable
22. **Final Redemption Amount** [[     ] per Calculation Amount]
23. **Early Redemption Amount**  
Early Redemption Amount(s) payable on redemption for taxation reasons or an event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [     ] per Calculation Amount/[specify other]

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:
- (a) Form: Bearer Notes:  
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on and after the Exchange Date on 60 days' notice given at any time/only upon the occurrence of an Exchange Event]]  
  
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]  
  
[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon the occurrence of an Exchange Event/in the limited circumstances set out in the Permanent Global Note]]

*[N.B. If Limited Exchange Event applies, insert details and a new form of Permanent Global Note needs to be executed if Limited Exchange Event applies.]*

*[Australian Domestic Notes]*

*(N.B. The exchange upon notice at any time option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: “[€50,000] and integral multiples of [€1,000] in excess thereof up to and including [€99,000].” Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

[(b) New Global Note:

*[Yes][No]*

*(If the Notes are intended to be eligible collateral for Eurosystem monetary policy and intra-day credit operations, the New Global Note should be used. The New Global Note should only be used if it is intended that the Notes be held in a manner which would allow Eurosystem eligibility and a “yes” election is made in the section in Part B under the heading “Operational Information” entitled “Intended to be held in a manner which would allow Eurosystem eligibility”).]*

*(N.B. Delete this item 24(b) if the Notes are Australian Domestic Notes)*

- |                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 25. Special provisions relating to Payment Dates:                                                                                                                                                                                                                               | <i>[Not Applicable/give details. Note that this item relates to the date and place of payment, and not Interest Period end dates, to which items 15(ii), 16(iii) and 18(viii) relate]</i> |
| 26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):                                                                                                                                                           | <i>[Yes/No. If yes, give details]</i>                                                                                                                                                     |
| 27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable                                                                                                                                                                            |
| 28. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:                                                                                                                                                                  | Not Applicable                                                                                                                                                                            |
| 29. Redenomination, renominatisation and reconventioning provisions:                                                                                                                                                                                                            | <i>[Not Applicable/The provisions annexed to these Final Terms apply]</i>                                                                                                                 |
| 30. Consolidation provisions:                                                                                                                                                                                                                                                   | <i>[Not Applicable/The provisions annexed to these Final Terms apply]</i>                                                                                                                 |
| 31. Other final terms or special conditions:                                                                                                                                                                                                                                    | <i>[Not Applicable/give details]</i>                                                                                                                                                      |

**DISTRIBUTION**

- 32. (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give names, addresses and underwriting commitments]
- (ii) Date of [Syndication] Agreement: [ ]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]  
*(N.B. Specify "Not Applicable" if the Notes are Australian Domestic Notes)*
- 33. If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
- 34. Additional selling restrictions: [Not Applicable/give details]
- 35. Whether TEFRA D/TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA rules not applicable]

**PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue [and] [admission to trading on *[specify relevant regulated market]*] of the Notes described herein pursuant to the £90,000,000,000 Euro Medium Term Note Programme of The Royal Bank of Scotland Group plc and The Royal Bank of Scotland plc.

**RESPONSIBILITY**

[The Royal Bank of Scotland plc] [The Royal Bank of Scotland plc acting through its Australian branch] (as Issuer) accepts responsibility for the information contained in these Final Terms.

Signed on behalf of [The Royal Bank of Scotland plc] [The Royal Bank of Scotland plc acting through its Australian branch] (as Issuer):

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

*(N.B. If the Notes are Australian Domestic Notes, delete items 3 – 5 and, in addition, consider moving items 1, 2 and 6 to a new item 37 to Part A)*

1. **LISTING** [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant regulated market]* with effect from [ ] [Not Applicable]  
*(Where documenting a fungible issue, indicate that original securities are already admitted to trading.)*
2. **RATINGS**  
Ratings: The Notes to be issued have been rated:  
[Standard & Poor's: [ ]]  
[Moody's Investors Service Limited: [ ]]  
[Fitch Ratings Limited: [ ]]
3. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**  
*Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:*  
"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."
4. **[Fixed Rate Notes only – YIELD]**  
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.]
5. **[Floating Rate Notes only – HISTORIC INTEREST RATES]**  
Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]
6. **OPERATIONAL INFORMATION**
  - (i) ISIN: [ ]
  - (ii) Common Code: [ ]
  - (iii) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/Austraclear System/give name(s) and number(s) [and address(es) ]]
  - (iv) Delivery: Delivery [against/free of] payment
  - (v) Names and addresses of additional Paying Agent(s) (if any): [ ]

[(vi) Intended to be held in a manner which would allow Eurosystem eligibility:

[Yes] [No]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the international central securities depositaries as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.]  
[include this text if “yes” selected in which case the Notes must be issued in NGN form]]

*(N.B. Delete this item 6(vi) if the Notes are Australian Domestic Notes)*

## GENERAL INFORMATION

### Authorisation

The establishment and/or updates of the Programme and/or the issue of Notes under the Programme have been duly authorised by resolutions of the Board of Directors of Royal Bank dated 27th October 1993, 25th January 1995, 24th January 1996, 22nd January 1997, 28th January 1998, 27th January 1999, 26th January 2000, 31st January 2001, 20th February 2002, 30th March 2005, 29th March 2006, 28th March 2007, 23rd April 2008, 29th April 2009 and 15th December 2009 and by resolutions of an authorised committee of the Board of Directors of Royal Bank dated 22nd February 1994, 14th February 1995, 12th February 1996, 11th February 1997, 13th February 1998, 11th February 1999, 15th April 1999, 28th July 1999, 22nd December 1999, 10th February 2000, 21st February 2000, 28th March 2001, 28th March 2002, 26th March 2003, 19th April 2004, 29th April 2005, 9th August 2005, 28th June 2006, 22nd May 2007, 12th June 2008 and 15th June 2009. On 15th December 2009, the Board of Directors of Royal Bank approved the appointment of a committee to approve the establishment of, and/or updates to, and/or issuance of, notes under of certain debt issuance programmes of the Royal Bank. On 8th February 2010, that committee established a sub-committee in relation to the Programme which authorised the update of the Programme on 8th June 2010.

The addition of RBSG as an Issuer and/or the updates of the Programme and/or the issue of Notes under the Programme have been duly authorised by a resolution of the Board of Directors of RBSG dated 31st March 2004, 30th March 2005, 29th March 2006, 28th March 2007, 23rd April 2008, 29th April 2009, 15th December 2009 and 20th January 2010 and by resolutions of an authorised committee of the Board of Directors of RBSG dated 19th April 2004, 29th April 2005, 9th August 2005, 28th June 2006, 22nd May 2007, 12th June 2008 and 15th June 2009. On 15th December 2009 and 20th January 2010, the Board of Directors of RBSG approved the appointment of a committee to approve the establishment of, and/or updates to, and/or issuance of, notes under of certain debt issuance programmes of RBSG. On 8th February 2010, that committee established a sub-committee in relation to the Programme which authorised the update of the Programme on 8th June 2010.

### Listing

Notes which are admitted to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of the Notes of that Tranche. The listing of the Programme in respect of such Notes is expected to be granted on or about 15th June 2010.

### Issue Price

The issue price and amount of the relevant Notes will be determined before filing of the relevant Final Terms of each Tranche, based on prevailing market conditions.

### Documents Available for Inspection or Collection

From the date hereof, so long as any of the Notes remains outstanding and throughout the life of the Programme, copies of the following documents will, when available, be available during usual business hours on a weekday (Saturdays, Sundays and public holidays excepted) for inspection at the principal office of each Issuer at RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ and at the specified office of the Australian Registrar:

- (i) the Registration Documents and all documents incorporated by reference therein;
- (ii) the amended and restated Programme Agreement, the Trust Deed (which contains the forms of the temporary and permanent global Notes, the definitive Notes, the Receipts, the Coupons and the Talons) and the amended and restated Agency Agreement;

- (iii) the Deed Poll in respect of Australian Domestic Notes;
- (iv) the Agency and Registry Agreement in respect of Australian Domestic Notes;
- (v) this Prospectus and any further or supplementary prospectuses; and
- (vi) any Final Terms in respect of Notes listed on any stock exchange and other documents incorporated herein by reference and, in the case of a syndicated Tranche of Notes listed on any stock exchange, the syndication agreement (or equivalent document).

A Paying Agent will be maintained in London throughout the life of the Programme.

Unless otherwise stated in the applicable Final Terms, the relevant Issuer does not intend to provide post-issuance information in connection with any issue of Notes.

### **Clearing Systems**

The Notes (other than the Australian Domestic Notes issued by Royal Bank) have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The appropriate codes for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be contained in the relevant Final Terms. If the Notes are to be cleared through an additional or alternative clearing system, the appropriate information will be contained in the relevant Final Terms. Royal Bank will apply to Austraclear Limited (ABN 94 002 060 773) (“**Austraclear**”) for approval for each Series of Australian Domestic Notes to be traded on the settlement system operated by Austraclear (“**Austraclear System**”). Such approval by Austraclear is not a recommendation or endorsement by Austraclear of the Australian Domestic Notes. The address of Austraclear is 16-20 Bridge Street, Sydney, New South Wales, Australia.

If accepted for admission to the Austraclear System, interests in Australian Domestic Notes may be held through Euroclear or Clearstream, Luxembourg. In these circumstances, entitlements in respect of holdings of interests in the Australian Domestic Notes in Euroclear would be held in the Austraclear System by a nominee of Euroclear (currently Westpac Custodian Nominees Limited (ABN 18 002 861 565)) while entitlements in respect of holdings of interests in the Australian Domestic Notes in Clearstream, Luxembourg would be held in the Austraclear System by a nominee of Clearstream, Luxembourg (currently ANZ Nominees Limited (ABN 96 005 357 568)).

The rights of a holder of interests in Australian Domestic Notes held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg, the terms and conditions of agreements between Euroclear and Clearstream, Luxembourg and their respective nominee and the rules and regulations of the Austraclear System.

In addition, any transfer of interests in Australian Domestic Notes which is held through Euroclear or Clearstream, Luxembourg will, to the extent such transfer will be recorded on the Austraclear System, be subject to the Corporations Act 2001 of Australia and the requirements set out in Condition 1.

The relevant Issuer will not be responsible for the operation of the clearing arrangements which is a matter for the clearing institutions, their nominees, their participants and the investors.

Transactions will normally be effected for settlement not earlier than three business days after the date of the relevant transaction.

### **Banking Regulation**

Neither Issuer may redeem, substitute, vary or purchase any Subordinated Notes (save for redemption of any Dated Subordinated Notes on their scheduled maturity date) other than (i) following prior notification to, and receiving no objection from and/or receiving the consent of, the Financial Services



Authority (as the same may be required from time to time) and (ii) as permitted by the relevant Terms and Conditions.

#### **Australian Regulatory Controls**

Regulations in Australia restrict or prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism.

#### **Dealers transacting with the Issuers**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuers and their affiliates in the ordinary course of business.

#### **Guarantee**

The Trustee has not received a legal opinion in respect of the Guarantee.

## THE ISSUERS

*Registered Office*

**The Royal Bank of Scotland Group plc**

36 St Andrew Square

Edinburgh

EH2 2YB

Tel: +44 (0)131 556 8555

*Principal Office*

**The Royal Bank of Scotland Group plc**

RBS Gogarburn

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**The Royal Bank of Scotland plc**

Australia Branch

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Australia

Tel: +61 2 9004 2100

## THE TRUSTEE

**The Law Debenture Trust Corporation p.l.c.**

Fifth Floor

100 Wood Street

London EC2V 7EX

## AGENT

**The Bank of New York Mellon**

One Canada Square

London E14 5AL

## AUSTRALIAN REGISTRAR

**BTA Institutional Services Australia Limited**

(ABN 48 002 916 396) (formerly known as

J.P. Morgan Institutional Services

Australian Limited)

225 George Street

Sydney NSW 2000

Australia

## PAYING AGENT

**The Bank of New York Mellon (Luxembourg) S.A.**

Aerogolf Center

1A Hoehenhof

L-1736 Senningerberg

Luxembourg

## LEGAL ADVISERS

*To the Issuers  
as to English law*

**Linklaters LLP**  
One Silk Street  
London EC2Y 8HQ

*To the Issuers  
as to Scottish law*

**Dundas & Wilson C.S. LLP**  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EN

*To the Issuers as to the laws of  
New South Wales and the  
Commonwealth of Australia*

**Mallesons Stephen Jaques**  
3rd Floor  
10 Old Broad Street  
London EC2N 1DW

*To the Dealers  
and the Trustee  
as to English law*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD

## DEALERS

**BNP PARIBAS**  
10 Harewood Avenue  
London NW1 6AA  
Attention: MTN Desk

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
Attention: MTN Desk

**Credit Suisse (Securities) Europe Limited**  
One Cabot Square  
London E14 4QJ  
Attention: MTN Trading Desk

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
Attention: PPSN Trading Desk

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
Attention: Euro Medium Term Note Desk

**J.P. Morgan Securities Ltd.**  
125 London Wall  
London EC2Y 5AJ  
Attention: Euro Medium Term Note Desk

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
Attention: EMTN Trading and Distribution Desk

**Mizuho International plc**  
Bracken House  
One Friday Street  
London EC4M 9JA  
Attention: MTN Trading Desk

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
Attention: Global Capital Markets –  
Head of Transaction Management Group

**Nomura International plc**  
Nomura House  
1 St Martin's-le-Grand  
London EC1A 4NP  
Attention: MTN Trading

**Société Générale**  
29 boulevard Haussmann  
75009 Paris  
France

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR  
Attention: Euro Medium Term Note Desk

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP  
Attention: MTNs and Private Placements

**INDEPENDENT PUBLIC ACCOUNTANTS**

*To the Issuers*

**Deloitte LLP**

Chartered Accountants

2 New Street Square

London EC4A 3BZ

