

## LISTING PROSPECTUS SUPPLEMENT DATED 8 MARCH 2011



### **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**

This Listing Prospectus Supplement (the “**Listing Prospectus Supplement**”) to the Prospectus (the “**Prospectus**”) dated 10 June 2010, which comprises, except as set out therein in relation to Guaranteed Notes, a base prospectus for the purposes of the Prospectus Directive, constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000 (the “**FSMA**”) and is prepared in connection with the £90,000,000,000 Euro Medium Term Note Programme (the “**Programme**”) established by The Royal Bank of Scotland Group plc (“**RBSG**”) and The Royal Bank of Scotland plc (“**RBS**”) (each, an “**Issuer**” and together, the “**Issuers**”). Terms defined in the Prospectus have the same meaning when used in this Listing Prospectus Supplement.

This Listing Prospectus Supplement is supplemental to, and should be read in conjunction with, the Prospectus and the documents incorporated by reference therein. This Listing Prospectus Supplement should also be read and construed in conjunction with the supplementary prospectuses dated 9 August 2010, 27 August 2010, 5 November 2010, 31 December 2010 and 25 February 2011 (together, the “**Previous Supplements**”) and the documents incorporated by reference therein which have been previously published and have been approved by the Financial Services Authority (the “**FSA**”) and filed with it and which form part of the Prospectus.

Each Issuer accepts responsibility for the information contained in this Listing Prospectus Supplement. To the best of the knowledge of each Issuer (each having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### ***Purpose of this Supplement***

On 29 March 2005, RBS issued the CAD700,000,000 Fixed/Floating Callable Subordinated Notes due 2015 (the “**Relevant Notes**”) under the Programme (which was, at the date of issue, the £25,000,000,000 Euro Medium Term Note Programme). The Relevant Notes were issued pursuant to a pricing supplement dated 24 March 2005, which is attached as Appendix 1 to this Listing Prospectus Supplement (the “**Pricing Supplement**”).

The purpose of this Supplement is to incorporate by reference into the Prospectus the 2004 Terms and Conditions (as defined below) in order to enable RBS to apply for the Relevant Notes to be admitted to the Official List of the Luxembourg Stock Exchange and to trading on the regulated market of the Luxembourg Stock Exchange.

### ***Incorporation of Information by Reference into the Prospectus***

By virtue of this Listing Prospectus Supplement, the sections headed (i) "Form of the Notes" on pages 11 and 12 of the prospectus dated 22 April 2004 published by RBSG and RBS (the "**2004 Prospectus**") and (ii) "Terms and Conditions of the Notes" on pages 19 to 44 of the 2004 Prospectus (together, the "**2004 Terms and Conditions**") which have been (1) previously published and (2) approved by the FSA or filed with it, shall be deemed to be incorporated in, and form part, of the Prospectus. The 2004 Terms and Conditions are set out for ease of reference as Appendix 2 to this Listing Prospectus Supplement.

A copy of any or all of the information which is incorporated by reference in the Listing Prospectus Supplement can be obtained from the website of RBSG at [www.rbs.com](http://www.rbs.com) and from the London Stock Exchange plc's website at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

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

To the extent that there is any inconsistency between any statement in or incorporated by reference in the Prospectus by virtue of this Listing Prospectus Supplement and any other statement in or incorporated by reference in the Prospectus, the statements in or incorporated by reference in the Prospectus by virtue of this Listing Prospectus Supplement will prevail.

Save as disclosed in the Previous Supplements and this Listing Prospectus Supplement or in any document incorporated by reference in the Prospectus by virtue of the Previous Supplements and this Listing Prospectus Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, since the publication of the Prospectus.

Investors should be aware of their rights under Section 87Q(4) of the FSMA.

## **APPENDIX 1**

### **Pricing Supplement in relation to the Relevant Notes**

## PRICING SUPPLEMENT

Pricing Supplement dated 24 March 2005

**THE ROYAL BANK OF SCOTLAND PLC**  
*(Incorporated in Scotland with limited liability under the Companies Act 1948 to 1989  
with registered number 90312)*

**CAD700,000,000 Fixed/Floating Callable Subordinated Notes due 2015  
under the £25,000,000,000  
Euro Medium Term Note Programme**

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 22 April, 2004, as supplemented by the Supplementary Prospectus dated 18 May 2004. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Prospectus as so supplemented.

1. Issuer: The Royal Bank of Scotland plc
2. (a) Series Number: 2162  
(b) Tranche Number: 1
3. Specified Currency or Currencies: Canadian dollars (CAD)
4. Aggregate Nominal Amount:  
(a) Series: CAD700,000,000  
(b) Tranche: CAD700,000,000
5. (a) Issue Price: 99.986 per cent. of the Aggregate Nominal Amount  
(b) Net proceeds: CAD698,152,000
6. Specified Denominations: CAD5,000
7. (a) Issue Date: 29 March 2005  
(b) Interest Commencement Date: 29 March 2005
8. Maturity Date: Interest Payment Date falling in March 2015
9. Interest Basis: 4.25 per cent. per annum Fixed Rate, payable semi-annually in arrear until 30 March 2010. Thereafter, until the Maturity Date, Floating Rate at a rate equal to the three month Banker's Acceptance rate plus 0.72 per cent. per annum payable quarterly in arrear

(further particulars specified below)

- |     |   |   |
|-----|---|---|
| 10. | Redemption/Payment Basis:                             | Redemption at par   |
| 11. | Change of Interest Basis or Redemption/Payment Basis: | The Notes will be Fixed Rate Notes until 30 March 2010. Thereafter the Notes will be Floating Rate Notes. |
| 12. | Put/Call Options:                                     | Issuer Call, see item 21 below.   |
| 13. | Status of the Notes:                                  | Dated Subordinated  |
| 14. | Listing:  | Luxembourg  |
| 15. | Method of distribution:                               | Syndicated  |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

- |     |  |   |
|-----|--|---|
| 16. | Fixed Rate Note Provisions   | Applicable to but excluding 30 March 2010   |
|     | (a) Rate(s) of Interest:   | 4.25 per cent. per annum payable semi-annually in arrear in equal instalments   |
|     | (b) Interest Payment Date(s):  | 30 March and 30 September in each year up to and including 30 March 2010. The first Interest Payment Date will be 30 September 2005.  |
|     | (c) Fixed Coupon Amount(s):  | CAD106.25 per CAD5,000 in nominal amount  |
|     | (d) Broken Amount(s):  | In respect of the first Interest Payment Date from and including the Interest Commencement Date to but excluding the first Interest Payment Date, CAD106.8322 per CAD5,000 is the Broken Amount.                  |
|     | (e) Day Count Fraction:  | If interest is required to be calculated for a period ending other than on an Interest Payment Date before 30 March 2010, the Day Count Fraction will be the actual number of days in such period divided by 365. |
|     | (f) Determination Date(s):   | 30 March and 30 September   |
|     | (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: | None  |
| 17. | Floating Rate Note Provisions  | Applicable from and including 30 March 2010   |
|     | (a) Specified Period(s)/Specified  | 30 March, 30 June, 30 September and 30  |

	Interest Payment Dates:	December
(b)	Business Day Convention:	Following Business Day Convention
(c)	Additional Business Centre(s):	Toronto
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	ISDA Determination
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):	JPMorgan Chase Bank
(f)	Screen Rate Determination:	Not Applicable
(g)	ISDA Determination:	
	• Floating Rate Option:	CAD-BA-CDOR
	• Designated Maturity:	3 months
	• Reset Date:	First day of each Interest Period
(h)	Margin(s):	+0.72 per cent. per annum
(i)	Minimum Rate of Interest:	Not Applicable
(j)	Maximum Rate of Interest:	Not Applicable
(k)	Day Count Fraction:	Actual/365, adjusted
(l)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	Not Applicable
18.	Zero Coupon Note Provisions	Not Applicable
19.	Index Linked Interest Note Provisions	Not Applicable
20.	Dual Currency Interest Note Provisions	Not Applicable

#### **PROVISIONS RELATING TO REDEMPTION**

21.	Issuer Call:	Applicable
(a)	Optional Redemption Date(s):	30 March 2010 and any Interest Payment Date thereafter
(b)	Optional Redemption Amount of each Note and method, if any, of	CAD5,000 per Note of CAD5,000 Specified Denomination

	calculation of such amount(s):	
(c)	If redeemable in part:	Not Applicable
(d)	Notice period (if other than as set out in the Conditions):	As set out in the Conditions
22.	Investor Put:	Not Applicable
23.	Final Redemption Amount of each Note:	CAD5,000 per Note of CAD5,000 Specified Denomination
24.	Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 5(e)):	CAD5,000 per Note of CAD5,000 Specified Denomination

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

25.	Form of Notes:	Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note
26.	Additional Financial Centre(s) or other special provisions relating to Payment Days:	Toronto, London and New York
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No
28.	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 of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	Not Applicable
29.	Details relating to Instalment Notes:	Not Applicable
30.	Redenomination:	Not Applicable
31.	Other terms or special conditions:	Not Applicable

#### **DISTRIBUTION**

32.	(a) If syndicated, names of Managers:	Merrill Lynch International The Royal Bank of Scotland plc
-----	---------------------------------------	---

- (b) Stabilising Manager (if any): Merrill Lynch International
33. If non-syndicated, name of relevant Dealer: Not Applicable
34. Additional selling restrictions: The selling restrictions as set out in the Prospectus (as amended by the Syndication Agreement) apply. In addition, the following selling restrictions apply:

**Canada**

Each Manager represents and agrees that it has not offered or sold, and will not offer or sell, any Notes, directly or indirectly, in Canada or any province or territory thereof or to, or for the benefit of, any resident of Canada in contravention of the securities laws and regulations of the provinces and territories of Canada and represents that any offer of Notes in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer is made. Each Manager further represents and agrees that it has not and it will not distribute or deliver the Pricing Supplement, Prospectus, the Canadian Offering Memorandum or any other offering material relating to the Notes in Canada or to any resident of Canada in contravention of the securities law and regulations of the provinces and territories of Canada. Each Manager also represents and agrees that it will send to any dealer who purchases from it any Notes a notice stating in substance that by purchasing such Notes, such dealer represents and agrees that it has not offered or sold and it will not offer to sell any Notes, directly or indirectly, in Canada or any province or territory thereof or to, or for the benefit of, any resident of Canada in contravention of the securities laws and regulations of the provinces and territories of Canada, that any offer of Notes in Canada will be made only pursuant to an exemption from the requirement to file a prospectus in the province or territory of Canada in which such offer is made and that it has not and it will not distribute or deliver the Pricing Supplement, Prospectus, the Canadian Offering Memorandum or any other offering material relating to the Notes in Canada or to



any resident of Canada in contravention of the securities laws and regulations of the provinces and territories of Canada, and that such dealer will deliver to any other dealer to which it sells any such Notes a notice to the foregoing effect.

### **United States**

In relation to the issue of the Notes, Paragraph 1(2) of Schedule B (Selling Restrictions) of the Programme Agreement shall be deleted and replaced with the following wording:

"In addition, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the "**C Rules**") the Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Dealer represents and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, the Notes within the United States or its possessions in connection with their original issuance. Further, each Dealer represents and agrees in connection with the original issuance of the Notes that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either of such Dealer or such purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of the Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the C Rules."

**OPERATIONAL INFORMATION**

35. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): The Notes will be represented on issue by a Permanent Global Note delivered on or about the Issue Date to The Canadian Depository for Securities Limited (CDS) through direct or indirect participants in CDS; Euroclear; and Clearstream, Luxembourg.  
  
For clearance and settlement, see "Additional Information regarding Clearing and Settlement" below.
36. Delivery: Delivery free of payment
37. Additional Paying Agent(s) (if any): Not Applicable

---

ISIN:	CA78010XAA96
CUSIP:	78010XAA9
Common Code:	021583014

---

**STABILISATION**

The Stabilising Manager or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a higher level than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all relevant laws and regulations.

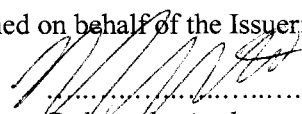
**LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the £25,000,000,000 Euro Medium Term Note Programme of The Royal Bank of Scotland Group plc and The Royal Bank of Scotland plc.

**RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By:  R. J. HUGHES  
Duly authorised

## GENERAL INFORMATION

### Additional Information regarding the Description of the Notes

#### *Form, Title and Transfer*

The Notes will be issued in the form of a bearer global note deposited with CDS & CO., as nominee of CDS and held by CDS (the “**Global Note**”). Beneficial interests in the Global Note will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in CDS. Investors may elect to hold interests in the Global Note directly through any of CDS (in Canada), or Clearstream, Luxembourg or Euroclear (in Europe) if they are participants of such systems, or indirectly through organizations which are participants in such systems. Clearstream, Luxembourg and Euroclear will hold interests on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective Canadian subcustodians, each of which is a Canadian Schedule I chartered bank (“**Canadian Subcustodians**”), which in turn will hold such interests in customers’ securities accounts in the names of the Canadian Subcustodians on the books of CDS.

For so long as any of the Notes are represented by the Global Note, each person who is for the time being shown in the records of CDS as the beneficial owner of a particular principal amount of such Global Note (in which regard any certificate or other document issued by CDS as to the principal 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 Agent, and any Paying Agent, as the case may be, as the holder of such principal amount of such Notes for all purpose other than for the payment of principal and interest on such Notes, the right to which shall be vested, as against the Issuer, the Agent or any other Paying Agent, as the case may be, solely in CDS & CO., or any other nominee appointed by CDS. Principal and interest payments on the Global Note will be made on behalf of the Issuer by the Agent (through a Canadian dollar wire transfer via its Toronto cash correspondent (Royal Bank of Canada)) to CDS & CO., or any other nominee appointed by CDS, and CDS will distribute the payment received to the applicable clearing system.

#### *Definitive Notes*

If CDS notifies the Issuer that it is unwilling or unable to continue as depository in connection with the Global Note or ceases to be a recognized clearing agency under the *Securities Act* (Ontario) or other applicable Canadian securities legislation, and a successor depository is not appointed by the Issuer within 90 days after receiving such notice or becoming aware that CDS is no longer so recognized, the Issuer will issue or cause to be issued Notes in definitive form in exchange for the Global Note.

#### *Direct Rights*

Where payment in full of principal or interest has not been made in respect of the Global Note, the Issuer understands that, under existing industry practices, if the Issuer requests any action of holder of the Global Note or if an owner of a beneficial interest in the Global Note wishes to give or take any action which the holder of the Global Note is entitled to give or take under such Global Note, CDS, or its respective nominees or successors, as the case may be, as the holders of such Global Note would authorise the participants through which the relevant beneficial interests are held to give or take such

action, and such participants would authorise owners of beneficial interests owning through such participants to give or take such action or would otherwise act upon the instructions of the beneficial owners holding through them.

#### *Additional Information regarding Clearing and Settlement*

Links have been established among CDS and Clearstream, Luxembourg and Euroclear to facilitate initial issuance of the Notes and cross-market transfers of the Notes associated with secondary market trading. CDS will be directly linked to Clearstream, Luxembourg and Euroclear through the CDS accounts of their respective Canadian Subcustodians.

#### *The Clearing Systems*

CDS was incorporated in 1970 and is Canada's national securities clearing and depositary services organization. Functioning as a service utility for the Canadian financial community, CDS provides a variety of computer automated services for financial institutions and investment dealers active in domestic and international capital markets. CDS participants ("**CDS Participants**") include banks (including the Canadian Subcustodians), investment dealers and trust companies and may include certain of the Managers. Indirect access to CDS is available to other organizations that clear through or maintain a custodial relationship with a CDS Participant. Transfers of ownership and other interests, including cash distributions, in Notes in CDS may only be processed through CDS Participants and will be completed in accordance with existing CDS rules and procedures. CDS operates in Montreal, Toronto, Calgary, Vancouver and Halifax to centralize securities clearing functions through a central securities depositary.

CDS is a private corporation, owned one-third by investment dealers, one-third by banks and one-third by trust companies through their respective industry associations. CDS is the exclusive clearing house for equity trading on the Toronto Stock Exchange and also clears a substantial volume of "over the counter" trading in equities and bonds.

#### *Global Clearance and Settlement Procedures*

Initial settlement for the Notes will be made in immediately available Canadian dollar funds.

Secondary market trading between CDS Participants will be in accordance with market conventions applicable to transactions in book-based Canadian domestic bonds. Secondary market trading between Clearstream, Luxembourg participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream, Luxembourg and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in immediately available funds.

#### *Transfers between CDS and Clearstream, Luxembourg or Euroclear*

Cross-market transfers between persons holding directly or indirectly through CDS Participants, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear participants, on the other, will be effected in CDS in accordance with CDS rules; however, such cross-market transactions will require delivery of instructions to the relevant clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. The relevant clearing system will, if the transaction meets its settlement requirements, deliver instructions

to CDS directly or through its Canadian Subcustodian to take action to effect final settlement on its behalf by delivering or receiving Notes in CDS, and making or receiving payment in accordance with normal procedures for settlement in CDS. Clearstream, Luxembourg participants and Euroclear participants may not deliver instructions directly to CDS or the Canadian Subcustodians.

Because of time-zone differences, credits of Notes received in Clearstream, Luxembourg or Euroclear as a result of a transaction with a CDS Participant will be made during subsequent securities settlement processing and dated the business day following the CDS settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Clearstream, Luxembourg participants or Euroclear participants on such business day. Cash received in Clearstream, Luxembourg or Euroclear as a result of sales of Notes by or through a Clearstream, Luxembourg participant or a Euroclear participant to a CDS Participant will be received with value on the CDS settlement date but will be available in the relevant Clearstream, Luxembourg or Euroclear cash account only as of the business day following settlement in CDS.

**APPENDIX 2**

**2004 Terms and Conditions**

## FORM OF THE NOTES

The Notes of each Tranche will be in either bearer form or, in the case of Australian Domestic Notes, 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 initially represented by a temporary global Note in bearer form, without Receipts, Coupons or Talons (each as defined in “Terms and Conditions of the Notes” below), which will be delivered on the issue date for such Tranche to a common depository for Euroclear and Clearstream, Luxembourg. 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 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. 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 interests in a permanent global Note without Receipts, Coupons or Talons or for definitive Notes (where the applicable Pricing Supplement so permits) 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 second sentence of this paragraph. 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 outside the United States and its possessions without any requirement for certification. Where the applicable Pricing Supplement so permits, 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 (at the request of the Noteholder (as defined below)) 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, upon not less than 60 days’ written notice expiring at least 90 days after the Exchange Date from the Noteholder to the Agent as described therein, at the cost and expense of the relevant Issuer and only in the following circumstances: (i) the permanent global Note is held on behalf of Euroclear or Clearstream, Luxembourg and either of such clearing systems is closed for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) an Event of Default (as defined in the Trust Deed) occurs in relation to the Notes represented by the permanent global Note, or (iii) the relevant Issuer is notified that the Trustee is satisfied that the relevant Issuer or any Paying Agent has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (Taxation) which would not be required were the Notes represented by the permanent global Note to be in definitive form. 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.

The following legend will appear on all global Notes, definitive Notes, Receipts, Coupons and Talons:–

**“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 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, all as more fully described in the applicable Pricing Supplement.



## TERMS AND CONDITIONS OF THE 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 Pricing Supplement (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 Form of the Notes above for the form of Pricing Supplement 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 the lowest Specified Denomination in the Specified Currency (each as defined in the applicable Pricing Supplement (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 restated most recently by a Tenth Supplemental Trust Deed dated 22nd April, 2004 (the “**Tenth Supplemental Trust Deed**”) 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 amended and as further amended and/or supplemented 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 Pricing Supplement.

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). Definitive Notes redeemable in instalments will have receipts attached on issue (“**Receipts**”) for the payment of the instalments of principal.

Payments in respect of the Notes (other than Australian Domestic Notes) will be made under an amended and restated Agency Agreement dated 22nd April, 2004 and made between the Issuers, JPMorgan Chase Bank 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 will be made under an Agency and Registry Agreement made between Royal Bank, the Trustee and J.P. Morgan Institutional Services Australia Limited (ABN 48 002 916 396) as registrar as further amended or supplemented from time to time (the “**Registry Services 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 22nd April, 2004 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 Pricing Supplement, 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 Pricing Supplement**” are to the Pricing Supplement attached hereto or endorsed hereon and expressions defined or used in the applicable Pricing Supplement 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 Pricing Supplement. 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 Pricing Supplement for each issue of Notes, will be available for inspection 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 Pricing Supplement 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 Registry Services Agreement and Pricing Supplement in relation to Australian Domestic Notes may be obtained from the specified office of the Australian Registrar. 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 and, in respect of Australian Domestic Notes, the Deed Poll, as defined below, and the Registry Services 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 Subordinated Notes are conditional upon the relevant Issuer being solvent at the time of payment by the relevant Issuer and immediately thereafter. Neither these Conditions nor the Trust Deed provide any remedy for non-payment of interest in respect of the Undated Subordinated Notes so long as no dividend has been paid or declared in respect of any class of share capital 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) Royal Bank 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 the twelve months immediately preceding the applicable Interest Payment Date. In the event of a winding up 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.*

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

The Notes, other than Australian Domestic 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 Pricing Supplement.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, or any combination of the foregoing depending upon the Interest/Payment Basis shown in the applicable Pricing Supplement. It is also an Index Linked Note (where payment in respect of principal and/or interest is linked to an Index and/or Formula) and/or a Dual Currency Note and/or a Partly Paid Note and/or an Instalment Note if in each case the applicable Pricing Supplement so indicates and 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 (“**Dated Subordinated Notes**”) or (iii) subordinated in the manner described under Condition 2(c) below with no fixed redemption date (“**Undated Subordinated Notes**”).

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., as operator of the Euroclear System (“**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 the Issuer owing under the Deed Poll to be executed by the Issuer 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 J.P. Morgan Institutional Services Australia Limited (ABN 48 002 916 396) or such other Australian registrar appointed by the Issuer and specified in the applicable Pricing Supplement (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 the Issuer to the relevant Noteholder. No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to an Australian Domestic Note unless the Issuer 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 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 the Issuer, the Trustee and the Australian Registrar as the absolute owner of that Australian Domestic Note and none of the Issuer, 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 the Issuer 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 the Issuer and the Australian Registrar. 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.

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 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.

“**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 or winding up 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*

Claims against the Issuer in respect of the principal of and interest on the Dated Subordinated Notes will be subordinated, in the event of the winding up of the Issuer, to the claims of Senior Creditors (as defined below) in that amounts in respect of such principal and interest shall be due and payable by the Issuer in such winding up only if and to the extent that the Issuer could make payment thereof rateably with the claims of other Subordinated Creditors (as defined below) and still be solvent immediately thereafter. For this purpose, the Issuer shall be considered to be solvent if it is able to pay its debts to Senior Creditors in full.

A report in writing as to the solvency of the Issuer by its liquidator shall, unless the contrary is proved, be treated and accepted by the Issuer, the Trustee and 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) as correct and sufficient evidence thereof.

In this paragraph (ii) and in paragraph (iii) “**Senior Creditors**” means creditors of the Issuer whose claims are admitted to proof in the winding up of the Issuer and who are unsubordinated creditors of the Issuer, and “**Subordinated Creditors**” means creditors of the Issuer (including, without limitation, the Dated Subordinated Noteholders, the Dated Subordinated Receiptholders and the Dated Subordinated Couponholders) whose claims against the Issuer are subordinated in the event of the winding up of the Issuer in any manner to the claims of any unsecured and unsubordinated creditor of the Issuer, but excluding those subordinated creditors of the Issuer (if any) (including, without limitation, Undated Subordinated Noteholders and Undated Subordinated Couponholders) whose claims are expressed to, or so as to, rank junior to the claims of the Dated Subordinated Noteholders, the Dated Subordinated Receiptholders and the Dated Subordinated Couponholders and/or to the claims of any other creditors of the Issuer whose claims are expressed to, or so as to, rank *pari passu* with the claims of the Dated Subordinated Noteholders, the Dated Subordinated Receiptholders and the Dated Subordinated Couponholders.

#### (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, on a winding up of the Issuer 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 liquidator (or other relevant insolvency official of the Issuer) to be held on trust for the Senior Creditors.

(iv) *Dated Subordinated Notes: Deferral of Payments*

In the case of Dated Subordinated Notes in relation to which this Condition 2(b)(iv) is specified in the relevant Pricing Supplement as applying, 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, and, accordingly, on the giving of such Deferral Notice the due date for payment of 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 may not give a Deferral Notice except in circumstances where the Financial Services Authority 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 the Financial Services Authority 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 which remain unpaid shall become due and payable in full on the commencement (as defined in the Trust Deed) of a winding up of the Issuer. Where more than one Deferred Payment 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 Tier 3 capital, the Financial Services Authority requires the Issuer to notify it if the Issuer’s allowable capital falls below the Issuer’s individual capital requirement and the Financial Services Authority may require deferral of payments of principal and interest in respect of such Dated Subordinated Notes in such circumstances.*

(c) *Status of the Undated Subordinated Notes*

(i) *Status*

The Undated Subordinated 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 Subordinated Notes (the “**Undated Subordinated Noteholders**”) and the Coupons relating thereto (the “**Undated Subordinated Coupons**”, and “**Undated Subordinated Couponholders**”) will be construed accordingly) in respect of the principal of and interest on the Undated Subordinated 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 Undated Subordinated Notes are conditional upon the Issuer being solvent at the time of payment by the Issuer, and the Issuer shall have no liability to pay any amount in respect of the principal of and interest on the Undated Subordinated 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 below) exceed its Liabilities (as defined below) to Senior Creditors. The Trust Deed contains provisions requiring a report as to the solvency of the Issuer to be made by two directors 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 prior to any payment in respect of the principal of and interest on the Undated Subordinated Notes and also prior to the purchase of any Undated Subordinated Notes beneficially by or for the account of the Issuer. Any such report shall, in the absence of proven error, be treated and accepted by the Issuer, the Trustee and the Undated Subordinated Noteholders and Undated Subordinated Couponholders as correct and sufficient evidence of such solvency.

- (y) If, at any time, the Issuer is in winding up (except in the case of a solvent winding up solely for the purposes of a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed)) or an administrator appointed in respect of the Issuer has given notice that he/she intends to declare and distribute a dividend, there shall be payable in respect of the principal of and interest on the Undated Subordinated Notes (in lieu of any other payment but subject as provided in sub-paragraph (x) above) 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 Subordinated Noteholders and/or the Undated Subordinated 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 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 an amount equal to the principal amount of the Undated Subordinated Notes together with interest accrued to the date of repayment (as provided in the Trust Deed) 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 Subordinated Noteholders and Undated Subordinated Couponholders in respect of the principal of and interest on the Undated Subordinated 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 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 are expressed to, or so as to, rank *pari passu* with or junior to the claims of the Trustee, the Undated Subordinated Noteholders and the Undated Subordinated Couponholders in respect of the principal of and interest on the Undated Subordinated Notes and/or with or to any claims ranking *pari passu* with the claims of the Undated Subordinated Noteholders and the Undated Subordinated Couponholders in respect of the principal of and interest on the Undated Subordinated 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 directors, 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 Subordinated Notes will be available to meet the losses of the Issuer.*

(iii) *Set-Off*

Subject to applicable law, on a winding up of the Issuer, neither any Undated Subordinated Noteholder nor Undated Subordinated 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 Subordinated Notes owed to it by the Issuer and each Undated Subordinated Noteholder and Undated Subordinated Couponholder shall, by virtue of his subscription, purchase or holding of any Undated Subordinated Note or Undated Subordinated Coupon, be deemed to have waived all such rights of set-off. To the extent that, on a winding up of the Issuer 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 Subordinated Notes owed by the Issuer to an Undated Subordinated Noteholder or an Undated Subordinated Couponholder; and (z) any amount owed to the Issuer by such Undated Subordinated Noteholder or, as the case may be, Undated Subordinated Couponholder, such Undated Subordinated Noteholder or, as the case may be, Undated Subordinated Couponholder will immediately transfer such amount which is set off to the liquidator (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 on its nominal amount (or if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the applicable Pricing Supplement 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. Except as provided in the applicable Pricing Supplement, 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 Pricing Supplement. 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 Pricing Supplement.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, 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.

“**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 (ISMA)**” is specified in the applicable Pricing Supplement:
  - (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 Pricing Supplement, 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 Pricing Supplement) 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 on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) 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 Pricing Supplement; or

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

If any Interest Payment Date (or other date) which is specified in the applicable Pricing Supplement to be subject to adjustment in accordance with a business day convention 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) 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 (a) such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day and (b) after the foregoing paragraph(a) shall have applied, each subsequent Interest Payment Date (or other date) shall be the last Business Day of the last month of each subsequent Interest Period; 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 Pricing Supplement):–

- (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 if any Business Centre(s) is specified in the applicable Pricing Supplement in such Business Centre(s); 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 (TARGET) System (“TARGET”) is open;

“euro” means the single currency introduced on 1st January, 1999 pursuant to the treaty establishing the European Community as amended by the Treaty on 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 Pricing Supplement.

(iii) *ISDA Determination*

Where ISDA Determination is specified in the applicable Pricing Supplement 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 Pricing Supplement) 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 Pricing Supplement 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 Pricing Supplement;
- (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 Pricing Supplement.

For the purposes of this sub-paragraph (iii), (a) “ISDA Definitions” means the 2000 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 Pricing Supplement 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 Pricing Supplement) the Margin (if any); and
- (B) the Agent or other person specified in the applicable Pricing Supplement 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).

(iv) *Screen Rate Determination*

Where Screen Rate Determination is specified in the applicable Pricing Supplement 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 Pricing Supplement) plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent or other person specified in the applicable Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement.

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

If the applicable Pricing Supplement 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 Pricing Supplement 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 Pricing Supplement 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 in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction as is specified in the applicable Pricing Supplement or, if none is so specified, determined by the Agent or other person specified in the applicable Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) to be customary for such calculation, and rounding the resultant figure to the nearest unit of the smallest size of the relevant Specified Currency customarily used in the settlement of inter-bank payments in such currency, half such a unit being rounded upwards or otherwise in accordance with applicable market convention.

“**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 Pricing Supplement:–

1. if “**Actual/365**” or “**Actual/Actual (ISDA)**” is specified in the applicable Pricing Supplement, 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 Pricing Supplement, the actual number of days in the Interest Period divided by 365;
3. if “**Actual/365 (Sterling)**” is specified in the applicable Pricing Supplement, 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 Pricing Supplement, 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 Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
6. if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

7. if “**RBA Bond Basis**” is specified in the applicable Pricing Supplement, 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 Pricing Supplement 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 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 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 Pricing Supplement 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 Pricing Supplement), 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 Pricing Supplement 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 Pricing Supplement 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 or manifest error) be binding on the Issuer, the Agent (or the person specified in the Pricing Supplement 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 as aforesaid) 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 Pricing Supplement 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) *Index Linked Notes and Dual Currency Notes*

In the case of Index Linked Notes or Dual Currency Notes, where the rate or amount of interest falls to be determined by reference to an Index and/or a Formula or, as the case may be, a Rate of Exchange (each as specified in the applicable Pricing Supplement), the rate or amount of interest payable shall be determined in the manner specified in the applicable Pricing Supplement and payment shall otherwise be made in accordance with Condition 4.

(d) *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 Pricing Supplement.

(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 due presentation thereof, payment of principal is improperly withheld or refused, or in the case of Australian Domestic Notes, payment is not made in accordance with the Registry Services 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) *Interest on Undated Subordinated Notes*

Without prejudice to any other terms of these Conditions, interest in respect of Undated Subordinated Notes is (subject to Condition 2(c)(ii)(x)) payable on each Compulsory Interest Payment Date (as defined below) in respect of the Interest Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer so elects but subject to Condition 2(c)(ii)(x)) the interest in respect of any Series of Undated Subordinated Notes accrued in the Interest Period ending on the day immediately preceding such date, but the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose. Any interest in respect of any Series of Undated Subordinated 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 Subordinated Noteholders of the relevant Series in accordance with Condition 12, but all Arrears of Interest in respect of all Undated Subordinated 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 earliest of (i) the date on which a dividend is next paid on any class of share capital 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, (ii) the date fixed for any repayment pursuant to Condition 5(b) or (c), or (iii) the commencement of a winding up 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 Subordinated 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.

As used in this paragraph (f):–

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

“**Compulsory Interest Payment Date**” means any Interest Payment Date if, in the twelve months immediately preceding such Interest Payment Date, any dividend has been declared or paid on any class of share capital of (1) RBSG (as defined below) (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;

“**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 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 Subordinated Notes) up to but excluding the next (or first) Interest Payment Date; and

“**Optional Interest Payment Date**” means any Interest Payment Date other than a Compulsory Interest Payment Date.

*If the latest dividend declared or paid on any class of share capital 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 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, is so declared or paid more than twelve months prior to an Interest Payment Date, such Interest Payment Date will not be a Compulsory Interest Payment Date.*

#### **4. Payments**

##### *(a) Method of Payment*

Subject as provided below:–

- (i) payments in respect of definitive Notes in a Specified Currency (other than euro (as defined in Condition 3(b)(i))) 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 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 (or the Interest Payment Date in the Redemption Month, as the case may be) 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 or Index Notes) 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 or Index Linked 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.

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 and otherwise in the manner specified in the relevant global Note 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 against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Paying Agent to which such global Note is presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

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 Registry Services 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 giving in Sydney 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 Pricing Supplement, “**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 (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, 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*

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

- (i) the Final Redemption Amount of the Notes;
- (ii) the Early Redemption Amount of the Notes;
- (iii) the Optional Redemption Amount(s) (if any) of the Notes;
- (iv) in relation to Instalment Notes, the Instalment Amounts;
- (v) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined below); and
- (vi) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

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 Note will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date (in the case of a Note other than a Floating Rate Note) or on the Interest Payment Date falling in the month and year in which such Notes (unless previously redeemed or purchased or cancelled) will be redeemed (in the case of a Floating Rate Note).

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

The Notes of any Series may (subject, in the case of the Dated Subordinated Notes and the Undated Subordinated Notes, to the prior consent of the Financial Services Authority and, in the case of the Undated Subordinated Notes to a requirement that no such redemption may take place before the fifth anniversary of the issue of such Notes) 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) or only on an Interest Payment Date (in the case of a Floating Rate Note) on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 12, 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:–

- (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; or
- (ii) the payment of interest in respect of any of the Notes of such Series would be “**distributions**” for United Kingdom tax purposes;

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 Issue Date of 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 (or would be treated as making distributions as referred to in paragraph (ii) above) were a payment in respect of the Notes of that Series then due. Upon the expiration of such notice the Issuer shall (subject, in the case of the Undated Subordinated Notes, to Condition 2(c)(ii)(x)) be bound to redeem such Notes at their Early Redemption Amount together with, in the case of Undated Subordinated Notes, all Arrears of Interest as aforesaid.

### (c) *Call Option – Redemption at the Option of the Issuer*

If the Issuer is specified in the applicable Pricing Supplement as having an option to redeem the Notes of any Series, the Issuer may (subject, in the case of the Dated Subordinated Notes and the Undated Subordinated Notes, to the prior consent of the Financial Services Authority and, in the case of the Undated Subordinated Notes, Condition 2(c)(ii)(x) and unless otherwise specified in the applicable Pricing Supplement), having given not less than 45 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 Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date(s) and including, in the case of Undated Subordinated 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 Pricing Supplement. 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, 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.

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

If the Noteholders of any Series are specified in the applicable Pricing Supplement 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 Pricing Supplement (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 Pricing Supplement, 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, be an Interest Payment Date) and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

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.

(e) *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 Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, 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 Pricing Supplement; and
  - (B) the product of the Amortisation/Accrual Yield specified in the applicable Pricing Supplement (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 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 Pricing Supplement; or
- (v) in the case of Dual Currency 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.

(f) *Instalments*

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

(g) *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 Pricing Supplement.

---

\*Not applicable to Dated Subordinated Notes or Undated Subordinated Notes

(h) *Purchases*

The Issuer may (subject, in the case of the Dated Subordinated Notes and the Undated Subordinated Notes, to the prior consent of the Financial Services Authority) 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 (available to all Noteholders of a Series alike) 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 or Receipts attached thereto or purchased therewith).

(i) *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.

(j) *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) or (e) 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 (e)(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.

(k) *Undated Subordinated Notes*

There is no fixed redemption date for Undated Subordinated Notes and the Issuer shall (subject to the provisions of Condition 5(b) and Condition 8) only have the right to repay them in accordance with such provisions as may be specified in the applicable Pricing Supplement and subject to the requirement that any such redemption shall be subject to the prior consent of the Financial Services Authority.

In relation to Australian Domestic Notes, reference 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 Registry Services 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 Pricing Supplement) 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, in the case of the Undated Subordinated 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 United Kingdom 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 other Directive implementing the conclusions of the ECOFIN Council Meeting of 26-27th November 2000 on the taxation of savings income 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 Agent in a Member State of the European Union; and/or
- (g) in such other circumstances as may be specified in the relevant Pricing Supplement.

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.

Any reference in these Conditions to the principal and/or interest in respect of the Notes shall be deemed to include a reference to any additional amounts which may be payable under this Condition 6 or under any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed or the Deed Poll.

## **7. Prescription**

The Bearer Notes, Receipts and Coupons will become void unless presented for payment 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 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 (except in any such case for the purposes of a merger, reconstruction or amalgamation

the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the holders of the Ordinary Notes of the relevant Series).

Unless otherwise specified in the applicable Pricing Supplement, 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(e).

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 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 any Series for a period of seven days or more in the case of principal or 14 days or more in the case of interest the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer, but may take no other action in respect of such default.
- (ii) If, otherwise than for the purposes of reconstruction or amalgamation on terms previously approved in writing by the Trustee, 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 any 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 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 any 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 proceedings 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 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 Subordinated Notes*

- (i) If default shall be made in the payment of any interest due on the Undated Subordinated Notes of any Series for a period of 14 days or more after a Compulsory Interest Payment Date (as defined in Condition 3(f)) or any other date on which the payment of interest is compulsory, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer, but may take no other action in respect of such default. For the purposes of this paragraph (i), a payment shall be deemed to be due or compulsory even if the condition set out in Condition 2(c)(ii)(x) is not satisfied with respect to the Issuer.
- (ii) Without prejudice to paragraph (i) above, if the Issuer breaches any of its obligations under the Trust Deed or the Undated Subordinated Notes or the Undated Subordinated Coupons of any Series (other than any obligation in respect of the payment of principal or interest on such Undated Subordinated Notes or Undated 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 Undated Subordinated Notes or Undated Subordinated 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 Subordinated Notes and Undated Subordinated Coupons of any Series or any other proceedings pursuant to or in connection with the Trust Deed or the Undated Subordinated Notes or the Undated Subordinated Coupons of any Series unless (i) it shall have been so directed by an Extraordinary Resolution of the Undated Subordinated Noteholders of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Undated Subordinated Notes of such Series then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (iv) No Undated Subordinated Noteholder or Undated 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 Undated Subordinated Noteholder or Undated 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 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 Subordinated Noteholder or Undated 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.

**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 continental Europe; and
- (iii) 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 Registry Services 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 Registry Services 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 Registry Services Agreement.

The Registry Services 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) of any Series shall be validly given if published (i) in a leading London daily newspaper (which is expected to be the *Financial Times*) and (ii)

in respect of Notes listed on the Luxembourg Stock Exchange and for so long as the rules of the Luxembourg Stock Exchange require, in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice will be deemed to have been given on the date of such publication in such leading London newspaper or, in the circumstances in which (ii) applies, on the date of such publication in both such newspapers 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, and the Notes for such Series are not listed on the Official List and admitted to trading on the London Stock Exchange (or if so listed, for as long as the London Stock Exchange so permits), 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 Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the relevant notice shall also be published in a leading newspaper having general circulation in Luxembourg. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after 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 the Issuer (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**

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.

### **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 Registry Services 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 Registry Services 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 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 Registry Services 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 Registry Services Agreement or the Deed Poll which is of a formal, minor or technical nature or is made to correct a manifest error 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, 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 Subordinated Notes shall be effected without the prior consent of the Financial Services Authority.

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 Registry Services 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 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*, (i) the obligations of such substituted principal debtor thereunder are guaranteed by the Issuer on a basis acceptable to the Trustee and (ii) 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. The Trustee may further agree, subject 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 and the Couponholders of the relevant Series of Notes, to the substitution, 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, of a Successor in Business (as defined in the Trust Deed). No such substitution shall be effected in relation to any Series of Dated Subordinated Notes or Undated Subordinated Notes without the prior consent of the Financial Services Authority.

In connection with any proposed substitution as aforesaid, (a) the Trustee shall not have regard to the consequences of such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory; and (b) no Noteholder, Receiptholder or Couponholder shall, in connection with any change in principal debtor pursuant to this Condition 14, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such change 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 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 are governed by, and shall be construed in accordance with, English law except that the provisions of Conditions 2(b) and 2(c) relating to subordination of the Dated Subordinated Notes and the Undated Subordinated Notes, respectively, shall be governed by, and construed in accordance with Scots law and Australian Domestic Notes, the Deed Poll and the Registry Services Agreement are governed by, and shall be construed in accordance with, the laws in force in New South Wales, Australia.

The Issuer has submitted to the jurisdiction of the English courts in the Trust Deed and has appointed the Issuer's London office at the date hereof situated at Fifth Floor, 280 Bishopsgate, London EC2M 4RB as its agent for service of process in England. In relation to Australian Domestic Notes, the Issuer 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 Registry Services 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 Registry Services Agreement may be brought in such courts.

### **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the relevant Issuer to fund its general banking business.