



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

Pages 1 to 120 inclusive of this Offering Memorandum comprise a base prospectus for the purpose of Directive 2003/71/EC, as amended (the "Prospectus Directive") (the "Prospectus") in respect of notes to be admitted to the Official List of the UK Listing Authority and to be admitted to trading on the London Stock Exchange's regulated market ("Notes" or "PD Notes"). Pages 121 to 195 inclusive of this Offering Memorandum comprise an offering circular (the "Offering Circular"). The Offering Circular has been prepared by the Issuers (as defined below) in connection with the issuance of notes other than PD Notes ("Non PD Notes") and, together with the PD Notes, the "Programme Notes". The Offering Circular has not been reviewed or approved by the UK Listing Authority and does not constitute a prospectus for the purpose of the Prospectus Directive.

On 22 February 1994, The Royal Bank of Scotland plc entered into a £1,500,000,000 (since increased from time to time to £90,000,000,000) Euro Medium Term Note Programme (the "Programme") and issued a prospectus on that date describing the Programme. Further prospectuses describing the Programme were issued by The Royal Bank of Scotland Group plc (an "Issuer" or "RBSG") and The Royal Bank of Scotland plc (an "Issuer" or "Royal Bank" or "RBS" and, together with RBSG, the "Issuers" and each an "Issuer"), the latest prospectus being issued on 24 February 2012. Notes denominated in Australian dollars and issued in the Australian domestic capital markets ("Australian Domestic Notes") may be issued by Royal Bank acting either through an office outside Australia or through its Australian Branch ("RBS Australia Branch"). Accordingly, a reference in this Prospectus to the issue of Australian Domestic Notes by Royal Bank is, as the context requires, a reference to whichever of Royal Bank or RBS acting through its Australia Branch is the Issuer of the Australian Domestic Notes as specified in the applicable Final Terms. Ordinary Notes may be issued by RBSG, Royal Bank acting either through an office outside Japan or through its Tokyo branch, The Royal Bank of Scotland plc Tokyo Branch ("RBS Tokyo Branch") or RBS Australia Branch. Accordingly, a reference in this Prospectus to the issue of Ordinary Notes (as defined below) by Royal Bank is, as the context requires, a reference to whichever of Royal Bank, RBS acting through its Tokyo Branch or RBS acting through its Australia Branch is the Issuer of the Ordinary Notes as specified in the applicable Final Terms. This Prospectus supersedes any previous prospectus. Any Notes (as defined below) issued under the Programme on or after the date of this Prospectus are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Prospectus.

Under the Programme, each of RBSG and RBS may, subject to compliance with all relevant laws, regulations and directives, from time to time, issue Notes denominated in any currency agreed by the relevant Issuer and the relevant Dealer(s) (as defined below). The maximum aggregate nominal amount of all Programme Notes from time to time outstanding will not exceed £90,000,000,000 (or its equivalent in other currencies, subject to increase as provided herein). Notes to be issued under the Programme may comprise (i) unsubordinated Notes (the "Ordinary Notes") and Notes which are subordinated as described herein with a maturity date and with terms capable of qualifying as Tier 2 Capital (as defined herein) (the "Tier 2 Notes"). Neither RBS acting through its Australia Branch nor RBS acting through its Tokyo Branch may issue Tier 2 Notes.

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

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "FSMA") (the "UK Listing Authority") for PD Notes issued under the Programme during the period of 12 months from the date of this Prospectus to be admitted to the Official List of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such PD Notes to be admitted to trading on the London Stock Exchange's regulated market (the "Market"). References in this Prospectus to Notes being "listed" (and all related references) shall mean that such PD Notes have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on Markets in Financial Instruments (the "Markets in Financial Instruments Directive").

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and other information which is applicable to each Tranche of Notes will be set out in a final terms document (the "Final Terms") which will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche.

Prospective investors should ensure that they understand the nature of the relevant Notes and the extent of their exposure to risks and that they consider the suitability of the relevant Notes as an investment in the light of their own circumstances and financial condition. It is the responsibility of prospective purchasers to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Notes and are not relying on the advice of the Issuers, the Trustee (as defined herein) or any Dealer in that regard. Prospective investors should consider carefully the risks set forth herein under "Risk Factors" prior to making investment decisions with respect to the Notes.

Each of the Issuers may agree with any Dealer that Notes may be issued in a form not contemplated by the terms and conditions of the Notes herein, in which event, if appropriate, a drawdown prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

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

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Standard & Poor's Credit Market Services Europe Limited, Fitch Ratings Limited and Moody's Investors Service Limited, are each established in the European Union and registered under the Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation"). In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

Arranger
The Royal Bank of Scotland
Dealers

BofA Merrill Lynch
Citigroup
Deutsche Bank
Goldman Sachs International
Morgan Stanley
Société Générale Corporate & Investment Banking
UBS Investment Bank

BNP PARIBAS
Credit Suisse
J.P. Morgan Cazenove
Mizuho Securities
Nomura
The Royal Bank of Scotland

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

For the purposes of the previous paragraph:

“**RBS Information**” means: (i) the RBS Registration Document (as defined in “Documents Incorporated by Reference” below) incorporated by reference herein; (ii) the section headed “Forms of Final Terms – Part II – Applicable Final Terms for Issues by RBS”; and (iii) the information incorporated by reference into this Prospectus pursuant to paragraphs (g) to (i) in the section headed “Documents Incorporated by Reference”; and

“**RBSG Information**” means: (i) the RBSG Registration Document (as defined in “Documents Incorporated by Reference” below) incorporated by reference herein; and (ii) the section headed “Forms of Final Terms – Part I – Applicable Final Terms for Issues by RBSG”.

Each of the Issuers (whose respective registered office addresses appear on page 118 of this Prospectus) accepts responsibility for the information contained in its respective base prospectus. To the best of the knowledge of each Issuer (each having taken all reasonable care to ensure that such is the case), the information contained in its respective base prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE NOTES TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. NEITHER ISSUER WILL BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE DEALERS) IN CONNECTION WITH THE OFFER OR SALE OF THE NOTES AND, ACCORDINGLY, THIS PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. NEITHER ISSUER HAS ANY RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

Notes, other than Australian Domestic Notes, may only be issued in bearer form and Australian Domestic Notes issued by Royal Bank may only be issued in registered form (respectively, “**Bearer Notes**” and “**Registered Notes**”). Each Tranche of Bearer Notes will be initially represented by a global Note which will, (i) if the global Notes are intended to be issued in new global note (“**NGN**”) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”); (ii) if the global Notes are not intended to be issued in NGN form (“**CGN**”), as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common depositary (the “**Common Depositary**”) for Euroclear and Clearstream, Luxembourg; and (iii) if the global Notes are intended to be cleared through the Central Moneymarkets Unit Service (“**CMU Service**”) operated by the Hong Kong Monetary Authority (the “**CMU Operator**”), as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a sub-custodian for the CMU Service (such Notes initially cleared through the CMU Service, the “**CMU Notes**”). A temporary

global Note will be exchangeable for either a permanent global Note or Notes in definitive form, in each case as specified in the applicable Final Terms, and in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable for definitive Notes, in whole or, in the circumstances described in “Form of the Notes” below, in part, upon either (a) 60 days’ notice given at any time or (b) only upon the occurrence of an Exchange Event (as defined in “Form of the Notes” below). Registered Notes will take the form of entries in a register.

Royal Bank is authorised as a foreign authorised deposit-taking institution to carry on banking business in Australia under the Banking Act 1959 of Australia with Australian Business Number 30 101 464 528. Australian Domestic Notes will be issued by, and will constitute obligations of, Royal Bank acting through its Australia Branch as specified in the applicable Final Terms. Different tax consequences may arise depending upon whether the Australian Domestic Notes are issued by Royal Bank acting through its Australia Branch. For further information, refer to “Australian Taxation” below.

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

Royal Bank is licensed as a branch office of a foreign bank to carry on banking business in Japan under the Banking Act of Japan (Act No. 59 of 1981). Different tax consequences may arise depending upon whether the Ordinary Notes are issued by Royal Bank or RBS acting through its Tokyo Branch. For further information, refer to “Japanese Taxation” below.

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

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

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

No person has been authorised to give any information or to make any representation not contained in or which is inconsistent with this Prospectus (including the information incorporated by reference herein) and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, any of the Dealers, the Australian Registrar, the Agent, the other Paying Agents or the Trustee.

This Prospectus (including the information incorporated by reference herein) (i) is not intended to provide the basis of any credit or other evaluation and (ii) should not be considered as a recommendation or a statement of opinion (or a report of either of those things) by the Issuers, any of the Dealers, the Australian Registrar,

the Agent, the other Paying Agents or the Trustee that any recipient of this Prospectus (including the information incorporated by reference herein) should purchase any Notes. Prospective investors should have regard to the factors described under, and referred to in, the section headed “Risk Factors” in this Prospectus. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer. This Prospectus (including the information incorporated by reference herein) does not constitute an offer or invitation by or on behalf of the Issuers, any of the Dealers, the Australian Registrar, the Agent, the other Paying Agents or the Trustee to any person to subscribe for or to purchase any Notes.

The delivery of this Prospectus does not at any time imply that the information contained in this Prospectus (including the information incorporated by reference herein) concerning either Issuer is correct at any time subsequent to the date of this Prospectus. The Dealers, the Australian Registrar, the Agent, the other Paying Agents and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers or any of their subsidiaries during the life of the Programme.

The Issuers, the Dealers, the Australian Registrar, the Agent, the other Paying Agents and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Dealers, the Australian Registrar, the Agent, the other Paying Agents or the Trustee which is intended to permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented accordingly.

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuers nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for an Issuer or any Dealer to publish or supplement a prospectus for such offer. References in this paragraph to the Prospectus Directive mean Directive 2003/71/EC and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State, and include any relevant implementing measure in the Relevant Member State, and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

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

All references in this Prospectus to “**euro**”, “**€**” and “**EUR**” refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union as amended, those to “**Japanese Yen**” refer to the currency of Japan, those to “**Sterling**”, “**£**”

and “pounds” refer to the currency of the United Kingdom, those to “Australian dollars” and “A\$” refer to the currency of Australia, those to “Canadian dollars” and “C\$” refer to the currency of Canada, those to “RMB”, “CNY” or “Renminbi” refer to the currency of the PRC and those to “United States dollars” and “U.S.\$” refer to the currency of the United States of America.

All references in this Prospectus to “PRC” are to the People’s Republic of China, which for the purpose of this Prospectus shall exclude the Hong Kong Special Administrative Region of the People’s Republic of China, the Macao Special Administrative Region of the People’s Republic of China and Taiwan.

Notes may not be a suitable investment for all investors. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

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

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

Each potential investor should consult its own financial and legal advisers about the risks entailed by an investment in any Notes with returns that are calculated with reference to a variable and the suitability of such Notes in light of the potential investor’s particular circumstances.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (if any) (the “Stabilising Manager(s)”) (or any person acting on behalf of any Stabilising Manager(s)) may, outside Australia and on a market operated outside Australia, over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. This overview must be read as an introduction to this Prospectus. Any decision to invest in any Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference, by any investor.

Words and expressions defined in the Registration Documents or under the headings “Form of the Notes” or “Terms and Conditions of the Ordinary and Tier 2 Notes” below shall have the same meanings in this overview.

Issuers

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

The Royal Bank of Scotland plc (“**RBS**”) acting either through an office outside Australia or Japan or through its Australian branch (“**RBS Australia Branch**”) or through its Tokyo branch (“**RBS Tokyo Branch**”). Neither RBS acting through its Australia Branch nor RBS acting through its Tokyo Branch may issue Tier 2 Notes.

RBS is a wholly-owned subsidiary of RBSG. RBSG and RBS are public limited companies incorporated in Scotland. RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, RBSG and its subsidiaries consolidated in accordance with International Financial Reporting Standards (together, the “**Group**”) operate in the United Kingdom, the United States and internationally through RBSG’s principal subsidiaries, RBS and National Westminster Bank plc (“**NatWest**”).

Her Majesty’s Treasury (“**HM Treasury**”) currently holds 65.3 per cent. of the issued ordinary share capital of RBSG. Following RBSG’s issue of £25.5 billion of B Shares to HM Treasury in December 2009, HM Treasury’s economic interest in RBSG is approximately 81.1 per cent.

The Group had total assets of £1,312 billion and owners’ equity of £68 billion at 31 December 2012. As at 31 December 2012, the Group’s capital ratios were a total capital ratio of 14.5 per cent., a Core Tier 1 capital ratio of 10.3 per cent. and a Tier 1 capital ratio of 12.4 per cent.

RBS and its subsidiaries consolidated in accordance with International Financial Reporting Standards (the “**RBS Group**”) had total assets of £1,359 billion and owners’ equity of £62 billion as at 30 June 2012. As at 30 June 2012, the RBS Group’s capital ratios were a total capital ratio of 15.4 per cent., a Core Tier 1 capital ratio of 9.9 per cent. and a Tier 1 capital ratio of 11.6 per cent.

Risk Factors

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

- (i) risk factors relating to the Issuers including:
- The Group's businesses and performance can be negatively affected by actual or perceived global economic and financial market conditions;
 - The Group has significant exposure to the continuing economic crisis in Europe;
 - The Group operates in markets that are highly competitive and its business and results of operations may be adversely affected;
 - The Group is subject to political risks;
 - The Group and its UK bank subsidiaries may face the risk of full nationalisation;
 - HM Treasury (or UK Financial Investments Limited (UKFI) on its behalf) may be able to exercise a significant degree of influence over the Group and any proposed offer or sale of its interests may affect the price of securities issued by the Group;
 - The Group is subject to other global risks;
 - The Group's earning and financial condition have been, and its future earnings and financial condition may continue to be, materially affected by depressed asset valuations resulting from poor market conditions;
 - The financial performance of the Group has been, and continues to be, materially affected by deteriorations in borrower and counterparty credit quality and further deteriorations could arise due to prevailing economic and market conditions and legal and regulatory developments;
 - The value or effectiveness of any credit protection that the Group has purchased depends on the value of the underlying assets and the financial condition of the insurers and counterparties;
 - Changes in interest rates, foreign exchange rates, credit spreads, bond, equity and commodity prices, basis, volatility and correlation risks and other market factors have significantly affected and will continue to affect the Group's business and results of operations;
 - In the United Kingdom and in other jurisdictions, the Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers;

- The Group may be required to make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations;
- The Group's ability to meet its obligations including its funding commitments depends on the Group's ability to access sources of liquidity and funding;
- The Group's business performance could be adversely affected if its capital is not managed effectively or as a result of changes to capital adequacy and liquidity requirements;
- The Group's borrowing costs, its access to the debt capital markets and its liquidity depend significantly on its and the United Kingdom Government's credit ratings;
- If the Group is unable to issue the Contingent B Shares to HM Treasury, it may have a material adverse impact on the Group's capital position, liquidity, operating results and future prospects;
- The regulatory capital treatment of certain deferred tax assets recognised by the Group depends on there being no adverse changes to regulatory requirements;
- The Group's ability to implement its strategic plan depends on the success of the Group's refocus on its core strengths and its balance sheet reduction programme;
- The Group is subject to a variety of risks as a result of implementing the State Aid restructuring plan;
- Each of the Group's businesses is subject to substantial regulation and oversight. Significant regulatory developments and changes in the approach of the Group's key regulators could have an adverse effect on how the Group conducts its business and on its results of operations and financial condition;
- The Group is subject to resolution procedures under current and proposed resolution and recovery schemes which may result in various actions being taken in relation to any securities of the Group, including the write off, write-down or conversion of the Groups' securities;
- The Group is subject to a number of regulatory initiatives which may adversely affect its business. The Independent Commission on Banking's final report on competition and possible structural reforms

in the UK banking industry has been adopted by the UK Government which intends to implement the recommendations substantially as proposed. In addition other proposals to ring fence certain business activities and the US Federal Reserve's proposal for applying US capital, liquidity and enhanced prudential standards to certain of the Group's US operations together with the UK reforms could require structural changes to the Group's business. Any of these changes could have a material adverse effect on the Group;

- The Group is subject to a number of legal and regulatory actions and investigations. Unfavourable outcomes in such actions and investigations could have a material adverse effect on the Group's operating results or reputation;
- The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate;
- The Group's results could be adversely affected in the event of goodwill impairment;
- The recoverability of certain deferred tax assets recognised by the Group depends on the Group's ability to generate sufficient future taxable profits;
- Operational risks are inherent in the Group's businesses;
- The Group's operations are highly dependent on its information technology systems;
- The Group may suffer losses due to employee misconduct;
- The Group's operations have inherent reputational risk;
- The Group could fail to attract or retain senior management, which may include members of the Board, or other key employees, and it may suffer if it does not maintain good employee relations; and
- The Group continues to be exposed to its insurance business which is subject to inherent risks involving claims.

(ii) risk factors relating to the Notes including:

- warnings to potential investors that an issue of Notes may not be suitable for all investors;

- risks relating to the structure of a particular issue of Notes;
- risks relating to Notes generally;
- risks relating to Notes denominated in CNY; and
- risks relating to the market generally.

Size	Up to £90,000,000,000 (or its equivalent) outstanding at any time. The Issuers may increase the amount of the Programme.
Maturities	Any maturity as indicated in the applicable Final Terms.
Issue Price	Notes will be issued at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes	<p>Each Tranche of Bearer Notes will initially be issued in the form of a temporary global Note, or, if so specified in the applicable Final Terms, a permanent global Note (which may or may not be in new global note form). A temporary global Note will be exchangeable, either for a permanent global Note or definitive Notes and a permanent global Note will be exchangeable for definitive Notes in certain circumstances.</p> <p>Australian Domestic Notes will take the form of entries in a register maintained by the Australian Registrar.</p>
Terms of Notes	<p>The following types of Note may be issued: Notes (i) bearing interest at a fixed rate or a floating rate or (ii) not bearing interest or (iii) being a combination of any of the foregoing.</p> <p>Interest periods, rates of interest and the amounts payable on redemption may differ depending on the Notes being issued. Such terms will be specified in the applicable Final Terms.</p>
Fixed Rate Notes	Fixed Rate Notes will bear interest at the fixed rate(s) of interest specified in the applicable Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the applicable Final Terms or determined pursuant to the Terms and Conditions.
Reset Notes	Reset Notes will, in respect of an initial period, bear interest at the initial fixed rate of interest specified in the applicable Final Terms. Thereafter, the fixed rate of interest will be reset on one or more date(s) specified in the applicable Final Terms by reference to a mid-market swap rate for the relevant Specified Currency, and for a period equal to the reset period, as adjusted for any applicable margin, in each case as may be specified in the applicable Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the applicable Final Terms or determined pursuant to the Terms and Conditions.
Floating Rate Notes	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <p>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified</p>

Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or

(ii) by reference to LIBOR, EURIBOR, BBSW, BKBM, SHIBOR or SOR,

in any such case as adjusted for any applicable margin specified in the applicable Final Terms.

Interest periods will be specified in the applicable Final Terms. Such interest will be payable in arrear on the Interest Payment Date(s) specified in the applicable Final Terms or determined pursuant to the Terms and Conditions. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both.

Zero Coupon Notes

Zero Coupon Notes may be issued at their nominal amount or at a discount to their nominal amount and will not bear interest.

Redemption

The applicable Final Terms will specify the redemption amount and whether the relevant Notes can be redeemed prior to their stated maturity (other than for taxation reasons or following an event of default or, in the case of Tier 2 Notes, following the occurrence of a Capital Disqualification Event) at the option of the relevant Issuer and/or the holders of such Notes.

Denomination of Notes

The Notes will be issued in such denominations as specified in the applicable Final Terms save that (i) the minimum denomination of Notes admitted to trading on an EEA regulated market and/or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive will be €100,000 (or its equivalent) and (ii) unless permitted by current laws and regulations, the minimum denomination of Notes issued by RBSG which have a maturity of less than one year from their issue date shall be £100,000 (or its equivalent).

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

Taxation

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within the UK and, (i) in the case of Australian Domestic Notes issued by RBS acting through its Australia Branch, within the Commonwealth of Australia, or (ii) in the case of Ordinary Notes issued by RBS acting through its Tokyo Branch, within Japan, in each case unless required by law. If a deduction for or on account of such withholding tax is required by law, subject as provided in Condition 6, the relevant Issuer will be required to pay such additional amounts as will result in the payment to

the holders of the sums which would have been receivable by the holders from it in respect of the holders' Notes in the absence of such deduction.

Status of Ordinary Notes

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

Status of Tier 2 Notes

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

Rating

Each Tranche of Notes may be rated or unrated.

Listing and admission to trading

Application has been made to admit PD Notes to be issued under the Programme to the Official List and to trading on the Market.

Governing Law

The Notes, and any non-contractual obligations arising out of or in connection with the Notes, (other than the Australian Domestic Notes) will be governed by, and construed in accordance with, English law, save that the subordination provisions of the Tier 2 Notes will be governed by Scots law. Australian Domestic Notes will be governed by the laws of New South Wales, Australia, save that the subordination provisions of Tier 2 Notes will be governed by Scots law.

Selling Restrictions

See "Subscription and Sale" below.

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

RISK FACTORS

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

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

Risk Factors relating to the Issuers

Prospective investors should consider the sections entitled “Risk Factors” at pages 3 – 24 in the RBSG Registration Document and at pages 3 – 25 in the RBS Registration Document as referred to in, and incorporated by reference into this Prospectus as set out in, “Documents Incorporated by Reference” on page 26 of this Prospectus.

Risk Factors relating to the Notes

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

Risks related to the structure of a particular issue of Notes

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

Notes subject to optional redemption by the Issuer

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

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

See “Tier 2 Notes, Optional Redemption” and “Ordinary Notes, Optional Redemption” below. Any additional optional redemption right of the relevant Issuer in relation to any Notes will be set out in the applicable Final Terms.

Notes with returns that are calculated with reference to a variable

Notes may have returns that are variable as a result of the method by which the coupon is calculated or of the way interest is paid. The most basic example of this are Notes where the interest rate is floating, and therefore subject to changes as a result of movements in the prevailing interest rate. In these cases, the success or otherwise of the variable can impact significantly on the return under the Notes as well as the ability to trade the Notes on the secondary market. It should be expected that the value of the Notes and the secondary market for the Notes may decrease if the performance of the variable is less than anticipated. Interest in respect of Floating Rate Notes may be calculated with reference to LIBOR, EURIBOR, BBSW, BKBM, SHIBOR or SOR.

These risks depend on a number of inter-related factors, including economic, financial and political events over which the Issuers have no control.

Trading different types of Notes

It should be assumed that the market for trading different types of Notes varies even though they are issued under the same Programme. By way of example, a Zero Coupon Note may be more difficult to trade and its price more variable than a Fixed Interest Rate Note. It may also be more difficult to trade a Zero Coupon Note that has just been issued than a Zero Coupon Note nearer its redemption, as returns on Zero Coupon Notes will be paid to investors only on redemption.

Inverse Floating Rate Notes

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

Fixed/Floating Rate Notes

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

The interest rate on Reset Notes will reset on each Reset Date, which can be expected to affect the interest payment on an investment in Reset Notes and could affect the market value of Reset Notes

Reset Notes will initially bear interest at the Initial Rate of Interest until (but excluding) the First Reset Date. On the First Reset Date, the Second Reset Date (if applicable) and each Subsequent Reset Date (if any) thereafter, the interest rate will be reset to the sum of the applicable Mid-Swap Rate and the First Margin or Subsequent Margin (as applicable) as determined by the Calculation Agent on the relevant Reset Determination Date (each such interest rate, a “**Subsequent Reset Rate**”). The Subsequent Reset Rate for any Reset Period could be less than the Initial Rate of Interest or the Subsequent Reset Rate for prior Reset Periods and could affect the market value of an investment in the Reset Notes.

Notes issued at a substantial discount or premium

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

The Issuers' obligations under Tier 2 Notes are subordinated

The obligations of the relevant Issuer under Tier 2 Notes will be unsecured and subordinated and will rank junior in priority of payment to the claims of Senior Creditors. "**Senior Creditors**" means, in respect of an Issuer, the creditors of such Issuer whose claims are admitted to proof in the winding up or administration of such Issuer and who are unsubordinated creditors of such Issuer.

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

Basel III and related reforms

The Basel Committee on Banking Supervision (the "**Basel Committee**") has proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks which are designed, in part, to ensure that capital instruments issued by such banks fully absorb losses before tax payers are exposed to loss (the "**Basel III Reforms**"), the principal elements of which are set out in its papers dated 16 December 2010 (as revised in June 2011) and its press release dated 13 January 2011. The implementation of the Basel III Reforms by relevant authorities was due to begin on 1 January 2013 and is subject to a series of transitional arrangements. The Basel III Reforms are expected to be phased in over time and to be fully effective by 2019. The European Union's legislation to implement the Basel III Reforms has not yet been finalised and it is unclear when they will be implemented and whether they will be implemented in their current draft form.

The Basel III Reforms provide that all Tier 2 instruments, such as the Tier 2 Notes (which the Issuers only expect to issue if they will qualify as Tier 2 Capital for the Group), which do not contain any contractual terms providing for their writing off or conversion into ordinary shares, at the option of the relevant authority, upon the occurrence of a Non-Viability Event (as defined below), will cease to be eligible to count in full as Tier 2 Capital from 1 January 2013 unless, among other things, the jurisdiction of the relevant bank has in place laws that (i) require such instruments to be written off upon the occurrence of a Non-Viability Event, or (ii) otherwise require such instruments fully to absorb losses before tax payers are exposed to loss.

As used above, "**Non-Viability Event**" means the earlier of (a) a decision that a write-off, without which the relevant bank would become non-viable, is necessary as determined by the relevant authority; and (b) the decision to make a public sector injection of capital, or equivalent support, without which the relevant bank would become non-viable, as determined by the relevant authority.

On 6 June 2012, the European Commission published a legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms, known as the Recovery and Resolution Directive (the "**RRD**"). The stated aim of the draft RRD is to provide supervisory authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' exposure to losses. The powers proposed to be granted to supervisory authorities under the draft RRD include a "bail-in" tool, which would give such authorities the power to write down or write off the claims (potentially including the Notes) of certain unsecured creditors of a failing institution and/or to convert certain debt claims to equity. Except for the general bail-in tool, which is expected to be implemented by 1 January 2018, it is currently contemplated that the measures set out in the draft RRD (including the power of authorities to write off Tier 2 instruments) will

be implemented with effect from 1 January 2015. However, the RRD is not in final form and changes may be made to it in the course of the legislative process.

Although the terms and conditions of the Notes do not contain a provision which requires them to be converted into equity or written off (whether on the occurrence of a Non-Viability Event or otherwise), it is possible that the powers which either currently exist under the Banking Act 2009 or which may result from any future change to the Banking Act 2009 or the application of relevant laws, including those arising from RRD, the Basel III Reforms (including the EU's implementation of the Basel III Reforms) or other similar regulatory proposals, could be used in such a way as to result in the Notes absorbing losses in the manner described above. The determination that all or part of the principal amount of the Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Issuers' control. Because of this inherent uncertainty, it will be difficult to predict when, if at all, a principal write off or conversion to equity will occur. Accordingly, trading behaviour in respect of the Notes is not necessarily expected to follow the trading behaviour associated with other types of securities. Potential investors in the Notes should consider the risk that a holder may lose all of its investment, including the principal amount plus any accrued interest, if such statutory loss absorption measures are acted upon.

Furthermore, there can be no assurance that, prior to their implementation, the Basel Committee will not amend the Basel III Reforms. Furthermore, the European Union and/or relevant authorities in the United Kingdom may implement the Basel III Reforms, including the provisions relating to terms which capital instruments are required to have, in a manner that is different from that which is currently envisaged or may impose more onerous requirements on UK-incorporated banks. Until fully implemented, the Issuers cannot predict the precise effects of the changes that will result from the implementation of the Basel III Reforms on the pricing of the Notes. In addition, further changes in law after the date hereof may affect the rights of holders of the Notes as well as the market value of the Notes.

Tier 2 Notes, Optional Redemption

The relevant Issuer may redeem all, but not some only, of the Tier 2 Notes of any Series at the price set out in the applicable Final Terms together with any outstanding interest:

- (i) in the event that it is obliged to pay additional amounts in respect of any present or future tax, duty or charge of whatever nature imposed or levied by or on behalf of a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having the power to tax; or
- (i) upon the occurrence of certain other changes in the treatment of the relevant Notes for taxation purposes,

in each case, provided that the relevant Issuer cannot avoid the foregoing by taking measures reasonably available to it.

If at any time a Capital Disqualification Event occurs and is continuing in relation to any Series of Tier 2 Notes, the relevant Issuer may redeem all, but not some only, of the Tier 2 Notes of such Series at the price set out in the applicable Final Terms together with any outstanding interest.

If the Tier 2 Notes are to be so redeemed, there can be no assurance that Noteholders will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investment in the Tier 2 Notes.

Tier 2 Notes, Remedies for Non-Payment

The sole remedy against the relevant Issuer available to the Trustee or any Noteholder or Couponholder for recovery of amounts owing in respect of any payment of principal or interest in respect of any Tier 2 Notes will be the institution of proceedings for the winding up of the relevant Issuer and/or proving in any winding up of the relevant Issuer. As such, the remedies available to holders of Tier 2 Notes are more limited than

those typically available to holders of senior-ranking securities, including Ordinary Notes, which may make enforcement more difficult.

Ordinary Notes, Optional Redemption

The relevant Issuer may opt to redeem all, but not some only, of the Ordinary Notes of any Series at the price set out in the applicable Final Terms together with any outstanding interest for the taxation reasons described in (i) or (ii) above (and, in each case, subject to the proviso) of “Tier 2 Notes, Optional Redemption”.

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

No limitation on issuing senior or pari passu securities

There is no restriction on the amount of securities or other liabilities which the relevant Issuer may issue or incur and which rank senior to, or *pari passu* with, any other issue of Tier 2 Notes of such Issuer. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Holders on a winding up of the relevant Issuer.

Notes issued by RBSG will be obligations exclusively of RBSG

Notes issued by RBSG will be obligations exclusively of RBSG. RBSG is a holding company and conducts substantially all of its operations through its subsidiaries. RBSG’s subsidiaries are separate and distinct legal entities, and have no obligation to pay any amounts due to holders of Notes from RBSG or to provide RBSG with funds to meet any of its payment obligations. RBSG’s ability to make payments to the holders of the Notes depends largely upon the receipt of dividends, distributions, interest or advances from its wholly or partially owned subsidiaries. The ability of those subsidiaries to pay dividends, distributions, interest or advances may be subject to applicable laws. RBSG’s rights to participate in the assets of any subsidiary if it is liquidated will be subject to prior claims of the subsidiary’s creditors.

Risks related to Notes generally

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

Modification, waivers and substitution

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

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

As a result of the above, actions may be taken with respect to a Series of Notes with which some holders of such Notes may not agree.

U.S. Foreign Account Tax Compliance Withholding

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 (“**FATCA**”), non-U.S. financial institutions (such as the Issuers and intermediary entities through which payments on the Notes may be made) that enter into agreements with the IRS (“**IRS Agreements**”) or, in the future, become subject to provisions of local law intended to implement an intergovernmental

agreement entered into pursuant to FATCA, may be required to withhold 30 per cent. from all, or a portion of, payments made to certain holders after 31 December 2016 on (i) any Notes issued or materially modified on or after the later of (a) 1 January 2014 and (b) the date that is six months after the date on which the final regulations defining the term “foreign passthru payment” are filed in the Federal Register and (ii) any Notes which are treated as equity for U.S. federal income tax purposes, whenever issued. If an Issuer (or relevant intermediary) enters into and complies with an IRS Agreement or becomes subject to provisions of local law intended to implement an intergovernmental agreement entered into pursuant to FATCA, this withholding may be imposed on payments on the Notes to any recipient (including an intermediary) that has not entered into an IRS Agreement or otherwise established an exemption from FATCA withholding, including as a result of a failure to provide certain information and forms or other documentation requested by the Issuer or any relevant intermediary.

The United States has entered into intergovernmental agreements with the United Kingdom and certain other jurisdictions, and is in the process of negotiating intergovernmental agreements with many other countries (including Australia and Japan). It is not yet certain how the United States and these jurisdictions will ultimately address “foreign passthru payments” or if withholding will be required at all under such agreements.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuers, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts with respect to the deduction or withholding. As a result, investors may receive less interest or principal than expected. Certain beneficial owners may be eligible for a refund of all or a portion of any amounts withheld as a result of FATCA.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUERS, THE NOTES AND THE HOLDERS IS UNCERTAIN AT THIS TIME. EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCES.

EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”), EU Member States are required to provide to the tax authorities of another EU Member State details of payments of interest (and similar income) paid by a person established within its jurisdiction to (or for the benefit of) an individual resident in that other EU Member State, or to certain limited types of entities established in that other EU Member State. However, for a transitional period, Luxembourg and Austria are instead required to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other similar income may request that no tax be withheld) unless during such period they elect otherwise. The ending of this transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures to the Savings Directive (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment to an individual were to be made or collected through an EU Member State which has opted for a withholding system and an amount of or in respect of tax were to be withheld from that payment pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to, the Savings Directive, neither the Issuers nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers

have, however, undertaken to maintain a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to, the Savings Directive.

Change of law

Notes (other than Australian Domestic Notes) will be governed by English law, except that the subordination provisions of Tier 2 Notes will be governed by Scots law and Australian Domestic Notes will be governed by the laws of New South Wales, Australia. No assurance can be given as to the impact of any possible judicial decision or change to English, Scots or Australian law or administrative practice after the date of this Prospectus (and any supplement to it and/or applicable Final Terms for the relevant Notes).

Notes where denominations involve integral multiples: definitive Notes

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

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

Risks relating to Notes denominated in CNY

Set out below is a description of the principal risks which are relevant to an investor in Notes denominated in CNY:

CNY is not freely convertible and may adversely affect the liquidity of the Notes

CNY is not freely convertible at present. The PRC government continues to regulate conversion between CNY and foreign currencies, including the Hong Kong dollar, despite the significant reduction over the years by the PRC government of its control over routine foreign exchange transactions under current accounts. The People's Bank of China ("PBOC") has established a CNY clearing and settlement system for participating banks in Hong Kong pursuant to a Settlement Agreement relating to the clearing of CNY business between PBOC and Bank of China (Hong Kong) Limited. However, the current size of CNY and CNY-denominated financial assets in Hong Kong is limited, and its growth is subject to many constraints which are directly affected by PRC laws and regulations on foreign exchange and may adversely affect the liquidity of the Notes.

CNY currency risk

Except in limited circumstances, all payments of CNY under the Notes to an investor will be made solely by transfer to a CNY bank account maintained in Hong Kong by such investor in accordance with the prevailing rules and regulations and in accordance with the Terms and Conditions. The relevant Issuer cannot be required to make payment by any other means (including in bank notes or by transfer to a bank account in the PRC or anywhere else outside Hong Kong). CNY is not freely convertible at present, and conversion of CNY into other currencies through banks in Hong Kong is subject to certain restrictions. In particular, for personal investors, currently conversions of CNY conducted through CNY bank accounts in Hong Kong are subject to a daily limit (as of the date hereof, such limit being up to CNY20,000 per person per day), and investors may have to allow time for conversion of CNY from/to another currency of an amount exceeding such daily limit.

In addition, there can be no assurance that access to CNY for the purposes of making payments under the Notes by the relevant Issuer or generally may remain or will not become restricted. If it becomes impossible

to convert CNY from/to another freely convertible currency, or transfer CNY between accounts in Hong Kong, or the general CNY exchange market in Hong Kong becomes illiquid, or any CNY clearing and settlement system for participating banks in Hong Kong is disrupted or suspended, any payment of CNY under the Notes may be delayed or the relevant Issuer may make such payments in another currency selected by the relevant Issuer using an exchange rate determined by the Calculation Agent, or the relevant Issuer may need to redeem the Notes.

CNY exchange rate risk

The value of CNY against the Hong Kong dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. The relevant Issuer will make all CNY payments under the Notes in CNY unless otherwise specified. As a result, the value of such payments in CNY (in Hong Kong dollars or other applicable foreign currency terms) may vary with the prevailing exchange rates in the marketplace. If the value of CNY depreciates against the Hong Kong dollar or other foreign currencies, the value of a Noteholder's investment in Hong Kong dollars or other applicable foreign currency terms will decline.

Interest rate risk

The value of CNY payments under the Notes may be susceptible to interest rate fluctuations occurring within and outside the PRC, including PRC CNY repo rates and/or the Shanghai inter-bank offered rate.

Risks related to the market generally

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

The secondary market generally

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

Exchange rate risks and exchange controls

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

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

Interest rate risks

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market and additional factors discussed above that may affect the value of the Notes and as such should not be relied upon by investors when making an investment decision. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

GENERAL DESCRIPTION OF THE PROGRAMME

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

General

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

The Arranger of the Programme is The Royal Bank of Scotland plc. The Dealers are BNP PARIBAS, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, J.P. Morgan Securities plc, Merrill Lynch International, Mizuho International plc, Morgan Stanley & Co. International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited. Other Dealers may also be appointed in accordance with the Programme Agreement (as defined in “Subscription and Sale” below). The Trustee is The Law Debenture Trust Corporation p.l.c., the Agent is The Bank of New York Mellon and the CMU Lodging and Paying Agent is The Bank of New York Mellon, acting through its Hong Kong Branch. As used in this Prospectus, references to the “**Agent**” shall, in the case of CMU Notes, be deemed to be a reference to the “CMU Lodging and Paying Agent”, unless the context requires otherwise.

The applicable terms of any Notes will be agreed between the relevant Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the relevant Terms and Conditions of the Ordinary and Tier 2 Notes endorsed on, or incorporated by reference into, the Notes, as completed by the applicable Final Terms with respect to each Tranche of Notes attached to, or endorsed on, such Notes, as more fully described under “Form of the Notes” and “Forms of Final Terms” below. Each such Final Terms will, in the case of a Tranche of PD Notes, be delivered to the UK Listing Authority and the Market, where appropriate, on or before the date of issue of such Tranche.

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

- (a) subject to paragraph (b) below, the Sterling equivalent of Programme Notes denominated in another Specified Currency shall be calculated, at the discretion of the relevant Issuer, either as of the date of agreement to issue such notes or on the day preceding such agreement on which commercial banks and foreign exchange markets settle payments in London, on the basis of the spot rate for the sale of Sterling against the purchase of such Specified Currency in the London foreign exchange market quoted by RBS or any leading bank selected by the relevant Issuer on the relevant day of calculation; and

- (b) the Sterling equivalent of zero coupon notes (as described under “Overview of the Programme” above) or any other Programme Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the original nominal amount of such Programme Notes.

As used herein, “**Specified Currency**” means the currency (including any national currency unit (being a non-decimal denomination of the euro)) in which Programme Notes are denominated.

Overview of the Terms and Conditions of the Ordinary and Tier 2 Notes

Ordinary Notes

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

Tier 2 Notes

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

Tier 2 Notes, Optional Redemption

The relevant Issuer may, subject to Condition 5(j), redeem all, but not some only, of the Tier 2 Notes of any Series at the price set out in the applicable Final Terms together with any outstanding interest:

- (i) in the event that it is obliged to pay additional amounts in respect of any present or future tax, duty or charge of whatever nature imposed or levied by or on behalf of a Relevant Jurisdiction or any political subdivision or any authority thereof or therein having the power to tax, or
- (ii) upon the occurrence of certain other changes in the treatment of the relevant Notes for taxation purposes as described in Condition 5(b),

in each case provided that the relevant Issuer cannot avoid the foregoing by taking measures reasonably available to it.

If at any time a Capital Disqualification Event occurs and is continuing in relation to any Series of Tier 2 Notes, the relevant Issuer may, subject to Condition 5(j), redeem all, but not some only, of the Tier 2 Notes of such Series at the price set out in the applicable Final Terms together with any outstanding interest.

Tier 2 Notes, Remedies for Non-Payment

The sole remedy against the relevant Issuer available to the Trustee or any holder or Couponholder for recovery of amounts owing in respect of any payment of principal or interest in respect of any Tier 2 Notes will be the institution of proceedings for the winding-up of the relevant Issuer and/or proving in any winding-up of the relevant Issuer.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the sections “Terms and Conditions of the Ordinary, Tier 2 and Tier 3 Notes” from the previous base prospectuses relating to the Programme dated 18 June 2007, 17 June 2008, 16 June 2009, 10 June 2010, 7 June 2011 and 24 February 2012, respectively;
- (b) the registration document dated 12 March 2013 of RBSG (excluding page 57), approved by the UK Listing Authority and published via the Regulatory News Service of the London Stock Exchange plc (the “RNS”) on 13 March 2013 (the “**RBSG Registration Document**”);
- (c) the registration document dated 12 March 2013 of RBS, approved by the UK Listing Authority and published via the RNS on 13 March 2013 (the “**RBS Registration Document**” and, together with the RBSG Registration Document, the “**Registration Documents**”);
- (d) the preliminary unaudited annual results 2012 of RBSG for the year ended 31 December 2012, which were published by RBSG via the RNS on 28 February 2013 (the “**2012 Annual Results of RBSG**”);
- (e) the following sections of the 2011 annual report and accounts of RBSG (the “**2011 Annual Report and Accounts of RBSG**”), which were published by RBSG via the RNS on 9 March 2012:
 - (i) Independent auditors’ report on page 306;
 - (ii) Consolidated income statement on page 307;
 - (iii) Consolidated statement of comprehensive income on page 308;
 - (iv) Consolidated balance sheets as at 31 December 2011 on page 309;
 - (v) Consolidated statements of changes in equity on pages 310 to 312;
 - (vi) Consolidated cash flow statements on page 313;
 - (vii) Accounting policies on pages 314 to 326;
 - (viii) Notes on the consolidated accounts on pages 327 to 419;
 - (ix) Parent Company Financial statements and notes on pages 420 to 431;
 - (x) Essential reading – Highlights on page 1;
 - (xi) Chairman’s statement on page 9;
 - (xii) Group Chief Executive’s review on pages 10 to 11;
 - (xiii) Our key targets on page 13;
 - (xiv) Our business and our strategy on pages 14 to 18;
 - (xv) Divisional review on pages 19 to 29;
 - (xvi) Business review on pages 32 to 249;
 - (xvii) Corporate governance on pages 258 to 262;
 - (xviii) Letter from the Chair of the Group Remuneration Committee on pages 272 to 273;
 - (xix) Directors’ remuneration report on pages 274 to 295;

- (xx) Report of the Directors' on pages 298 to 302;
 - (xxi) Directors' interests in shares on page 303;
 - (xxii) Financial Summary on pages 433 to 441;
 - (xxiii) Exchange rates on page 441;
 - (xxiv) Economic and monetary environment on page 442;
 - (xxv) Supervision on page 443;
 - (xxvi) Regulatory developments and reviews on page 444;
 - (xxvii) Description of property and equipment on page 445;
 - (xxviii) Major shareholders on page 445;
 - (xxix) Material contracts on pages 445 to 450; and
 - (xxx) Glossary of terms on pages 476 to 483;
- (f) the following sections of the 2010 annual report and accounts of RBSG, which were published by RBSG via the RNS on 17 March 2011:
- (i) Independent auditors' report on page 267;
 - (ii) Consolidated income statement on page 268;
 - (iii) Consolidated statement of comprehensive income on page 269;
 - (iv) Balance sheets as at 31 December 2010 on page 270;
 - (v) Statements of changes in equity on pages 271 to 273;
 - (vi) Cash flow statements on page 274;
 - (vii) Accounting policies on pages 275 to 286;
 - (viii) Notes on the accounts on pages 287 to 385;
 - (ix) Essential Reading – We have met and in some cases exceeded, the targets for the second year of our Strategy Plan on page 1;
 - (x) Chairman's statement on pages 2 to 3;
 - (xi) Group Chief Executive's review on pages 4 to 5;
 - (xii) Our key targets on page 7;
 - (xiii) Our business and our strategy on pages 10 to 19;
 - (xiv) Divisional review on pages 21 to 41;
 - (xv) Business review on pages 50 to 224 (excluding the financial information on page 51, pages 56 to 77, pages 106 and 118 and page 131 which is indicated as being "pro forma");
 - (xvi) Report of the Directors on pages 230 to 234;
 - (xvii) Corporate governance on pages 235 to 245;
 - (xviii) Letter from the Chair of the Remuneration Committee on pages 246 to 247;
 - (xix) Directors' remuneration report on pages 248 to 263;

- (xx) Directors' interests in shares on page 264;
 - (xxi) Financial Summary on pages 387 to 395;
 - (xxii) Exchange rates on page 395;
 - (xxiii) Economic and monetary environment on page 396;
 - (xxiv) Supervision on page 397;
 - (xxv) Regulatory developments and reviews on pages 398 to 399;
 - (xxvi) Description of property and equipment on page 399;
 - (xxvii) Major shareholders on page 399;
 - (xxviii) Material Contracts on pages 399 to 404; and
 - (xxix) Glossary of terms on pages 434 to 439;
- (g) the unaudited interim results 2012 of RBS for the six months ended 30 June 2012, which were published by RBS via the RNS on 31 August 2012;
- (h) the annual report and accounts of RBS (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the financial year ended 31 December 2011 (excluding the sections headed "Financial Review – Risk Factors" on page 6 and "Additional Information – Risk Factors" on pages 283 to 296) which was published via the RNS on 26 March 2012; and
- (i) the annual report and accounts of RBS (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the financial year ended 31 December 2010 (excluding the section headed "Risk Factors" on page 5 and "Additional Information – Risk Factors" on pages 238 to 254) which was published via the RNS on 15 April 2011.

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

It should be noted that, except as set forth above, no other portion of the above documents is incorporated by reference into this Prospectus. In addition, where sections of any of the above documents which are incorporated by reference into this Prospectus cross-reference other sections of the same document, such cross-referenced information shall not form part of this Prospectus, unless otherwise incorporated by reference herein. Those parts of the documents incorporated by reference which are not specifically incorporated by reference in this Prospectus are either not relevant for prospective investors in the Notes or the information is included elsewhere in this Prospectus.

The Issuers will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the information which is incorporated herein by reference. Written or oral requests for such information should be directed to RBSG at its principal office set out on page 118 of this Prospectus.

SUPPLEMENTAL PROSPECTUS

The Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Prospectus or publish a new prospectus in accordance with the Prospectus Directive for use in connection with any subsequent issue of Notes. The Issuers have undertaken to the Dealers in the Programme Agreement (as defined in “Subscription and Sale”) that they will comply with section 87G of the FSMA.

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

FORM OF THE NOTES

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

Bearer Notes

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

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

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

Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Ordinary and Tier 2 Notes” below), in the case of Notes other than CMU Notes, the Agent or, in the case of CMU Notes, the CMU Lodging and Paying Agent (each 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, ISIN and/or, in the case of CMU Notes only, a CMU instrument number (as the case may be) which are different from the common code, ISIN and/or CMU instrument number (as the case may be) 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, in the case of Notes other than CMU Notes, the Agent or, in the case of CMU Notes, the CMU Lodging and Paying Agent to the relevant Dealer(s). Payments of principal and interest (if any) on a permanent global Note will be made, in the case of Notes other than CMU Notes, through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the permanent global Note if the permanent global Note is in CGN form) or, in the case of CMU Notes, in accordance with the rules of the CMU Service, in any case outside the United States and without any requirement for certification. Where the applicable Final Terms so permit, a permanent global Note will be exchangeable in whole or (subject to the Notes which continue to be represented by the permanent global Note being regarded by, in the case of Notes other than CMU Notes, Euroclear and Clearstream, Luxembourg or, in the case of CMU Notes, the CMU Service 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, Coupons and Talons attached, either (a) on 60 days’ notice given at any time, from (in the case of Notes other than CMU Notes) Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent or (in the case of CMU Notes) the CMU Lodging and Paying Agent (acting on the instructions of any holder of an interest in such permanent global Note given through the CMU Service in accordance with its rules), in any case as described therein or (b) only upon the occurrence of an Exchange Event.

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

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

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

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

Global Notes and definitive Notes will be issued pursuant to the Agency Agreement. No definitive Note delivered in exchange for a permanent global Note will be mailed or otherwise delivered to any location in the United States in connection with such exchange. At the date hereof, none of Euroclear, Clearstream, Luxembourg and the CMU Service regards 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, in the case of Notes other than CMU Notes, the Agent or, in the case of CMU Notes, the CMU Lodging and Paying Agent on behalf of the relevant Issuer.

If, in respect of any Tranche of Notes, the applicable Final Terms specifies that a global Note may be exchanged for definitive Notes in circumstances other than upon the occurrence of an Exchange Event, such Notes will be issued with only one Specified Denomination or all Specified Denominations of such Notes will be an integral multiple of the lowest Specified Denomination, as specified in the applicable Final Terms.

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

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

Where Notes are issued by RBS acting through its Tokyo Branch, the following legend will appear on all global Notes and definitive bearer Notes:

“INTEREST PAYMENTS ON THIS NOTE WILL BE SUBJECT TO JAPANESE WITHHOLDING TAX UNLESS THE HOLDER ESTABLISHES THAT THIS NOTE IS HELD BY OR FOR THE ACCOUNT OF A HOLDER THAT IS (I) FOR JAPANESE TAX PURPOSES, NEITHER AN INDIVIDUAL RESIDENT OF JAPAN OR A JAPANESE CORPORATION, NOR AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IS A PERSON OR ENTITY HAVING A SPECIAL RELATIONSHIP WITH THE ROYAL BANK OF SCOTLAND PLC (“RBS”), AS PROVIDED IN ARTICLE 6, PARAGRAPH 4 OF THE SPECIAL TAXATION MEASURES LAW OF JAPAN (A “SPECIALLY-RELATED PERSON OF RBS”), OR (II) A JAPANESE DESIGNATED FINANCIAL INSTITUTION DESCRIBED IN ARTICLE 6, PARAGRAPH 9 OF THE SPECIAL TAXATION MEASURES LAW OF JAPAN WHICH COMPLIES WITH THE REQUIREMENT FOR TAX EXEMPTION UNDER THAT PARAGRAPH.

INTEREST PAYMENTS ON THIS NOTE TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION (EXCEPT FOR A JAPANESE DESIGNATED FINANCIAL

INSTITUTION DESCRIBED IN ARTICLE 6, PARAGRAPH 9 OF THE SPECIAL TAXATION MEASURES LAW OF JAPAN WHICH HAS COMPLIED WITH THE REQUIREMENTS UNDER THAT PARAGRAPH), OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF RBS WILL BE SUBJECT TO DEDUCTION IN RESPECT OF JAPANESE INCOME TAX AT A RATE OF 15.315 PER CENT. OF THE AMOUNT SPECIFIED IN SUB-PARAGRAPH (A) OR (B) BELOW, AS APPLICABLE:

- (A) IF INTEREST IS PAID TO AN INDIVIDUAL RESIDENT OF JAPAN, TO A JAPANESE CORPORATION (EXCEPT AS PROVIDED IN SUB-PARAGRAPH (B) BELOW) OR TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IN EITHER CASE IS A SPECIALLY-RELATED PERSON OF RBS, THE AMOUNT OF SUCH INTEREST WHICH IS ATTRIBUTABLE TO THE BUSINESS OF RBS CARRIED ON IN JAPAN THROUGH THE ISSUER; OR**
- (B) IF INTEREST IS PAID TO A PUBLIC CORPORATION, A FINANCIAL INSTITUTION OR A FINANCIAL INSTRUMENTS BUSINESS OPERATOR, ETC. THROUGH ITS PAYMENT HANDLING AGENT IN JAPAN, AS PROVIDED IN ARTICLE 3-3, PARAGRAPH 6 OF THE SPECIAL TAXATION MEASURES LAW OF JAPAN IN COMPLIANCE WITH THE JAPANESE TAX EXEMPTION REQUIREMENTS UNDER THAT PARAGRAPH, THE AMOUNT OF SUCH INTEREST MINUS THE AMOUNT PROVIDED IN THE CABINET ORDER RELATING TO SAID PARAGRAPH 6.**

HOWEVER, IF THE AMOUNT OF INTEREST ON THIS NOTE IS TO BE CALCULATED BY REFERENCE TO CERTAIN INDICATORS (AS PRESCRIBED UNDER THE CABINET ORDER RELATING TO ARTICLE 6, PARAGRAPH 4 OF THE SPECIAL TAXATION MEASURES LAW OF JAPAN) RELATING TO RBS OR A SPECIALLY-RELATED PERSON OF RBS THEN INTEREST WILL BE SUBJECT TO THE 15.315 PER CENT. WITHHOLDING TAX EVEN IF PAID TO AN INDIVIDUAL NON-RESIDENT OF JAPAN OR A NON-JAPANESE CORPORATION THAT IS NOT A SPECIALLY-RELATED PERSON OF RBS.”

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg, 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 Ordinary and Tier 2 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.

For so long as any of the Notes is represented by a global Note held by or on behalf of the CMU Operator, each person for whose account a relevant interest in such global Note is credited as being held by the CMU Operator, as notified to the CMU Lodging and Paying Agent by the CMU Operator in a relevant CMU Instrument Position Report or in any other relevant notification by the CMU Operator shall be deemed to be the holder of a corresponding nominal amount of such Notes (and the holder of the relevant global Note shall not be deemed to be the holder) for all purposes other than with respect to the payment of principal or interest

on such Notes, the right to which shall be vested, as against the relevant Issuer, the Trustee and the CMU Lodging and Paying Agent, solely in the bearer of such global Note and for which purpose the bearer of such global Note shall be deemed to be the holder of such nominal amount of such Notes 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. For these purposes, a notification from the CMU Service shall be conclusive and binding evidence of the identity of any holder of Notes and the nominal amount of any Notes represented by such global Note credited to its account (save in the case of manifest error).

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 and/or the CMU Service, as the case may be.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or CMU Service 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 Trustee and the Agent.

Registered Notes

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

Crest Depository Interests

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

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

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

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

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

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

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

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

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

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

Interests in Notes may be delivered, held and settled in CREST by means of the creation of CREST Depository Instruments (or CDIs), which are dematerialised depository interests representing interests in the

relevant Notes (the “**Underlying Notes**”). CDIs are issued by the CREST Depository and are separate, independent securities constituted under English law and issued, held, settled and transferred through the CREST system by means of the CREST International Settlement Links Service and which represent indirect interests in the Underlying Notes. It is anticipated that Notes eligible for CREST settlement as CDIs will be issued directly in permanent global form.

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

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

Rights in respect of the CDIs

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

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

Transfers from CREST to Euroclear or Clearstream, Luxembourg

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

Additional Information

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

CDIs will be constituted and issued pursuant to the CREST Deed Poll. The rights of the holders of CDIs will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the CREST Depository (as the issuer of the CDIs) including the CREST Deed Poll (in the form contained in Chapter 3 of the CREST International Manual (which forms part of the CREST Manual)) executed by the CREST Depository. These rights may be different from those of holders of Notes which are not represented by CDIs. Prospective investors in Notes represented by CDIs are referred to the provisions of such CREST Deed Poll to be entered into by the CREST Depository.

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

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

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

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

TERMS AND CONDITIONS OF THE ORDINARY AND TIER 2 NOTES

The following are (subject to completion 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 following Terms and Conditions are subject to completion in accordance with the provisions of the applicable Final Terms (as defined below) in relation to any Notes. Reference should be made to the section headed "Forms of Final Terms" for the forms of applicable Final Terms which will include the definition of certain terms used in the following Terms and Conditions.

In these Terms and Conditions, the expression "**Notes**" shall mean (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency (each as defined in the applicable Final Terms (as defined below)) of the relevant Notes, (ii) definitive Notes issued in exchange for a temporary global Note or a permanent global Note, (iii) any global Note and (iv) Australian Domestic Notes (as defined below). The Notes are constituted by (a) in the case of Notes other than Notes denominated in Australian dollars and issued by The Royal Bank of Scotland plc in the Australian domestic capital markets ("**Australian Domestic Notes**"), a Trust Deed (the "**Original Trust Deed**") dated 22 February 1994 as subsequently modified and/or supplemented and/or restated from time to time, most recently by a Thirty First Supplemental Trust Deed dated 22 March 2013 made between The Royal Bank of Scotland plc ("**Royal Bank**" or an "**Issuer**"), The Royal Bank of Scotland Group plc ("**RBSG**" or an "**Issuer**" and, together with Royal Bank, the "**Issuers**") and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include any successor as trustee) as Trustee for the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a global Note, be construed as provided in Condition 1 below) (the Original Trust Deed as so modified and as further modified and/or supplemented and/or restated from time to time, the "**Trust Deed**"), or (b) in the case of Australian Domestic Notes, the Deed Poll (as defined in Condition 1). References in Conditions 1 to 19 (inclusive) to "**the Issuer**" are to the entity named as such in the applicable Final Terms. In the case of Ordinary Notes, the "**Issuer**" named in the applicable Final Terms may either be RBSG, the Royal Bank, The Royal Bank of Scotland plc acting through its Australian branch ("**RBS Australia Branch**") or The Royal Bank of Scotland plc acting through its Tokyo branch ("**RBS Tokyo Branch**"). In the case of Australian Domestic Notes, the "**Issuer**" named in the applicable Final Terms may either be The Royal Bank of Scotland plc or RBS acting through its Australia Branch. Neither RBS acting through its Australia Branch nor RBS acting through its Tokyo Branch may issue Tier 2 Notes (as defined below). Accordingly, a reference in these Terms and Conditions to Royal Bank is, as the context requires, a reference to whichever of Royal Bank, RBS acting through its Australia Branch or RBS acting through its Tokyo Branch is the Issuer of the Notes as specified in the applicable Final Terms.

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

Payments in respect of the Notes (other than Australian Domestic Notes) will be made under an amended and restated Agency Agreement dated 22 March 2013 and made between the Issuers, The Bank of New York Mellon as agent (the "**Agent**", which expression shall include any successor as agent), The Bank of New York Mellon (Luxembourg) S.A. as a further paying agent, The Bank of New York Mellon, acting through its Hong Kong Branch as CMU lodging agent and paying agent (the "**CMU Lodging and Paying Agent**", which expression shall include any successor CMU Lodging and Paying Agent) (the CMU Lodging and Paying Agent together with the Agent, The Bank of New York Mellon (Luxembourg) S.A. and any additional or

successor paying agent(s), the “**Paying Agents**”) and the Trustee (such Agreement as further amended, supplemented or restated from time to time, the “**Agency Agreement**”).

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

Notes may be issued at such times as shall be agreed between the relevant Issuer and the relevant Dealer(s) pursuant to an amended and restated Programme Agreement dated 22 March 2013 between the Issuers and the Dealers named therein. The relevant Issuer and the relevant Dealer(s) shall, prior to the time of issue of any Notes, agree upon the relevant provisions of the Notes to be issued pursuant to the terms set out below, such provisions to be indicated in the applicable Final Terms (as defined below). References herein to the “**applicable Final Terms**” are to Part A of the Final Terms attached hereto or endorsed hereon and expressions defined or used in the applicable Final Terms shall have the same meanings in these Terms and Conditions, unless the context otherwise requires or unless otherwise stated.

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

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

As used herein, “**CNY**”, “**RMB**” and “**Renminbi**” each mean the currency of the PRC and “**PRC**” means the People’s Republic of China which for the purpose of these Terms and Conditions, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan.

1 Form, Denomination and Title

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

This Note may (i) bear interest calculated by reference to one or more fixed rates of interest (such Note, a “**Fixed Rate Note**”), (ii) bear interest calculated by reference to, in the case of an initial period, an initial fixed rate of interest and, thereafter, the applicable fixed rate of interest that has been determined pursuant to the reset provisions contained in these Terms and Conditions, by reference to a mid-market swap rate for the Specified Currency (such Note, a “**Reset Note**”), (iii) bear interest calculated by reference to one or more floating rates of interest (such Note, a “**Floating Rate Note**”), (iv) be issued on a non-interest bearing basis and be offered and sold at a discount to its nominal amount (such Note, a “**Zero Coupon Note**”) or (v) be a combination of any of the foregoing.

In addition, the Notes will provide that the rights of Noteholders with regard to payments of principal will either be (i) unsubordinated (“**Ordinary Notes**”) or (ii) subordinated in the manner described under Condition 2(b) below with a fixed redemption date and with terms capable of qualifying as Tier 2 Capital (the “**Tier 2 Notes**”). The term “**Tier 2 Capital**” has the meaning given in the Capital Regulations (as defined in Condition 5(1)).

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

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

For so long as any of the Notes in this Tranche is represented by a global Note held by or on behalf of the Hong Kong Monetary Authority as operator (the “**CMU Operator**”) of the Central Moneymarkets Unit Service (“**CMU Service**”), each person for whose account a relevant interest in such global Note is credited as being held by the CMU Operator, as notified to the CMU Lodging and Paying Agent by the CMU Operator in a relevant CMU Instrument Position Report or in any other relevant notification by the CMU Operator (which notification, in either case, shall be conclusive evidence of the records of the CMU Operator save in the case of manifest error) shall be deemed to be the holder of a corresponding nominal amount of the Notes

(and the holder of the relevant global Note shall not be deemed to be the holder) for all purposes other than with respect to the payment of principal or interest on such Notes, the right to which shall be vested, as against the Issuer, the Trustee and the CMU Lodging and Paying Agent, solely in the bearer of such global Note and for which purpose the bearer of such global Note shall be deemed to be the holder of such nominal amount of such Notes 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). For these purposes, a notification from the CMU Service shall be conclusive and binding evidence of the identity of any holder of Notes and the nominal amount of any Notes represented by such global Note credited to its account (save in the case of manifest error).

Any reference to “**CMU Notes**” means Bearer Notes denominated in any currency which the CMU Service accepts for settlement from time to time that are, or are intended to be, initially cleared through the CMU Service.

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

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

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

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

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

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

Australian Domestic Notes may be transferred in whole but not in part. Australian Domestic Notes will be transferred by duly completed and (if applicable) stamped transfer and acceptance forms in the form specified

by, and obtainable from, the Australian Registrar or by any other manner approved by Royal Bank and the Australian Registrar. Australian Domestic Notes entered in the Austraclear System (as defined below) will be transferable only in accordance with the Austraclear Regulations (as defined below).

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

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

Australian Domestic Notes may only be transferred in, to or from Australia if (a) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place, (b) the aggregate consideration payable by the transferee at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the transfer otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act 2001 of Australia and (c) the transfer is in compliance with all applicable laws, regulations or directives. Australian Domestic Notes may only be transferred between persons in a jurisdiction or jurisdictions other than Australia if (y) a transfer and acceptance form is signed outside Australia, and (z) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place. A transfer to an unincorporated association is not permitted.

In these Terms and Conditions:

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

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

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

2 Status of the Notes

(a) Status of the Ordinary Notes

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

(b) Status of the Tier 2 Notes

(i) Status

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

(ii) *Subordination*

In the event of the Winding Up or Qualifying Administration (each as defined in Condition 2(c) below) of the Issuer, the rights and claims of the holders of the Tier 2 Notes (the “**Tier 2 Noteholders**”) and the Coupons (if any) relating thereto (the “**Tier 2 Coupons**”, and “**Tier 2 Couponholders**”) will be construed accordingly) against the Issuer in respect of or arising under the Tier 2 Notes and the relative Tier 2 Coupons and the Trust Deed will be subordinated in the manner provided in this paragraph (ii) and in the Trust Deed to the claims of all Senior Creditors (as defined in this paragraph (ii)) but shall rank at least *pari passu* with the claims of holders of all other subordinated obligations (including guarantee obligations) of the Issuer and shall rank in priority to the claims of holders of all undated or perpetual subordinated obligations (including guarantee obligations) of the Issuer and to the claims of holders of all classes of share capital of the Issuer. As used in this paragraph (ii) and paragraph (iii) below, “**Senior Creditors**” means creditors of the Issuer whose claims are admitted to proof in the winding up or administration of the Issuer and who are unsubordinated creditors of the Issuer.

(iii) *Set-Off*

Subject to applicable law, neither any Tier 2 Noteholder or Tier 2 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 Tier 2 Notes or the Tier 2 Coupons and each Tier 2 Noteholder and Tier 2 Couponholder shall, by virtue of his subscription, purchase or holding of any Tier 2 Note or Tier 2 Coupon, be deemed to have waived all such rights of set off. To the extent that any set off takes place, whether by operation of law or otherwise, between: (y) any amount owed by the Issuer to a Tier 2 Noteholder or a Tier 2 Couponholder arising under or in connection with the Tier 2 Notes or the Tier 2 Coupons; and (z) any amount owed to the Issuer by such Tier 2 Noteholder or, as the case may be, Tier 2 Couponholder, such Tier 2 Noteholder or, as the case may be, Tier 2 Couponholder will immediately transfer such amount which is set off to the Issuer or, in the event of its winding up or administration (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held on trust for the Senior Creditors.

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

(c) *Definitions*

In these Terms and Conditions:

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

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

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

3 Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date specified in the applicable Final Terms at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the date(s) so specified in the applicable Final Terms on which interest is payable in each year (each, an “**Interest Payment Date**”) (subject to adjustment as described below) and on the Maturity Date so specified if that does not fall on an Interest Payment Date. If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will be the Fixed Coupon Amount if one is specified in the applicable Final Terms. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the period from the Interest Commencement Date to such Interest Payment Date differs from the period between subsequent Interest Payment Dates, the amount of the first interest payment will be the initial Broken Amount specified in the applicable Final Terms. If the Maturity Date is not an Interest Payment Date, interest from (and including) the preceding Interest Payment Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the final Broken Amount specified in the applicable Final Terms.

If the Modified Following Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date (or other date) should occur or (y) if any Interest Payment Date (or other date) would otherwise fall on a day which is not a Business Day, then 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. Unless the applicable Final Terms specify that the Business Day Convention is “adjusted”, any such adjustment to an Interest Payment Date (or other date) shall not affect the amount of interest payable in respect of a Fixed Rate Note and, for the purposes of the determination of any amount in respect of interest and the applicable Day Count Fraction, the number of days in the relevant period shall be calculated on the basis that no adjustment has been made to the relevant Interest Payment Date (or other date).

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

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

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

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

- (i) If “**Actual/Actual (ICMA)**” is specified in the applicable Final Terms:

- (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date) to (but excluding) the relevant payment date (the “**Accrual Period**”) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; or
- (b) in the case of Notes where the Accrual Period is longer than the Determination Period commencing on the last Interest Payment Date on which interest was paid (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date), the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year assuming interest was to be payable in respect of the whole of that year;
- (ii) if “**30/360**” is specified in the applicable Final Terms, the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Issue Date or, if different from the Issue Date, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360;
- (iii) if “**RBA Bond Basis**” is specified in the applicable Final Terms, one divided by the number of Interest Payment Dates in each twelve-month period (or, where the calculation period does not constitute an Interest Period, one divided by the number of Interest Payment Dates in each twelve-month period multiplied by the actual number of days in the calculation period divided by the number of days in the Interest Period ending on the next Interest Payment Date); and
- (iv) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365.

In this Condition:

“**Business Day**” has the meaning given to it in Condition 3(c)(i);

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

“**euro**” has the meaning given to it in Condition 3(c)(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 Reset Notes*

(i) *Rates of Interest and Interest Payment Dates*

Each Reset Note bears interest:

- (i) from (and including) the Interest Commencement Date specified in the applicable Final Terms until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
- (ii) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on the date(s) so specified in the applicable Final Terms on which interest is payable in each year (each an “**Interest Payment Date**”) (subject to adjustment as described in the second paragraph of Condition 3(a)) and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest and the amount of interest (the “**Interest Amount**”) payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 3(a) and, for such purposes, references in the second and third paragraphs of Condition 3(a) to “Fixed Rate Notes” shall be deemed to be to “Reset Notes” and Condition 3(a) shall be construed accordingly.

In these Terms and Conditions:

“**First Margin**” means the margin specified as such in the applicable Final Terms;

“**First Reset Date**” means the date specified in the applicable Final Terms;

“**First Reset Period**” means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date;

“**First Reset Rate of Interest**” means, in respect of the First Reset Period and subject to Condition 3(b)(ii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

“**Initial Rate of Interest**” has the meaning specified in the applicable Final Terms;

“**Mid-Market Swap Rate**” means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Final Terms) (calculated on the day count

basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

“**Mid-Market Swap Rate Quotation**” means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

“**Mid-Swap Floating Leg Benchmark Rate**” means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro;

“**Mid-Swap Rate**” means, in relation to a Reset Determination Date and subject to Condition 3(b)(ii), either:

(i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page; or

(ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

“**Rate of Interest**” means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

“**Reset Date**” means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable), in each case as adjusted (if so specified in the applicable Final Terms) in accordance with Condition 3(a) as if the relevant Reset Date was an Interest Payment Date;

“**Reset Determination Date**” means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period;

“**Reset Period**” means the First Reset Period or a Subsequent Reset Period, as the case may be;

“**Second Reset Date**” means the date specified in the applicable Final Terms;

“**Subsequent Margin**” means the margin specified as such in the applicable Final Terms;

“**Subsequent Reset Date**” means the date or dates specified in the applicable Final Terms;

“**Subsequent Reset Period**” means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date; and

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period and subject to Condition 3(b)(ii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

(ii) *Fallbacks*

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

For the purposes of this Condition 3(b)(ii) “**Reference Banks**” means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

(iii) *Notification of First Reset Rate of Interest, Subsequent Reset Rate of Interest and Interest Amount*

The Calculation Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the Agent and any stock exchange or other relevant authority on which the relevant Reset 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 a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London) thereafter.

(iv) *Determination or Calculation by Trustee*

If for any reason the Calculation Agent defaults in its obligation to determine the First Reset Rate of Interest, a Subsequent Reset Rate of Interest or to calculate any Interest Amount in accordance with this Condition 3(b), the Trustee shall determine the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition and to any terms specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such

manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent.

(v) *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 Condition 3(b), whether by the Calculation Agent or the Trustee shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agent, the Calculation Agent, the Trustee, the other Paying Agents, the Australian Registrar and all Noteholders and Couponholders and (in the absence of bad faith and wilful default) no liability to the Issuer, the Trustee, the Australian Registrar, the Noteholders or the Couponholders shall attach to either the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest and such interest will be payable in arrear on either:

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

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

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

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

fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day; or

- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day.

In this Condition:

“**Business Day**” means:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and the Business Centre(s) (if any) specified in the applicable Final Terms; and
- (A) 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 and which, if the Specified Currency is Renminbi, shall be Hong Kong or (2) in relation to any sum payable in euro, a day on which the Trans European Automated Real time Gross Settlement Express Transfer (TARGET2) System, or any successor thereto, (the “**TARGET2 System**”) is open;

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

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

(ii) *Rate of Interest*

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

(iii) *ISDA Determination for Floating Rate Notes*

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

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

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

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

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

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

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

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

If the Relevant Screen Page is not available or if subparagraph (A) above applies and no such offered quotation appears on the Relevant Screen Page or, if subparagraph (B) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the Specified Time, the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) shall request each of the Reference Banks (as defined below) 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, if the Reference Rate is LIBOR, to leading banks in the London inter bank market as at approximately 11.00 a.m. (London time), if the Reference Rate is EURIBOR,

to leading banks in the Euro zone inter bank market as at 11.00 a.m. (Brussels time), if the Reference Rate is BBSW, to leading banks in the Sydney inter bank market as at 10.30 a.m. (Sydney time), if the Reference Rate is BKBM, to leading banks in the New Zealand inter bank market at 10.45 a.m. (Auckland and Wellington time), if the Reference Rate is SHIBOR, to leading banks in the Beijing inter bank market at 11.30 a.m. (Beijing time), or, if the Reference Rate is SOR, to leading banks in the Singapore inter bank market as at 11.00 a.m. (Singapore time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded as provided above) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such an offered quotation as provided above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time, 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, if the Reference Rate is EURIBOR, the Euro zone inter bank market, if the Reference Rate is BBSW, the Sydney inter bank market, if the Reference Rate is BKBM, the New Zealand inter bank market, if the Reference Rate is SHIBOR, the Beijing inter bank market, or, if the Reference Rate is SOR, the Singapore inter bank market, plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) with such offered rates, the offered rate for deposits in the Specified Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for the relevant Interest Period, at which, at approximately the Specified Time, on the relevant Interest Determination Date, any one or more banks selected by the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) for the purpose (which bank or banks shall be so selected after consultation with the Issuer and shall not include any bank or banks which in the opinion of the Issuer is not or are not suitable for such purpose) informs the Agent or other person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter bank market, if the Reference Rate is EURIBOR, the Euro zone inter bank market, if the Reference Rate is BBSW, the Sydney inter bank market, if the Reference Rate is BKBM, the New Zealand inter bank market, if the Reference Rate is SHIBOR, the Beijing inter bank market, or, if the Reference Rate is SOR, the Singapore 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 “**Specified Time**” means, 11.00 a.m. (London time, in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR), or 10.30 a.m. Sydney time (in the case of a determination of BBSW), or 10.45 a.m. New Zealand time (in the case of a determination of BKBM), or 11.30 a.m. Beijing time (in the case of a determination of SHIBOR), or 11.00 a.m. Singapore time (in the case of a determination of SOR), “**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.

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

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

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

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

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

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

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

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

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

number of days in that portion of the Interest Period falling in a non leap year divided by 365);

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case **D₂** will be 30;

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

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

“**Y₁**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30; and

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

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

The Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 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 applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with this Condition 3(c), the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions in this Condition and to any terms specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and the Interest Amount(s)).

(ix) *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3(c) whether by the Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) or the Trustee shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)), the Trustee, the other Paying Agents, the Australian Registrar and all Noteholders and Couponholders and (in the absence of bad faith and wilful default) no liability to the Issuer, the Trustee, the Australian Registrar, the Noteholders or the Couponholders shall attach to either the Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s)) or the Trustee in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

(d) *Accrual of Interest*

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

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

(e) *Interpretation*

For the purposes of this Condition 3, references to the Agent in relation to all certificates, communications, opinions, determinations, calculations, quotations, decisions or related actions given, expressed, made or obtained for the purposes of the provisions of this Condition by the Agent shall, in the case of CMU Notes, be deemed to be references to the CMU Lodging and Paying Agent, unless the context otherwise requires.

4 Payments

(a) *Method of Payment*

Subject as provided below:

- (i) payments in respect of definitive Notes in a Specified Currency (other than euro or Renminbi) will be made at the option of the bearer either by transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non resident account) maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively);
- (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; and
- (iii) payments in respect of definitive Notes in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or agreements to which the Issuer or any of the Paying Agents agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 6.

(b) *Presentation of Notes and Coupons*

Payments of principal in respect of definitive Notes (if issued) will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of such definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States. Payments under paragraph (a) above made, at the option (if any such option is specified under paragraph (a) above) 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.

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

Condition 6) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) or, if later, five years from the date on which such Coupon would otherwise have become due.

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

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

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

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

The holder of a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg 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.

The holder of a global Note held by or on behalf of the CMU Operator 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. Payments of principal or interest (if any) in respect of such global Note will be made to the persons for whose account a particular nominal amount of Notes represented by such global Note is credited as being held by the CMU Operator at the relevant time, as notified to the CMU Lodging and Paying Agent by the CMU Operator in a relevant CMU Instrument Position Report or in any other relevant notification by the CMU Operator. No person other than the holder of such global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of any Paying Agent in the United States (which expression, as used in this Condition, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) if:

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

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

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

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

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

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

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

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

(d) *Payment Date*

If the date for payment of any amount in respect of any Note 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, “**Payment Date**” means any day which is:

- (i) 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:
 - (A) in the case of Notes in definitive form only, the relevant place of presentation;
 - (B) each Additional Financial Centre specified in the applicable Final Terms; and
- (ii) 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 which, if the Specified Currency is Australian dollars shall be Sydney and Melbourne, if the Specified Currency is New Zealand dollars, shall be Auckland, and which, if the Specified Currency is Renminbi, shall be Hong Kong or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(e) *Interpretation of principal and interest*

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

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

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

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

(f) *CNY Currency Event*

If “**CNY Currency Event**” is specified in the applicable Final Terms and a CNY Currency Event, as determined by the Issuer acting in good faith, exists on a date for payment of any amount in respect of

any Note or Coupon, the Issuer may, in its sole and absolute discretion, take the action described in (i), (ii) and/or (iii) below:

- (i) the relevant payment by the Issuer may be postponed to a day falling no later than 5 Business Days after the date on which the CNY Currency Event ceases to exist or, if such payment would not be possible (as determined by the Issuer acting in good faith) as soon as reasonably practicable thereafter;
- (ii) the Issuer's obligation to make a payment in CNY under the terms of the Notes may be replaced by an obligation to pay such amount in the Relevant Currency (selected by the Issuer and converted at the Alternate Settlement Rate as of a time selected by the Calculation Agent); and/or
- (iii) give notice to the Noteholders in accordance with Condition 12 and redeem all, but not some only, of the Notes, each Note being redeemed at the Early Redemption Amount.

Upon the occurrence of a CNY Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 12 stating the occurrence of the CNY Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition 4(f) and unless stated otherwise in the applicable Final Terms:

"Alternate Settlement Rate" means the spot rate, determined by the Calculation Agent, between CNY and the Relevant Currency, taking into consideration all available information which the Calculation Agent deems relevant (including, but not limited to, the pricing information obtained from the CNY non-deliverable market outside the PRC and/or the CNY exchange market within the PRC);

"CNY Currency Events" means any one of CNY Illiquidity, CNY Non-Transferability and CNY Inconvertibility;

"CNY Illiquidity" means the general CNY exchange market in Hong Kong becomes illiquid as a result of which the Issuer and/or any of its affiliates cannot obtain sufficient CNY in order to make a payment or perform any other of its obligations under the Notes, as determined by the Calculation Agent;

"CNY Inconvertibility" means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to convert any amount into or from CNY as may be required to be paid by the Issuer under the Notes on any payment date at the general CNY exchange market in Hong Kong, other than where such impossibility, impracticability or illegality is due solely to the failure of that party to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible, impracticable or illegal for the Issuer and/or any of its affiliates, due to an event beyond the control of the Issuer or the relevant affiliate, to comply with such law, rule or regulation);

"CNY Non-Transferability" means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to deliver CNY between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the CNY clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility, impracticability or illegality is due solely to the failure of the Issuer and/or the relevant affiliate to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible, impracticable or illegal for the Issuer and/or

any of its affiliates, due to an event beyond the control of the Issuer and/or the relevant affiliate, to comply with such law, rule or regulation);

“**Governmental Authority**” means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong; and

“**Relevant Currency**” means United States dollars, Hong Kong dollars or such other currency as may be specified in the applicable Final Terms.

5 Redemption and Purchase

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each nominal amount of Ordinary Notes and Tier 2 Notes equal to the Calculation Amount will be redeemed by the Issuer at the Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

(b) *Redemption for Tax Reasons*

The Notes of any Series may (subject, in the case of Tier 2 Notes, to the provisions of Condition 5(j)) 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 the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), at their Early Redemption Amount (as determined in accordance with paragraph (f) below), if:

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

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

Upon the expiration of such notice, the Issuer shall be bound to redeem such Notes at their Early Redemption Amount.

Before the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that a condition for redemption pursuant to this Condition 5(b) has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of such occurrence, in which event it shall be conclusive and binding on the Noteholders.

This Condition 5(b) shall apply in the case of Tier 2 Notes if, in the Issuer's opinion, the circumstance that entitles it to exercise such right of redemption was not reasonably foreseeable at the Issue Date of the first Tranche of the Notes and provided that, upon CRD IV taking effect in the United Kingdom, it shall only apply if, when and to the extent not prohibited by CRD IV.

(c) *Redemption due to Capital Disqualification Event*

If the applicable Final Terms specify that this Condition 5(c) applies, then, any Series of Tier 2 Notes may, subject to the provisions of Condition 5(j), 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 the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if the Issuer determines that a Capital Disqualification Event has occurred and is continuing.

Upon the expiration of such notice, the Issuer shall be bound to redeem such Notes at their Early Redemption Amount (as determined in accordance with paragraph (f) below).

This Condition 5(c) shall apply in the case of Tier 2 Notes if, in the Issuer's opinion, the circumstance that entitles it to exercise such right of redemption was not reasonably foreseeable at the Issue Date of the first Tranche of the Notes and provided that, upon CRD IV taking effect in the United Kingdom, it shall only apply if, when and to the extent not prohibited by CRD IV.

As used in this Condition 5(c), a "**Capital Disqualification Event**" shall be deemed to have occurred if, as a result of any amendment to, or change in, the Capital Regulations (or official interpretation thereof) which are in effect at the Issue Date of the first Tranche of Notes, the Notes are fully excluded from Tier Two Capital (as defined in the Capital Regulations) of the Issuer and/or the Group.

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

If the Issuer is specified in the applicable Final Terms as having an option to redeem the Notes of any Series, the Issuer may (subject, in the case of Tier 2 Notes, to the provisions of Condition 5(j) and unless otherwise specified in the applicable Final Terms), having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms 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 the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date(s). Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not greater than the Maximum Redemption Amount, both as indicated in the applicable Final Terms. In the case of a partial redemption of Notes of any Series, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot at such place and in such manner as the Agent may approve and deem fair and reasonable, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of, in the case of

Notes other than CMU Notes, Euroclear and/or Clearstream, Luxembourg or, in the case of CMU Notes, the CMU Service (to be reflected in the records of, in the case of Notes other than CMU Notes, Euroclear and Clearstream, Luxembourg or, in the case of CMU Notes, the CMU Service as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 60 days or such other period specified in the applicable Final Terms 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 (unless otherwise specified in the applicable Final Terms) be published in accordance with Condition 12 not less than the minimum period and not more than the maximum period specified in the applicable Final Terms prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this subparagraph (d) and notice to that effect shall (unless otherwise specified in the applicable Final Terms) be given by the Issuer to the Noteholders of the relevant Series in accordance with Condition 12 at least 10 days or such other period specified in the applicable Final Terms prior to the Selection Date.

(e) *Put Option – Redemption at the Option of the Noteholders*¹

If the Noteholders of any Series are specified in the applicable Final Terms as having an option to redeem, upon the holder of any Note of such Series giving to the Issuer in accordance with Condition 12 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms (which notice shall be irrevocable), the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date (which Optional Redemption Date shall, in the case of a Floating Rate Note be an Interest Payment Date) and at the Optional Redemption Amount specified in the applicable Final Terms 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.

(f) *Early Redemption Amounts*

For the purpose of paragraphs (b) and (c) 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) 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 the applicable Final Terms or, if no such amount is so specified in the applicable Final Terms, at their nominal amount; or

¹ Not applicable to Tier 2 Notes.

- (iii) in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of:
 - (A) the Reference Price specified in the applicable Final Terms; and
 - (B) the product of the Accrual Yield specified in the applicable Final Terms (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and payable; or
- (iv) if and to the extent not taken into account in paragraphs (i) to (iii) above, adding (if appropriate) interest accrued to the date fixed for redemption.

(g) *Purchases*

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

This Condition 5(g) shall apply in the case of Tier 2 Notes provided that, upon CRD IV taking effect in the United Kingdom, purchases are only permitted if, when and to the extent not prohibited by CRD IV.

(h) *Cancellation*

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

(i) *Late Payment on Zero Coupon Notes*

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

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

(j) *Redemption of Tier 2 Notes*

In the case only of redemption prior to the relevant Maturity Date, Tier 2 Notes may only be redeemed by the Issuer pursuant to Condition 5(b), Condition 5(c) or 5(d) provided that (except to the extent that the FSA no longer so requires):

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

(k) *Interpretation*

- (i) In relation to Australian Domestic Notes, references in this Condition 5 to the Paying Agent or Agent shall be deemed to be to the Australian Registrar and references to the Agency Agreement shall be deemed to be to the Agency and Registry Agreement.
- (ii) In relation to CMU Notes, references in this Condition 5 to the Agent shall be deemed to be to the CMU Lodging and Paying Agent.

(l) *Definitions*

As used in this Condition 5:

“**Capital Instruments Regulations**” means any regulatory capital rules, regulations or standards which are in the future applicable to the Issuer (on a solo or consolidated basis) and which lay down the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Issuer (on a solo or consolidated basis) as required by (i) the CRD IV Regulation or (ii) the CRD IV Directive, including (for the avoidance of doubt) any regulatory technical standards issued by the European Banking Authority;

“**Capital Regulations**” means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy of the FSA and/or of the European Parliament or of the Council of the European Union then in effect in the United Kingdom;

“**CRD IV**” means, taken together, (i) the CRD IV Directive, (ii) the CRD IV Regulation and (iii) the Capital Instruments Regulations;

“**CRD IV Directive**” means a directive of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms amending Directive 2002/87/EC, a draft of which was published on 20 July 2011, and any successor directive;

“**CRD IV Regulation**” means a regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, a draft of which was published on 20 July 2011, and any successor regulation; and

“**Group**” means The Royal Bank of Scotland Group plc and its subsidiaries and subsidiary undertakings from time to time.

6 Taxation

All payments of principal and/or interest in respect of Notes and/or Coupons by the Issuer shall (save as may be provided in the applicable Final Terms) be made without withholding or deduction for, or on account of, any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of the Relevant Jurisdiction or any political subdivision 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 such additional amounts as will result (after such withholding or deduction) in the payment to the holders of the Notes or Coupons of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes and/or Coupons; except that no such additional amounts shall be payable with respect to any Note or Coupon presented for payment:

- (a) by or on behalf of any holder who is liable to such tax, duty or charge in respect of such Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of such Note or Coupon; and/or
- (b) in the United Kingdom; and/or
- (c) in circumstances where such withholding or deduction would not be required if the holder or any person acting on his behalf had obtained and/or presented any form or certificate or had made a declaration of non residence or similar claim for exemption upon the presentation or making of which the holder would have been able to avoid such withholding or deduction; and/or
- (d) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days; and/or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and/or
- (f) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; and/or
- (g) in respect of a payment in relation to Australian Domestic Notes issued by RBS acting through its Australia Branch, by, or by a party on behalf of, a holder who is liable to such taxes, duties or charges in respect of such a Note or Coupon by reason of their being an associate of the Issuer for the purposes of section 128F(6) of the Income Tax Assessment Act 1936 of Australia; and/or
- (h) in relation to Australian Domestic Notes issued by RBS acting through its Australia Branch, in respect of a payment to, or to a third party on behalf of, an Australia resident holder or a non Australian resident holder carrying on business in Australia at or through a permanent establishment of the non Australian resident in Australia, in circumstances where such withholding or deduction would not have been required if the holder or any person acting on his behalf had provided an appropriate tax file number, Australian business number or details of another exemption; and/or
- (i) in respect of a payment in relation to Ordinary Notes issued by RBS acting through its Tokyo Branch, by or on behalf of a holder who is for Japanese tax purposes treated as a non-resident of Japan or as a non-Japanese corporation and who is subject to such tax, duty or charge by reason of its being a person having a special relationship (as described in Article 6, paragraphs 4 of the Special Taxation Measures Law of Japan (Law No. 26 of 1957) (as amended) (the “**Special Taxation Measures Law of Japan**”)) with RBS (a “**specially-related person of RBS**”); and/or
- (j) in respect of a payment in relation to Ordinary Notes issued by RBS acting through its Tokyo Branch, by or on behalf of a holder who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the Paying Agent to whom the relevant Note or Coupon is presented, or whose Interest Recipient Information is

not duly communicated through the Participant (as defined below) and the relevant international clearing organisation to such Paying Agent; and/or

- (k) in respect of a payment in relation to Ordinary Notes issued by RBS acting through its Tokyo Branch, by or on behalf of a holder who is for Japanese tax purposes treated as a resident of Japan or a Japanese corporation (except for (A) a Japanese designated financial institution (as defined below) who complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) a resident of Japan or a Japanese corporation who duly notifies (directly or through the Participant (as defined below) or otherwise) the relevant Paying Agent of its status as exempt from taxes to be withheld or deducted by RBS acting through its Tokyo Branch by reason of such resident of Japan or Japanese corporation receiving interest on the relevant Note through a payment handling agent in Japan appointed by it); and/or
- (l) in respect of a payment in relation to Ordinary Notes issued by RBS acting through its Tokyo Branch, where the amount of interest on such Note is to be calculated by reference to certain indicators (as prescribed under the cabinet order relating to Article 6, paragraph 4 of the Special Taxation Measures Law of Japan) relating to RBS or a specially-related person of RBS, except where the recipient of interest is a Japanese designated financial institution (as defined below) who complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption.

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 and CMU Notes) in London by the Agent or the Trustee or (in the case of Australian Domestic Notes) by the Australian Registrar or (in the case of CMU Notes) in Hong Kong by the CMU Lodging and Paying Agent or the Trustee, in either case on or prior to such due date) the date on which, the full amount of such moneys having been so received, notice to that effect is given to the Noteholders in accordance with Condition 12.

The “**Relevant Jurisdiction**” means:

- (a) in the case of Australian Domestic Notes issued by RBS Australia Branch, the United Kingdom and the Commonwealth of Australia
- (b) in the case of Ordinary Notes issued by RBS acting through its Tokyo Branch, the United Kingdom and Japan; and
- (c) in all other cases, the United Kingdom.

In relation to Ordinary Notes issued by RBS acting through its Tokyo Branch, where the Note or Coupon is held through a certain participant of an international clearing organisation or a certain financial intermediary (each, a “**Participant**”), in order to receive payments free of withholding or deduction by RBS acting through its Tokyo Branch for, or on account of, taxes, if the relevant holder of Note or Coupon is (A) a non-resident of Japan or a non-Japanese corporation (other than a specially-related person of RBS) or (B) a Japanese financial institution falling under certain categories prescribed by the relevant cabinet order under Article 6, paragraph 9 of the Special Taxation Measures Law of Japan, (a “**Japanese designated financial institution**”), all in accordance with the Special Taxation Measures Law of Japan and the relevant cabinet order thereunder (together with the relevant ministerial ordinance and other regulation thereunder, the “**Law**”), such holder of Note or Coupon shall, at the time of entrusting a Participant with the custody of the relevant Note or Coupon, provide certain information prescribed by the Law to enable the Participant to establish that the holder of Note or Coupon is exempt from the requirement for Japanese tax to be withheld or deducted (the “**Interest Recipient Information**”) and advise the Participant if the holder of Note or Coupon ceases to be so exempted

(including the case where the holder who is a non-resident of Japan or a non-Japanese corporation became a specially-related person of RBS).

Where the Note or Coupon is not held by a Participant, in order to receive payments free of withholding or deduction by RBS Tokyo Branch for, or on account of, taxes, if the relevant holder of the Note or Coupon is (A) a non-resident of Japan or a non-Japanese corporation (other than a specially-related person of RBS) or (B) a Japanese designated financial institution, all in accordance with the Law, such holder of Note or Coupon shall prior to each time on which it receives interest, submit to the relevant Paying Agent a written application for tax exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (a “**Written Application for Tax Exemption**”) in the form obtainable from the Paying Agent stating, *inter alia*, the name and address of the holder of Note or Coupon, the title of the Notes, the relevant Interest Payment Date, the amount of interest and the fact that the holder of Note or Coupon is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

7 Prescription

The Bearer Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 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 7 or Condition 4(b) or any Talon which would be void pursuant to Condition 4(b). The rights of holders of Registered Notes to make claims against the Issuer for payments of principal will become void ten years after the Relevant Date. The rights of holders of Registered Notes to make claims against the Issuer for payments of interest will become void five years after the Relevant Date.

8 Events of Default

(a) Ordinary Notes

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

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

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

At any time after the Ordinary Notes of any Series or any of them shall have become immediately due and repayable and have not been repaid the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment thereof together with accrued interest and to enforce the provisions of the Trust Deed, but it shall not be bound to institute any such proceedings unless (x) it shall have been so directed by an Extraordinary Resolution of the holders of Ordinary Notes of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Ordinary Notes of such Series then outstanding and (y) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No holder of Ordinary Notes of any Series or the 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) Tier 2 Notes

- (i) If default shall be made in the payment of any principal or interest due on the Tier 2 Notes of the relevant Series for a period of seven days or more after any date on which the payment of principal is due or 14 days or more after any date on which the payment of interest is due (as the case may be) the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer and/or prove in any winding up of the Issuer, but may take no other action in respect of such default.
- (ii) If an order is made or an effective resolution is passed for the Winding Up of the Issuer, the Trustee may, and if so requested in writing by the holders of at least one fifth in nominal amount of the Tier 2 Notes of the relevant Series then outstanding or if so directed by an Extraordinary Resolution of the Tier 2 Noteholders of any Series then outstanding shall (if it shall have been indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Tier 2 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 Tier 2 Notes or Tier 2 Coupons of the relevant Series (other than any obligation for the payment of principal or interest on such Tier 2 Notes or Tier 2 Coupons) then the Trustee may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Tier 2 Notes or Tier 2 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 Tier 2 Notes and the Tier 2 Coupons of any Series or any other action pursuant to or in connection with the Trust Deed or the Tier 2 Notes or the Tier 2 Coupons of any Series unless (x) it shall have been so directed by an Extraordinary Resolution of the Tier 2 Noteholders of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Tier 2 Notes of such Series then outstanding and (y) it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all costs, charges, liabilities and expenses which may be incurred by it in connection with such enforcement, including the costs of its management's time and/or other

internal resources, calculated in accordance with its normal hourly rates in force from time to time.

- (v) No Tier 2 Noteholder or Tier 2 Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and then only in the name of the Trustee and on giving an indemnity satisfactory to the Trustee, and only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. No Tier 2 Noteholder or Tier 2 Couponholder shall be entitled to institute proceedings for the winding up of the Issuer, or to prove in such winding up, except that if the Trustee, having become bound to proceed 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 Tier 2 Noteholder or Tier 2 Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding up of the Issuer and/or prove in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

9 Replacement of Notes, Coupons and Talons

Should any Bearer Note (including any global Note), Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of (in the case of Notes other than CMU Notes) the Agent or (in the case of CMU Notes) the CMU Lodging and Paying 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, Coupons or Talons must be surrendered before replacements will be issued.

10 Agent, Paying Agents and Registrar

(a) Bearer Notes

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

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

- (i) so long as any Bearer Notes are listed on any stock exchange or admitted to listing by any other relevant listing authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or relevant listing authority;
- (ii) there will at all times be a Paying Agent with a specified office in a city in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated;
- (iii) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iv) so long as there are any CMU Notes outstanding, there will at all times be a CMU Lodging and Paying Agent; and
- (v) 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 and Couponholders, except that (without affecting the obligations of the Issuer to the Noteholders and Couponholders to repay Notes and pay interest thereon) funds received by the Agent and any other Paying Agent for the payment of any sums due in respect of the Bearer Notes shall be held by them in trust for the Noteholders and/or Couponholders until the expiration of the relevant period of prescription under Condition 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 or Couponholders for any resulting profit.

(b) *Registered Notes*

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

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

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

11 Exchange of Talons

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

12 Notices

All notices regarding the Notes (other than Australian Domestic Notes issued by Royal Bank) of any Series shall be validly given if published in a leading English language daily newspaper of general circulation (in the case of Notes other than CMU Notes) in London (which is expected to be the *Financial Times*) or (in the case of CMU Notes) in Hong Kong (which is expected to be the *South China Morning Post*). Any such notice will be deemed to have been given on the date of such publication in such leading newspaper or, if published more

than once, on the date of the first publication. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes of any Series in accordance with this Condition. 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 (in the case of Notes other than CMU Notes) Euroclear and/or Clearstream, Luxembourg or (in the case of CMU Notes) the CMU Service, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to (in the case of Notes other than CMU Notes) Euroclear and/or Clearstream, Luxembourg or (in the case of CMU Notes) to the CMU Lodging and Paying Agent for communication by them to the holders of the Notes, except that so long as the Notes for such Series are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's regulated market and the rules of the UK Listing Authority and the London Stock Exchange so require, the relevant notice shall also be published in a leading newspaper having general circulation in London. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to (in the case of Notes other than CMU Notes) Euroclear and/or Clearstream, Luxembourg or (in the case of CMU Notes) to the CMU Lodging and Paying Agent.

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 other than CMU Notes), the CMU Lodging and Paying Agent (in the case of Bearer Notes which are CMU Notes) or Royal Bank (in the case of the Australian Domestic Notes). Whilst any Notes (other than CMU 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. Whilst any CMU Notes are represented by a global Note, such notice may be given by a Noteholder to the CMU Lodging and Paying Agent via the CMU Service in such manner as the CMU Lodging and Paying Agent and the CMU Service may approve for this purpose.

13 Enforcement and Remedies

(a) All Notes

Save as otherwise provided herein and without prejudice to Conditions 8(a) and 8(b)(v), 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 and Couponholders and no holder of a Bearer Note or Couponholder shall be entitled to take proceedings directly against the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails to do so within a reasonable time and such failure is continuing.

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

(b) Tier 2 Notes

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

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

The Trust Deed contains provisions for convening meetings of Noteholders (or the holders of the Notes of any one or more Series) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Terms and Conditions of the Ordinary and Tier 2 Notes of any one or more Series or the provisions of the Trust Deed or the Deed Poll or the Agency and Registry Agreement. Such a meeting may be convened by the Trustee, the Issuer or the Trustee upon the request of Noteholders holding not less than ten per cent. in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being remaining outstanding. The quorum at any such meeting convened to consider a resolution proposed as an Extraordinary Resolution is two or more persons holding or representing a clear majority in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) whatever the nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding so held or represented, except that at any meeting the business of which includes the modification of certain of the Terms and Conditions of the Ordinary and Tier 2 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 Coupons relating thereto or modifying the majority required to pass an Extraordinary Resolution) or certain of the provisions of the Trust Deed or the Deed Poll or the Agency and Registry Agreement, the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than two thirds, or at any adjourned such meeting not less than one third, in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding. An Extraordinary Resolution in writing or duly passed at any meeting of the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) shall be binding on all the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series), whether or not they are present at the meeting, and on all holders of Coupons relating to the relevant Notes.

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

- (a) any modification (subject to certain exceptions as provided in the Trust Deed) of the Terms and Conditions of the Ordinary and Tier 2 Notes (or, as the case may be, the Notes of any one or more Series) or of the provisions of the Trust Deed, the Agency and Registry Agreement or the Deed Poll which in its opinion is not materially prejudicial to the interests of the Noteholders or Couponholders (or, as the case may be, the holders of the Notes or Coupons of the relevant one or more Series); or
- (b) any modification of the Notes (or, as the case may be, the Notes of the relevant one or more Series), the Coupons relating thereto or the Trust Deed, the Agency and Registry Agreement or the Deed Poll which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders and the Couponholders (or, as the case may be, the holders of the Notes or Coupons of the relevant one or more Series) and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders (or, as the case may be, the holders of the Notes of the relevant one or more Series) in accordance with Condition 12 as soon as practicable thereafter. No modification of these conditions insofar as it relates to the Terms and Conditions of any Series

of Tier 2 Notes shall be effected without the prior consent of, or notification to (and no objection being raised by), the FSA.

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

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

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

In connection with the exercise by it of any of its trusts, power, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders of the relevant Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders of that Series (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent provided for in Condition 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 or Couponholders to create and issue further notes having terms and conditions the same as (or the same in all respects save for the Issue Date, Interest Commencement Date and Issue Price), and so that the same shall be consolidated and form a single Series with, the outstanding Notes of a particular Series.

16 Indemnification

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

17 Calculation Agent determination

All discretions exercised and calculations and determinations made in respect of the Notes by the Calculation Agent shall be made in its sole and absolute discretion and in good faith and shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Trustee, the Noteholders and the Couponholders.

18 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.

19 Governing Law and Submission to Jurisdiction

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

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

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer to fund its general banking and insurance business (as applicable).

UNITED KINGDOM TAXATION

The comments below are of a general nature and relate to certain United Kingdom tax implications for persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of person (such as dealers and persons connected with an Issuer). The comments relate only to withholding tax on payments of interest in respect of the Notes and certain provision of information requirements and do not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. They are not intended to be exhaustive. The comments address the position of such persons under current United Kingdom tax law and published practice of HM Revenue and Customs (“HMRC”). The United Kingdom tax treatment of prospective holders of Notes (including Australian Domestic Notes) depends on their individual circumstances and may be subject to change in the future. In addition, prospective holders of Notes should be aware that the particular terms of issue of any series of Notes as specified in the applicable Final Terms may affect the tax treatment of that and other series of Notes. Prospective holders of the Notes (including Australian Domestic Notes) who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek independent advice.

Interest

1. Payments of interest made in respect of Notes which carry a right to interest and which are listed on a recognised stock exchange (as defined in section 1005 of the Income Tax Act 2007 (the “Act”)) may be made without withholding or deduction for or on account of United Kingdom income tax. The London Stock Exchange is a recognised stock exchange for these purposes. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning and in accordance with the provisions of Part 6 of the FSMA) by the United Kingdom Listing Authority and are admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes (including the Australian Domestic Notes) carry a right to interest and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax whether or not the relevant Issuer carries on a banking business in the United Kingdom and whether or not the interest is paid in the ordinary course of its business.

Additionally, RBS is entitled to make payments of interest without deduction or withholding for or on account of United Kingdom income tax provided that it continues to be a bank within the meaning of section 991 of the Act and the interest on the Notes is paid in the ordinary course of its business within the meaning of section 878 of the Act. According to HMRC published practice, interest on such Notes should be treated as paid in the ordinary course of a bank’s business unless (*inter alia*) the issue of such Notes is regarded as relating to the capital structure of the bank. Interest paid on the Tier 2 Notes by RBS will not be considered to be in the ordinary course of RBS’s business where such Notes conform to any of the Tier 1, Tier 2 or Tier 3 definitions adopted by the Bank of England, whether or not the Notes actually count towards Tier 1, Tier 2 or Tier 3 capital for regulatory purposes.

Each Issuer is entitled to make payments of interest without deduction or withholding for or on account of United Kingdom income tax if, at the time the relevant payments are made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the person beneficially entitled to the income is a company within the charge to United Kingdom corporation tax in respect of the interest or falls within a list of specified entities and bodies (unless HMRC has given a direction that this exemption shall not apply, having reasonable grounds for believing the conditions for this exemption will not be met at the time the payment is made).

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where the Notes have a maturity of less than 365 days from the date of issue and are not

issued under arrangements, the effect of which is to render such Notes part of a borrowing with a total term of 365 days or more.

Subject to the following or the availability of any other exemption or relief, in all other cases an amount must generally be withheld from payments of interest on account of income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a holder of Notes (including Australian Domestic Notes) HMRC can issue a notice to the Issuer to pay interest to the holder of the Notes without deduction of tax (or for the interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty, as applicable).

2. Payments of interest in respect of Notes may have a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment even if paid without withholding or deduction.

Where the interest is paid without deduction or withholding on account of United Kingdom tax, the interest will not be chargeable to United Kingdom tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation in the United Kingdom in connection with which the interest is received or to which the relevant Notes are attributable (or if the holder of Notes is a company, unless such company carries on a trade in the United Kingdom through a permanent establishment in connection with which the interest is received or the Notes are attributable). There are certain exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

Noteholders should note that the provisions relating to additional amounts set out in Condition 6 of the Terms and Conditions of the Ordinary and Tier 2 Notes would not apply if HMRC sought to assess the person entitled to the relevant interest directly to United Kingdom tax on interest. However, exemption from or reduction of such United Kingdom tax liability might be available for holders of Notes who are not resident in the United Kingdom under an applicable double taxation treaty.

3. The references to “**interest**” in 1 to 2 above mean “interest” as understood in United Kingdom tax law. The statements in 1 to 2 do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

Information reporting

HMRC has powers, in certain circumstances, to obtain information about payments derived from securities and about payments of interest. For these purposes payments derived from securities include an amount (whether income or capital) payable out of or in respect of securities (which could include interest). Payments of interest are expressly defined to include (among other things) the amount payable on the redemption of a deeply discounted security.

HMRC can obtain information about a payment derived from securities from: a person who receives (or is entitled to receive) such a payment; a person who makes such a payment (received from, or paid on behalf of another person); and each holder. HMRC can obtain information about interest from any person by whom (or through whom) interest is paid or credited.

In relation to payments derived from securities, HMRC can obtain information on: whether the person required to provide information is the beneficial owner of the securities or the payment; or if not, details of the beneficial owners or, if not known, details of the person for whom the securities are held, or the person to whom the payment is to be made; if there is more than one beneficial owner (or more than one person for whom securities are held or to whom payments are to be made) their respective interests; and the amount of

any payment received from or paid on behalf of another person (and the name and address of that other person).

In relation to interest paid or credited on money received or retained in the United Kingdom, HMRC can obtain information on: the sums on which interest is payable; the identity of the security under which interest is paid; if interest is paid in a currency other than sterling, the amount and currency of the payment; and the number of recipients of the interest (if there are two or more recipients). HMRC is generally not able to obtain information (under its power relating solely to interest) about a payment of interest to (or a receipt for) a person that is not an individual. This limitation does not apply to HMRC's power to obtain information about payments derived from securities.

HMRC's published practice on the use of powers to obtain information about interest is arranged in accordance with earlier statutory provisions which have now been repealed (although it does also refer to current legislation). HMRC's Type 17 and Type 18 Guidance Notes set out HMRC's practices in this area. The Guidance Notes contain references to situations in which HMRC will not require information to be provided and specify, where information does have to be provided, precisely what HMRC expects to receive. HMRC has indicated that it will not use its power to obtain information about amounts payable on the redemption of deeply discounted securities which are paid before 6 April 2014.

In certain circumstances the information which HMRC has obtained using these powers may be exchanged with tax authorities in other jurisdictions.

EU Directive on the Taxation of Savings Income

Under the Savings Directive EU Member States are required to provide to the tax authorities of another EU Member State details of payments of interest and similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident in that other EU Member State or to certain limited types of entities established in that other EU Member State. However, for a transitional period, Austria and Luxembourg are instead required to operate a withholding system in relation to such payments (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other similar income may request that no tax be withheld) unless during such period they elect otherwise (the ending of this transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures to the Savings Directive (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented amend or broaden the scope of the requirements described above.

Discounts and other returns – United Kingdom withholding tax

If Notes are issued at a discount to their principal amount, any such discount element is not subject to any United Kingdom withholding tax. If Notes are redeemed at a premium to their principal amount (as opposed to being issued at a discount) then, depending on the circumstances, such premium may constitute a payment of interest for United Kingdom tax purposes and hence be subject to United Kingdom withholding tax rules.

AUSTRALIAN TAXATION

The following is a summary of the taxation treatment under the Income Tax Assessment Acts of 1936 and 1997 of Australia (together, “**Australian Tax Act**”), at the date of this Prospectus, of payments of interest (as defined in the Australian Tax Act) on Australian Domestic Notes to be issued by an Issuer under the Programme and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of Australian Domestic Notes (including, dealers in securities, custodians or other third parties who hold Australian Domestic Notes on behalf of any other persons). It does not, for example, deal with the position of Australian residents or non Australian residents who hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia.

Prospective holders of Australian Domestic Notes should also be aware that particular terms of issue of any Series of Australian Domestic Notes may affect the tax treatment of that and other Series of Australian Domestic Notes.

The summary is not intended to be, nor should it be construed as, legal or tax advice to any particular holders of Australian Domestic Notes. Prospective holders of Australian Domestic Notes who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the Australian Domestic Notes for their particular circumstances.

Australian Domestic Notes may be issued by either Royal Bank or RBS acting through its Australia Branch. There may be different tax consequences depending upon whether the Australian Domestic Notes are issued by Royal Bank or RBS acting through its Australia Branch.

AUSTRALIAN DOMESTIC NOTES ISSUED BY ROYAL BANK FROM AN OFFICE OUTSIDE AUSTRALIA

1 Interest withholding tax (“IWT”)

So long as Royal Bank continues to be a non-resident of Australia and the Australian Domestic Notes issued by Royal Bank are not attributable to a permanent establishment of Royal Bank in Australia, payments of principal and interest made under Australian Domestic Notes issued by Royal Bank will not be subject to Australian IWT.

2 Other tax matters

Under Australian laws as presently in effect:

- (a) *income tax – offshore Note holders* – payments of principal and interest to a holder of the Australian Domestic Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes;
- (b) *gains on disposal of Australian Domestic Notes – offshore Note holders* – a holder of the Australian Domestic Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income tax on gains realised during that year on sale or redemption of the Australian Domestic Notes, provided such gains do not have an Australian source. A gain arising on the sale of Australian Domestic Notes by a non-Australian resident holder to another non-Australian resident where the Australian Domestic Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia would not be regarded as having an Australian source;

- (c) *deemed interest* – there are specific rules that can apply to treat a portion of the purchase price of Australian Domestic Notes as interest for IWT purposes when certain Australian Domestic Notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian resident (who does not acquire them in the course of carrying on business at or through a permanent establishment outside Australia) or a non resident who acquires them in the course of carrying on business at or through a permanent establishment in Australia. These rules should not apply in circumstances where the Australian Domestic Notes issued by Royal Bank are not attributable to a permanent establishment of Royal Bank in Australia;
- (d) *death duties* – no Australian Domestic Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;
- (e) *stamp duty and other taxes* – no *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Australian Domestic Notes;
- (f) *other withholding taxes on payments in respect of Australian Domestic Notes* – so long as Royal Bank continues to be a non-resident of Australia and does not carry on business at or through a permanent establishment in Australia, the tax file number requirements of Part VA of the Australian Income Tax Assessment Act of 1936 and section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia (“**Taxation Administration Act**”) should not apply in connection with Australian Domestic Notes issued by Royal Bank;
- (g) *supply withholding tax* – payments in respect of the Australian Domestic Notes can be made free and clear of the “supply withholding tax” imposed under section 12-190 of Schedule 1 to the Taxation Administration Act;
- (h) *goods and services tax (GST)* – neither the issue nor receipt of the Australian Domestic Notes will give rise to a liability for GST in Australia on the basis that the supply of Australian Domestic Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by Royal Bank, nor the disposal of the Australian Domestic Notes, would give rise to any GST liability in Australia;
- (i) *debt/equity rules* – Division 974 of the Australian Tax Act contains tests for characterising debt (for all entities) and equity (for companies) for Australian tax purposes, including for the purposes of dividend withholding tax and Australian IWT. Division 974 should not affect the Australian tax treatment of holders of Australian Domestic Notes issued by Royal Bank; and
- (j) *taxation of financial arrangements* – Division 230 of the Australian Tax Act contains tax-timing rules for certain taxpayers to bring to account gains and losses from “financial arrangements”.

The rules do not apply to certain taxpayers or in respect of certain short term “financial arrangements”. They should not, for example, generally apply to holders of Australian Domestic Notes which are individuals and certain other entities (e.g. certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to their “financial arrangements”. Potential holders of Australian Domestic Notes should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made.

The rules in Division 230 do not apply to impose interest or other withholding taxes on payments in respect of the Australian Domestic Notes issued by Royal Bank.

AUSTRALIAN DOMESTIC NOTES ISSUED BY RBS ACTING THROUGH ITS AUSTRALIA BRANCH

1 Interest withholding tax

As RBS Australia Branch is a permanent establishment of Royal Bank in Australia, payments of interest (as defined in section 128A(1AB) of the Australian Tax Act) made under Australian Domestic Notes issued by RBS Australia Branch to non Australian residents who do not hold those Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in

Australia or Australian residents who hold those Australian Domestic Notes in the course of carrying on business at or through a permanent establishment outside Australia will be subject to Australian IWT unless a relevant exemption applies.

An exemption from Australian IWT imposed under Division 1A of Part III of the Australian Tax Act is available, in respect of the Australian Domestic Notes where RBS acting through its Australia Branch is the issuer under section 128F of the Australian Tax Act if the following conditions are met:

- (a) the issuer is a non-resident of Australia carrying on business at or through a permanent establishment in Australia when it issues those Australian Domestic Notes, and when interest (as defined in section 128A(1AB) of the Australian Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;
- (b) those Australian Domestic Notes are issued in a manner which satisfies the public offer test. There are five principal methods of satisfying the public offer test, the purpose of which is to ensure that lenders in capital markets are aware that the issuer is offering those Australian Domestic Notes for issue. In summary, the five methods are:
 - offers to 10 or more unrelated financiers, securities dealers or entities that carry on the business of investing in securities;
 - offers to 100 or more investors of a certain type;
 - offers of listed notes;
 - offers via publicly available information sources; and
 - offers to a dealer, manager or underwriter who offers to sell those notes within 30 days by one of the preceding methods.

In addition, the issue of any of those Australian Domestic Notes (whether in global form or otherwise) and the offering of interests in any of those Australian Domestic Notes by one of these methods should satisfy the public offer test;

- (c) the issuer does not know, or have reasonable grounds to suspect, at the time of issue, that those Australian Domestic Notes or interests in those Australian Domestic Notes were being, or would later be, acquired, directly or indirectly, by an “associate” of RBS Australia Branch, except as permitted by section 128F(5) of the Australian Tax Act (see below); and
- (d) at the time of the payment of interest, the issuer does not know, or have reasonable grounds to suspect, that the payee is an “associate” of the issuer, except as permitted by section 128F(6) of the Australian Tax Act (see below).

Associates

An “**associate**” of the issuer for the purposes of section 128F of the Australian Tax Act includes (i) a person or entity which holds more than 50 per cent. of the voting shares of, or otherwise controls, the issuer, (ii) an entity in which more than 50 per cent. of the voting shares are held by, or which is otherwise controlled by, the issuer, (iii) a trustee of a trust where the issuer is capable of benefiting (whether directly or indirectly) under that trust, and (iv) a person or entity who is an “associate” of another person or company which is an “associate” of the issuer under any of the foregoing.

However, for the purposes of sections 128F(5) and (6) of the Australian Tax Act (see paragraphs (c) and (d) above), “associate” does not include:

- (A) onshore associates (i.e. Australian resident associates who do not hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia); or
- (B) offshore associates (i.e. Australian resident associates who hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment outside Australia and non-resident associates who do not hold the Australian Domestic Notes in the course of carrying on business through a permanent establishment in Australia) who are acting in the capacity of:
 - (i) in the case of section 128F(5), a dealer, manager or underwriter in relation to the placement of the relevant Australian Domestic Notes, or a clearing house, custodian, funds manager or responsible entity of a registered managed investment scheme (for the purposes of the Corporations Act 2001 of Australia); or
 - (ii) in the case of section 128F(6), a clearing house, paying agent, custodian, funds manager or responsible entity of a registered managed investment scheme (for the purposes of the Corporations Act 2001 of Australia).

Compliance with section 128F of the Australian Tax Act

Unless otherwise specified in any relevant Final Terms (or another relevant supplement to this Prospectus), if RBS acting through its Australia Branch is the issuer of the Australian Domestic Notes, it intends to issue those Australian Domestic Notes in a manner which will satisfy the requirements of section 128F of the Australian Tax Act.

Exemptions under certain double tax conventions

The Australian government has signed new or amended double tax conventions (“**New Treaties**”) with a number of countries (each a “**Specified Country**”) which contain certain exemptions from IWT. The New Treaties apply to interest derived by a resident of a Specified Country.

In broad terms, once implemented, the New Treaties prevent IWT being imposed on interest derived by either:

- the government of the relevant Specified Country and certain governmental authorities and agencies in the Specified Country; or
- a “financial institution” which is a resident of a Specified Country and which is unrelated to and dealing wholly independently with the issuer. The term “financial institution” refers to either a bank or any other form of enterprise which substantially derives its profits by carrying on a business of raising and providing finance. (However, interest paid under a “back-to-back loan” or economically equivalent arrangement will not qualify for this exemption.)

The Australian Federal Treasury maintains a listing of Australia's double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation which is available to the public at the Federal Treasury's Department's website at: <http://www.treasury.gov.au/contentitem.asp?pageId=&ContentID=625>.

2 Other tax matters

Under Australian laws as presently in effect:

- (a) *income tax – offshore Note holders* – assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Australian Domestic Notes, payment of principal and interest (as defined in section 128A(1AB) of the Australian Tax Act) to a holder of the Australian Domestic Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes;
- (b) *gains on disposal of Australian Domestic Notes – offshore Note holders* – a holder of the Australian Domestic Notes, who is a non-resident of Australia and who, during the taxable year, does not hold the Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income tax on gains realised during that year on sale or redemption of the Australian Domestic Notes, provided such gains do not have an Australian source. A gain arising on the sale of Australian Domestic Notes by a non-Australian resident holder to another non-Australian resident where the Australian Domestic Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia would not be regarded as having an Australian source;
- (c) *deemed interest* – there are specific rules that can apply to treat a portion of the purchase price of Australian Domestic Notes as interest for IWT purposes when certain Australian Domestic Notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian resident (who does not acquire them in the course of carrying on business at or through a permanent establishment outside Australia) or a non-resident who acquires them in the course of carrying on business at or through a permanent establishment in Australia. These rules do not apply in circumstances where the deemed interest would have been exempt under section 128F of the Australian Tax Act if the Australian Domestic Notes had been held to maturity by a non-resident;
- (d) *death duties* – no Australian Domestic Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;
- (e) *stamp duty and other taxes* – no *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Australian Domestic Notes;
- (f) *other withholding taxes on payments in respect of Australian Domestic Notes* – section 12-140 of Schedule 1 to the Taxation Administration Act imposes a type of withholding tax at the rate of (currently) 46.5 per cent.² on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number (“TFN”), (in certain circumstances) an Australian Business Number (“ABN”) or proof of some other exception (as appropriate). Assuming the requirements of section 128F of the Australian Tax Act are satisfied with respect to the Australian Domestic Notes, then the requirements of section 12-140 do not apply to payments to a holder of

Australian Domestic Notes in registered form who is not a resident of Australia and not holding those Australian Domestic Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of Australian Domestic Notes in registered form may be subject to a withholding where the holder of those Australian Domestic Notes does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);

- (g) *supply withholding tax* – payments in respect of the Australian Domestic Notes can be made free and clear of the “supply withholding tax” imposed under section 12-190 of Schedule 1 to the Taxation Administration Act;
- (h) *goods and services tax (GST)* – neither the issue nor receipt of the Australian Domestic Notes will give rise to a liability for GST in Australia on the basis that the supply of Australian Domestic Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by RBS acting through its Australia Branch, nor the disposal of the Australian Domestic Notes, would give rise to any GST liability in Australia;
- (i) *debt/equity rules* – Division 974 of the Australian Tax Act contains tests for characterising debt (for all entities) and equity (for companies) for Australian tax purposes, including for the purposes of dividend withholding tax and Australian IWT. RBS acting through its Australia Branch intends to issue Australian Domestic Notes which are to be characterised as “debt interests” for the purposes of the tests contained in Division 974 and the returns paid on the Australian Domestic Notes are to be “interest” for the purpose of section 128F of the Australian Tax Act. Accordingly, Division 974 is unlikely to adversely affect the Australian tax treatment of holders of Australian Domestic Notes;
- (j) *additional withholdings from certain payments to non-residents* – Section 12-315 of Schedule 1 to the Taxation Administration Act gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents of Australia. However, section 12-315 expressly provides that the regulations will not apply to interest and other payments which are already subject to the current IWT rules or specifically exempt from those rules. Further, regulations may only be made if the responsible minister is satisfied the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The possible application of any regulations to the proceeds of any sale of the Australian Domestic Notes will need to be monitored;
- (k) *taxation of financial arrangements* – Division 230 of the Australian Tax Act contains tax-timing rules for certain taxpayers to bring to account gains and losses from “financial arrangements”.

The rules do not apply to certain taxpayers or in respect of certain short term “financial arrangements”. They should not, for example, generally apply to holders of Australian Domestic Notes which are individuals and certain other entities (e.g. certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to their “financial arrangements”. Potential holders of Australian Domestic Notes should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made.

The rules in Division 230 do not alter the rules relating to the imposition of IWT. In particular, the rules do not override the IWT exemption available under section 128F of the Australian Tax Act.

JAPANESE TAXATION

Under Japanese tax laws currently in effect the payment of interest in respect of Notes issued by the Issuers other than RBS acting through its Tokyo Branch to a non-resident of Japan or to a non-Japanese corporation in accordance with the terms and conditions of Notes will not be subject to any Japanese income or corporation taxes payable by withholding. Furthermore, such payment on the Notes issued by the Issuers other than RBS acting through its Tokyo Branch will not be subject to any other Japanese income or corporation taxes otherwise than by way of withholding unless such non-resident or non-Japanese corporation has a permanent establishment in Japan and payment of the interest is attributable to the business of the non-resident or non-Japanese corporation carried on in Japan through such permanent establishment.

The following paragraph is a legend required by Article 6, paragraphs 10, item 2 of the Special Taxation Measures Law of Japan (Law No. 26 of 1957) (as amended) (the “**Special Taxation Measures Law of Japan**”) with respect to interest payments on the Notes issued by RBS Tokyo.

Interest payments on the Notes issued by RBS acting through its Tokyo Branch to an individual resident of Japan, to a Japanese corporation (except for a Japanese designated financial institution described in Article 6, paragraph 9 of the Special Taxation Measures Law of Japan which has complied with the requirements under that paragraph), or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship (as described in Article 6, paragraph 4 of the Special Taxation Measures Law of Japan) with RBS (a “**specially-related person of RBS**”) will be subject to deduction in respect of Japanese income tax at a rate of 15.315 per cent. of the amount specified in sub-paragraph (a) or (b) below, as applicable:

- (a) if interest is paid to an individual resident of Japan, to a Japanese corporation (except as provided in sub-paragraph (b) below) or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person of RBS, the amount of such interest which are attributable to the business of RBS carried on in Japan through its Tokyo Branch; or
- (b) if interest is paid to a public corporation, a financial institution or a financial instruments business operator, etc. through its payment handling agent in Japan, as provided in Article 3-3, paragraph 6 of the Special Taxation Measures Law of Japan in compliance with the Japanese tax exemption requirements under that paragraph, the amount of such interest minus the amount accrued during the period in which the notes have been held by such recipient as provided in the cabinet order relating to said paragraph 6.

Gains derived from the sale outside Japan of Notes by a non-resident of Japan or a non-Japanese corporation, or from sale within Japan of Notes by a non-resident of Japan or a non-Japanese corporation not having a permanent establishment in Japan are in general not subject to Japanese income or corporate taxes. Japanese inheritance and gift taxes at progressive rates may be payable by an individual, wherever resident, who has acquired Notes issued by RBS acting through its Tokyo Branch as legatee, heir or donee from an individual.

No stamp, issue, registration or similar taxes or duties will, under present Japanese law, be payable in Japan by holders in connection with the issue of the Notes.

Interest and Issue Differential with respect to Notes issued by RBS Tokyo Branch

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest and the difference between the issue price of the Notes bearing interest and the amount which the holder receives upon redemption of such interest-bearing Notes (the “**issue differential**”), where such Notes are issued by RBS acting through its Tokyo Branch outside Japan and payable outside Japan (“**RBS Tokyo Branch Notes**”). It is not intended to be exhaustive and holders of RBS Tokyo Branch Notes and prospective investors are recommended to consult their tax advisers as to their exact tax position.

If the recipient of interest on RBS Tokyo Branch Notes is a non-Japanese individual resident or a non-Japanese corporation with no permanent establishment within Japan, or a non-Japanese individual resident or a non-Japanese corporation with a permanent establishment within Japan but where the receipt of the interest under RBS Tokyo Branch Notes is not attributable to the business carried on within Japan by the recipient through such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding or otherwise, if such recipient complies with certain requirements, *inter alia*:

- (i) If the relevant RBS Tokyo Branch Notes are held through a certain participant in an international clearing organisation such as Euroclear and Clearstream, Luxembourg or a certain financial intermediary prescribed by the Special Taxation Measures Law of Japan and the relevant cabinet order thereunder (together with the relevant ministerial ordinance and other regulation thereunder, the “**Law**”) (each, a “**Participant**”), the requirement to provide certain information prescribed by the Law to enable the Participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted (the “**Interest Recipient Information**”); and
- (ii) If the relevant RBS Tokyo Branch Notes are not held by a Participant, the requirement to submit to the relevant paying agent a written application for tax exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (a “**Written Application for Tax Exemption**”), together with certain documentary evidence.

However, such payment of interest will be subject to Japanese withholding tax, if:

- (a) the amount of interest on RBS Tokyo Branch Notes is calculated or determined on the basis of or by reference to certain indications including the amount of profit, revenue, assets and distribution of surplus, distribution of profit and other similar distributions of RBS or of any of its specially-related persons as provided in Article 3-2-2, Paragraph 8 of the cabinet order (such RBS Tokyo Branch Notes being referred to as the “**Taxable Linked Notes**”); or
- (b) the recipient of interest on RBS Tokyo Branch Notes is an individual non-resident of Japan or a non-Japanese corporation who or which is a specially-related person of RBS.

Failure to comply with such requirements described above will result in the withholding by RBS acting through its Tokyo Branch of income tax at the rate of 15.315 per cent. of the amount of interest which are attributable to the business of RBS carried on in Japan through RBS acting through its Tokyo Branch unless any lower rate is applicable under the relevant tax treaty between Japan and another country.

If the recipient of interest on RBS Tokyo Branch Notes is a non-Japanese individual resident or a non-Japanese corporation with a permanent establishment within Japan and the receipt of interest under RBS Tokyo Branch Notes is attributable to the business of such non-Japanese individual resident or non-Japanese corporation carried on within Japan through such permanent establishment, such interest will not be subject to 15.315 per cent. withholding tax by RBS acting through its Tokyo Branch; provided, however, that (i) RBS Tokyo Branch Notes should not be Taxable Linked Notes, (ii) the recipient should not be a specially-related person of RBS, and (iii) the recipient should provide the Interest Recipient Information as set out above and a statutory confirmation document should be submitted to the competent tax authority by RBS acting through its Tokyo Branch in accordance with the Law or the recipient should submit a Written Application for Tax Exemption as set out above. Otherwise, it may result in the withholding by RBS acting through its Tokyo Branch of income tax at the rate of 15.315 per cent. The amount of such interest will be aggregated with the recipient’s other Japanese source income which is subject to Japanese taxation and will be subject to normal income tax or corporate tax, as appropriate.

If any recipient of interest on RBS Tokyo Branch Notes who is an individual resident of Japan, or a Japanese corporation (other than Japanese banks, Japanese insurance companies, Japanese securities companies or

other Japanese financial institutions falling under certain categories prescribed by the relevant cabinet order under Article 3-3, paragraph 6 of the Special Taxation Measures Law of Japan (each, a “**specified financial institution**”) or a Japanese public corporations designated by the relevant law which comply with the requirement as referred to below), receives payments of interest through certain payment handling agents in Japan (each a “**payment handling agent in Japan**”), income tax at the rate of 15.315 per cent. will be withheld by the payment handling agent in Japan rather than RBS acting through its Tokyo Branch. As RBS acting through its Tokyo Branch is not in a position to know in advance the recipients’ status, the recipient of interest falling within this category should inform RBS Tokyo Branch through a paying agent of its status in a timely manner. Failure to so inform may result in double withholding. Individual holders of RBS Tokyo Branch Notes being residents of Japan who receive interest under RBS Tokyo Branch Notes through a payment handling agent in Japan will be taxed in Japan on such interest separately from his/her other income and only by way of withholding of the foregoing withholding tax, as far as national level income taxes are concerned. In the case of other recipients who are individual residents of Japan (other than those referred to in the immediately preceding sentence) or Japanese corporations falling under this category, the amount of interest received by any such recipient will be included in such recipient’s gross income and subject to normal income tax or corporate tax, as appropriate.

If the recipient of interest on RBS Tokyo Branch Notes is a Japanese bank, a Japanese insurance company, a Japanese securities company, or any other Japanese financial institution falling under certain categories prescribed by the relevant cabinet order under Article 6, paragraph 9 of the Special Taxation Measures Law of Japan, (each, a “**Japanese designated financial institution**”) and such recipient complies with the requirement, *inter alia*, to provide the Interest Recipient Information or to submit a Written Application for Tax Exemption, as the case may be, no income tax will be imposed, either by way of withholding or otherwise, but the recipient will be subject to normal corporate tax with respect to such interest.

If the recipient of interest on RBS Tokyo Branch Notes is a Japanese public corporation, or a specified financial institution, that keeps its RBS Tokyo Branch Notes deposited with, and receives the interest through, a Japanese payment handling agent with custody of RBS Tokyo Branch Notes (the “**Japanese custodian**”) and such recipient submits through such Japanese custodian to the competent tax authority the report prescribed by the Law, no income tax will be levied, by way of withholding or otherwise, on such portion of interest as is prescribed by the relevant cabinet order as that which corresponds to the period the RBS Tokyo Branch Notes were held by such recipient but if the recipient is a specified financial institution, the recipient will be subject to normal corporation tax with respect to such interest. However, since RBS acting through its Tokyo Branch is not in a position to know in advance the recipient’s withholding tax exemption status, the recipient of interest falling within this category should inform RBS acting through its Tokyo Branch through a paying agent of its status in a timely manner. Failure to so notify RBS acting through its Tokyo Branch may result in the withholding by RBS acting through its Tokyo Branch of 15.315 per cent. income tax. Any amount of interest received by such public corporation or specified financial institution in excess of the non-taxable portion described above is subject to 15.315 per cent. income tax to be withheld by the Japanese custodian.

If the recipient of interest who is an individual resident of Japan or a Japanese corporation (except for a Japanese designated financial institution which complies with the requirements described in paragraph above) receives interest not through a Japanese payment handling agent, income tax at the rate of 15.315 per cent. of the amount of interest which are attributable to the business of RBS carried on in Japan through its Tokyo branch will be withheld by RBS acting through its Tokyo Branch.

If the recipient of the issue differential with respect to RBS Tokyo Branch Notes is an individual who is a resident of Japan or a Japanese corporation, such issue differential will not be subject to any withholding tax but will be included in the recipient’s gross income and subject to normal income tax or corporate tax, as appropriate.

If the recipient of the issue differential with respect to interest-bearing RBS Tokyo Branch Notes is not a specially related person of RBS and a non-Japanese individual resident or a non-Japanese corporation having no permanent establishment within Japan, or a non-Japanese individual resident or a non-Japanese corporation having a permanent establishment within Japan but the receipt of such issue differential is not attributable to the business carried on within Japan by such non-Japanese individual resident or non-Japanese corporation through such permanent establishment, no income tax or corporate tax is payable with respect to such issue differential. If the receipt of such issue differential with respect to interest-bearing RBS Tokyo Branch Notes is attributable to the business of any such non-Japanese individual resident or non-Japanese corporation carried on within Japan through a permanent establishment maintained by it within Japan, such issue differential will not be subject to any withholding tax but will be aggregated with the recipient's other Japanese source income which is subject to Japanese taxation and subject to normal income tax or corporate tax, as appropriate.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the “**Programme Agreement**”) dated 22 March 2013, agreed with the Issuers a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Ordinary and Tier 2 Notes” above. In the Programme Agreement, the Issuers have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

Selling Restrictions

(a) United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to, or for the account or benefit of, a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder. The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Programme Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, as determined and certified by the relevant Dealer, or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, within the United States or to, or for the account or benefit of, U.S. persons and it will have sent to each dealer to which it sells Notes during the distribution compliance period, as defined in Regulation S under the Securities Act, a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

(b) European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- (ii) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes referred to in (i) to (iii) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

(c) United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) in relation to any Notes issued by RBSG which have a maturity of less than one year from the date of issue, (x) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (y) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by RBSG as an Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not, or in the case of RBS, would not, if RBS was not an authorised person, apply to the relevant Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

(d) Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia (“**Corporations Act**”)) in relation to the Programme or any Notes has been, or will be, lodged with the Australian Securities and Investments Commission (“**ASIC**”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, unless the relevant Final Terms (or any other supplement to this Prospectus) otherwise provides, it:

- (i) has not (directly or indirectly) made or invited and will not make or invite an offer of the Notes for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and
- (ii) has not distributed or published, and will not distribute or publish, this Prospectus or any other offering material or advertisement relating to the Notes in Australia,

unless

- (a) the aggregate consideration payable by each offeree is at least A\$500,000 (or its equivalent in an alternative currency, and in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act and, in all cases, complies with the terms of any authority granted under the Banking Act 1959 of the Commonwealth of Australia;
- (a) the offer or invitation does not constitute an offer to a “retail client” for the purposes of section 761G of the Corporations Act;
- (b) such action complies with all applicable laws, regulations and directives in Australia (including, without limitation, the financial services licensing requirements of Chapter 7 of the Corporations Act); and
- (c) such action does not require any document to be lodged with ASIC or any other regulatory authority in Australia.

In addition, each Dealer has agreed that, in connection with the primary distribution of Australian Domestic Notes to be issued by RBS acting through its Australia Branch, it will not offer or invite any offer for the issue or sale of such Australian Domestic Notes to any person if, at the time of such issue or sale, the employees of the Dealer aware of, or involved in, the issue or sale knew or had reasonable grounds to suspect that, as a result of such issue or sale, any such Australian Domestic Notes or an interest in any such Notes were being, or would later be, acquired (directly or indirectly) by an associate of RBS Australia Branch within the meaning of section 128F(9) of the Income Tax Assessment Act 1936 of Australia (“**Tax Act**”), except as permitted by section 128F(5) of the Tax Act.

(e) Japan

Each Dealer has represented that it understands that the Notes have not been, and will not be, registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**FIEA**”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Notes to be issued by RBS acting through its Tokyo Branch (“**RBS Tokyo Branch Notes**”) will be subject to requirements under the Special Taxation Measures Law of Japan (Law No. 26 of 1957) (as amended) (the “**Special Taxation Measures Law of Japan**”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not directly or indirectly, offered or sold and will not, (a) as part of its distribution at any time and (b) otherwise until 40 days after the Issue Date, directly or indirectly offer, sell or deliver RBS Tokyo Branch Notes to any resident of Japan (which term as used in this paragraph means any

person resident in Japan, including any corporation or other entity organised under the laws of Japan but excluding certain financial institutions designated under Article 6, paragraph 9 of the Special Taxation Measures Law of Japan that will hold the RBS Tokyo Branch Notes for its own proprietary account and any person resident in Japan, including any corporation or other entity organised under the laws of Japan whose receipt of interest on the RBS Tokyo Branch Notes will be made through a payment handling agent in Japan as defined in Article 2-2, paragraph 2 of the cabinet order of the Special Taxation Measures Law), or any individual non-resident of Japan or non-Japanese corporation that in either case is a person having a special relationship with RBS as described in Article 6, paragraph 4 of the Special Taxation Measures Law so as to satisfy the requirements for the tax exemption as provided for in Article 6 of the Special Taxation Measures Law and other regulations.

(f) Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (i) it has not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Notes (which Notes are not “structured products” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) other than (i) to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws in Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

(g) The People’s Republic of China

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the People’s Republic of China (excluding Hong Kong, Macau and Taiwan, the “PRC”) as part of the initial distribution of the Notes.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC to any person to whom it is unlawful to make the offer or solicitation in the PRC.

The Issuers do not represent that this Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers which would permit a public offering of any Notes or distribution of this document in the PRC. Accordingly, the Notes are not being offered or sold within the PRC by means of this Prospectus or any other document. Neither this Prospectus nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

(h) France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, it has not offered or sold and will not offer or sell, directly or indirectly any Notes to the public in France, and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, the applicable Final Terms or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), qualified investors (*investisseurs qualifiés*) other than individuals acting for their own account, and/or a limited circle of investors (*cercle restreint*), all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 and D.411-4 of the French *Code monétaire et financier*.

(i) Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “**Securities and Futures Act**”). Accordingly, each Dealer has represented and agreed, and each future Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, (b) to a relevant person pursuant to Section 275(1), or to any person pursuant to Section 275(1A), of the Securities and Futures Act and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Notes may not be circulated or distributed, nor may Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the Securities and Futures Act by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the Securities and Futures Act)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

“securities” (as defined in Section 239(1) of the Securities and Futures Act) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six

months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the Securities and Futures Act, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the Securities and Futures Act; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

(j) General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, to comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Notes or possesses or distributes this Prospectus, any other offering material or any Final Terms and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuers nor any other Dealer shall have responsibility therefor.

None of the Issuers, the Dealers and the Trustee represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

FORMS OF FINAL TERMS

PART I – APPLICABLE FINAL TERMS FOR ISSUES BY RBSG

Final Terms dated [date]

The Royal Bank of Scotland Group plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £90,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [●] 2013 [and the supplemental Prospectus[es] dated [●][and [●]]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus[es]] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] which are incorporated by reference in the Prospectus dated [●] 2013 and are attached hereto [and the supplemental Prospectus[es] dated [●][and [●]]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [●] 2013 [and the supplemental Prospectus[es] dated [●][and [●]]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive [and the supplemental Prospectus[es] dated [●][and [●]]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Conditions, these Final Terms and the Prospectus dated [●] 2013 [and the supplemental Prospectus[es] dated [●][and [●]]]. The Prospectus [and the supplemental Prospectus[es]] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

- | | | |
|---|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Issuer: | The Royal Bank of Scotland Group plc |
| 2 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| | [(iii)] Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [●]/[other]]/[Not Applicable] |
| 3 | Specified Currency or Currencies: | [●]
[CNY Currency Event]
[Relevant Currency: USD/HKD/[●]] |
| 4 | Aggregate Nominal Amount: | [●] |
| | [(i)] Series: | [●] |
| | [(ii)] Tranche: | [●] |
| 5 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]] |
| 6 | (i) Specified Denominations: | [●] [and integral multiples of [●] in excess thereof up to and including [●]. No notes in definitive form will be issued with a denomination above [●] |
| | (ii) Calculation Amount: | [●] |
| 7 | [(i)] Issue Date: | [●] |

- [(ii)] Interest Commencement Date: [●]
- 8 Maturity Date: [●]
- 9 Interest Basis: [[●] per cent. Fixed Rate]
[Reset Notes]
[[LIBOR][EURIBOR][BBSW][BKBM][SHIBOR][SOR]
+/- [●] per cent. [Floating Rate]
[Zero Coupon]
- 10 Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount
- 11 Change of Interest Basis: [●]/Not Applicable
- 12 Put/Call Options: [Investor Put][Issuer Call]
- 13 (i) Status of the Notes: [Ordinary Notes]/[Tier 2 Notes]
- (iii) [Date [Board] approval for [●]
issuance of Notes obtained:

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [●] per cent. per annum payable in arrear [on each Interest Payment Date]
- (ii) Interest Payment Date(s): [●] [and [●]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with paragraph 14(vii)]
- (iii) Fixed Coupon Amount[(s)]: [[●] per Calculation Amount][Not Applicable]
- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]
- (v) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]/[Actual/365 (Fixed)]/[RBA Bond Basis]
- (vi) Determination Dates: [●] in each year
- (vii) Business Day Convention: [Modified Following Business Day Convention [[unadjusted]/[adjusted]]/Not Applicable]
- (viii) Business Centre(s): [●]
- 15 Reset Note Provisions: [Applicable/Not Applicable]
- (i) Initial Rate of Interest: [●] per cent. per annum payable in arrear [on each Interest Payment Date]
- (ii) First Margin: [+/-][●] per cent. per annum
- (iii) Subsequent Margin: [[+/-][●] per cent. per annum] [Not Applicable]
- (iv) Interest Payment Date(s): [●] [and [●]] in each year up to and including the Maturity Date[[in each case,] subject to adjustment in accordance with paragraph 15(xv)]
- (v) Fixed Coupon Amount up to (but excluding) the First Reset Date: [[●] per Calculation Amount][Not Applicable]
- (vi) Broken Amount(s): [[●] per Calculation Amount payable on the Interest Payment

	Date falling [in/on] [●][Not Applicable]
(vii) First Reset Date:	[●][subject to adjustment in accordance with paragraph 15(xv)]
(viii) Second Reset Date:	[●]/[Not Applicable][subject to adjustment in accordance with paragraph 15(xv)]
(ix) Subsequent Reset Date(s):	[●] [and [●]] [subject to adjustment in accordance with paragraph 15(xv)]
(x) Relevant Screen Page:	[●]
(xi) Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
(xii) Mid-Swap Maturity	[●]
(xiii) Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]/[Actual/365 (Fixed)]/[RBA Bond Basis]
(xiv) Determination Dates:	[●] in each year
(xv) Business Day Convention:	[Modified Following Business Day Convention [[unadjusted]/[adjusted]]/Not Applicable]
(xvi) Business Centre(s):	[●]
(xvii) Calculation Agent:	[●]
16 Floating Rate Note Provisions:	[Applicable/Not Applicable]
(i) Interest Period(s)/Specified Interest Payment Dates:	[●]
(ii) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention]
(iii) Business Centre(s):	[●]
(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ ISDA Determination]
(v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent or, as the case may be, the CMU Lodging and Paying Agent):	[●]
(vi) Screen Rate Determination:	
– Reference Rate:	[LIBOR][EURIBOR][BBSW][BKBM][SHIBOR][SOR]
– Interest Determination Date(s):	[Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period]
	[First day of each Interest Period]
	[Second day on which the TARGET 2 System is open prior to the start of each Interest Period]
	[[●] Business Day[s] prior to the start of each Interest

	Period]
– Relevant Screen Page:	[●]
(vii) ISDA Determination:	
– Floating Rate Option:	[●]
– Designated Maturity:	[●]
– Reset Date:	[●]
(viii) Margin(s):	[+/-][●] per cent. per annum
(ix) Minimum Rate of Interest:	[●] per cent. per annum
(x) Maximum Rate of Interest:	[●] per cent. per annum
(xi) Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 or 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) RBA Bond Basis]
17 Zero Coupon Note Provisions:	[Applicable/Not Applicable]
(i) Accrual Yield:	[●] per cent. per annum
(ii) Reference Price:	[●]
PROVISIONS RELATING TO REDEMPTION	
18 Notice periods for Condition 5(b):	Minimum period: [●] days Maximum period: [●] days
19 Redemption for Capital Disqualification Event:	[Applicable/Not Applicable]
Notice periods for Condition 5(c):	[Minimum period: [●] days Maximum period: [●] days]/[Not Applicable]
20 Issuer Call:	[Applicable/Not Applicable]
(i) Optional Redemption Date(s):	[●]
(ii) Optional Redemption Amount(s):	[●] per Calculation Amount
(iii) If redeemable in part:	
(a) Minimum Redemption Amount:	[●]
(b) Maximum Redemption Amount:	[●]
(iv) Notice periods:	Minimum period: [●] days Maximum period: [●] days
(v) Selection Date:	[60 days prior to the date fixed for redemption]/[●] days prior to the date fixed for redemption]
(vi) Publication of list of serial numbers for Notes in definitive	[Minimum period: [●] days Maximum period: [●] days] [Not Applicable]

- form:
- (vii) Notification of period in relation to exchange of global Note: [10 days]/[[●] days]
- 21 Investor Put: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s): [●] per Calculation Amount
- (iii) Notice periods: Minimum period: [●] days
Maximum period: [●] days
- 22 Final Redemption Amount: [●] per Calculation Amount
- 23 Early Redemption Amount payable on redemption for (a) taxation reasons or (b) following the occurrence of a Capital Disqualification Event (in the case of Tier 2 Notes) or (c) on an event of default: [As per Condition 5(f)/[●] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24 Form of Notes:
- (a) Form: Bearer Notes:
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on and after the Exchange Date on 60 days' notice given at any time/only upon the occurrence of an Exchange Event]]
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon the occurrence of an Exchange Event/in the limited circumstances set out in the Permanent Global Note]]
[Australian Domestic Notes]
- (b) NGN: [Yes][No]
- (c) CMU Notes: [Yes][No]
- 25 Additional Financial Centre(s): [Not Applicable/[●]]
- 26 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes. As the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No/[●]]
- 27 Whether TEFRA D/TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA rules not applicable]

THIRD PARTY INFORMATION

[[●] has been extracted from [source]. The Royal Bank of Scotland Group plc (as Issuer) confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from

information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of The Royal Bank of Scotland Group plc:

By: _____
Duly authorised

PART B – OTHER INFORMATION

1 LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange’s regulated market with effect from [●]]/[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange’s regulated market with effect from [●]]
- (ii) Estimate of total expenses relating to admission to trading: [●]

2 RATINGS

- Ratings: [The Notes to be issued have not been rated.]
[The Notes to be issued [have been rated] [are expected to be rated]:
[Standard & Poor’s: [●]]
[Moody’s Investors Service Limited: [●]]
[Fitch Ratings Limited: [●]]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”] [●]

4 YIELD

- Indication of yield: [●]
Calculated as [●] on the Issue Date.
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5 HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/BBSW/BKBM/SHIBOR/SOR rates] can be obtained from [Reuters].

6 OPERATIONAL INFORMATION

- (i) ISIN: [●]
- (ii) Common Code: [●]
- (iii) CMU Instrument Number: [●]
- (iv) Clearing System: [Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme/Central Moneymarkets Unit Service]
- (v) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/Austraclear System/[●]]
- (vi) Names and addresses of additional Paying Agent(s) (if [●]/[Not Applicable]

any):

- (vii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]

PART II – APPLICABLE FINAL TERMS FOR ISSUES BY RBS

Final Terms dated *[date]*

The Royal Bank of Scotland plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £90,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated [●] 2013 [and the supplemental Prospectus[es] dated [●][and [●]]] which [together] constitute[s] a base prospectus for the purposes of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Prospectus. The Prospectus [and the supplemental Prospectus[es]] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) set forth in the Prospectus dated [original date] which are incorporated by reference in the Prospectus dated [●] 2013 and are attached hereto [and the supplemental Prospectus[es] dated [●] [and [●]]]. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU) (the “**Prospectus Directive**”) and must be read in conjunction with the Prospectus dated [●] 2013 [and the supplemental Prospectus[es] dated [●] [and [●]]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive [and the supplemental Prospectus[es] dated [●][and [●]]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the Conditions, these Final Terms and the Prospectus dated [●] 2013 [and the supplemental Prospectus[es] dated [●] [and [●]]]. The Prospectus [and the supplemental Prospectus[es]] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

- | | | |
|---|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Issuer: | [The Royal Bank of Scotland plc]
[The Royal Bank of Scotland plc acting through its Australian branch]
[The Royal Bank of Scotland plc acting through its Tokyo Branch] |
| 2 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| | [(iii)] Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [●]/[other]]/[Not Applicable] |
| 3 | Specified Currency or Currencies: | [●]
[CNY Currency Event]
[Relevant Currency: USD/HKD/[●]] |
| 4 | Aggregate Nominal Amount: | [●] |
| | [(i)] Series: | [●] |
| | [(ii)] Tranche: | [●] |
| 5 | Issue Price: | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]] |
| 6 | (i) Specified Denominations: | [●] [and integral multiples of [●] in excess thereof up to |

and including [●]. No notes in definitive form will be issued with a denomination above [●]

- (ii) Calculation Amount: [●]
- 7 [(i)] Issue Date: [●]
- [(ii)] Interest Commencement Date: [●]
- 8 Maturity Date: [●]
- 9 Interest Basis: [[●] per cent. Fixed Rate]
[Reset Notes]
[[LIBOR][EURIBOR][BBSW][BKBM][SHIBOR]
[SOR] +/- [●] per cent. [Floating Rate]
[Zero Coupon]
- 10 Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount
- 11 Change of Interest Basis: [●]/Not Applicable
- 12 Put/Call Options: [Investor Put]
[Issuer Call]
- 13 (i) Status of the Notes: [Ordinary Notes]/[Tier 2 Notes]
- (ii) [Date [Board] approval for issuance of Notes obtained: [●]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [●] per cent. per annum payable in arrear [on each Interest Payment Date]
- (ii) Interest Payment Date(s): [●] [and [●]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with paragraph 14(vii)]
- (iii) Fixed Coupon Amount[(s)]: [[●] per Calculation Amount][Not Applicable]
- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on][●]][Not Applicable]
- (v) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]/[Actual/365(Fixed)]/[RBA Bond Basis]
- (vi) Determination Dates: [●] in each year
- (vii) Business Day Convention: [Modified Following Business Day Convention [[unadjusted]/[adjusted]]/Not Applicable]
- (viii) Business Centre(s): [●]
- 15 Reset Note Provisions: [Applicable/Not Applicable]
- (i) Initial Rate of Interest: [●] per cent. per annum payable in arrear [on each Interest Payment Date]

(ii) First Margin:	[+/-][●] per cent. per annum
(iii) Subsequent Margin:	[[+/-][●] per cent. per annum] [Not Applicable]
(iv) Interest Payment Date(s):	[●] [and [●]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with paragraph 15(xv)]
(v) Fixed Coupon Amount up to (but excluding) the First Reset Date:	[[●] per Calculation Amount][Not Applicable]
(vi) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]
(vii) First Reset Date:	[●][subject to adjustment in accordance with paragraph 15(xv)]
(viii) Second Reset Date:	[●]/[Not Applicable] [subject to adjustment in accordance with paragraph 15(xv)]
(ix) Subsequent Reset Date(s):	[●] [and [●]] [subject to adjustment in accordance with paragraph 15(xv)]
(x) Relevant Screen Page:	[●]
(xi) Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
(xii) Mid-Swap Maturity	[●]
(xiii) Day Count Fraction:	[30/360]/[Actual/Actual(ICMA)]/[Actual/365 (Fixed)]/[RBA Bond Basis]
(xiv) Determination Dates:	[●] in each year
(xv) Business Day Convention:	[Modified Following Business Day Convention [[unadjusted]/[adjusted]]/Not Applicable]
(xvi) Business Centre(s):	[●]
(xvii) Calculation Agent:	[●]
16 Floating Rate Note Provisions:	[Applicable/Not Applicable]
(i) Interest Period(s)/Specified Interest Payment Dates:	[●]
(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(iii) Business Centre(s):	[●]
(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent or, as the case may be, the CMU Lodging and Paying Agent):	[●]
(vi) Screen Rate Determination:	
– Reference Rate:	[LIBOR] [EURIBOR] [BBSW] [BKBM] [SHIBOR] [SOR]

- Interest Determination Date(s): [Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period]
[First day of each Interest Period]
[Second day on which the TARGET 2 System is open prior to the start of each Interest Period]
[[●] Business Day[s] prior to the start of each Interest Period]
- Relevant Screen Page: [●]
- (vii) ISDA Determination:
 - Floating Rate Option: [●]
 - Designated Maturity: [●]
 - Reset Date: [●]
- (viii) Margin(s): [+/-][●] per cent. per annum
- (ix) Minimum Rate of Interest: [●] per cent. per annum
- (x) Maximum Rate of Interest: [●] per cent. per annum
- (xi) Day Count Fraction: [Actual/Actual or Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360 or 360/360 or Bond Basis
30E/360 or Eurobond Basis
30E/360 (ISDA)
RBA Bond Basis]
- 17 Zero Coupon Note Provisions: [Applicable/Not Applicable]
 - (i) Accrual Yield: [●] per cent. per annum
 - (ii) Reference Price: [●]

PROVISIONS RELATING TO REDEMPTION

- 18 Notice periods for Condition 5(b): Minimum period: [●] days
Maximum period: [●] days
- 19 Redemption for Capital Disqualification Event: [Applicable/Not Applicable]
Notice periods for Condition 5(c): [Minimum Period: [●] days
Maximum period: [●] days]/[Not Applicable]
- 20 Issuer Call: [Applicable/Not Applicable]
 - (i) Optional Redemption Date(s): [●]
 - (ii) Optional Redemption Amount(s): [●] per Calculation Amount
 - (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: [●]

	(b) Maximum Redemption Amount:	[●]
	(iv) Notice periods:	Minimum period: [●] days Maximum period: [●] days
	(v) Selection Date:	[60 days prior to the date fixed for redemption]/[●] days prior to the date fixed for redemption]
	(vi) Publication of list of serial numbers for Notes in definitive form:	[Minimum Period: [●] days Maximum Period: [●] days]/[Not Applicable]
	(vii) Notification period in relation to exchange of global Note:	[10 days]/[[●] days]
21	Investor Put:	[Applicable/Not Applicable]
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s):	[●] per Calculation Amount
	(iii) Notice periods:	Minimum period: [●] days Maximum period: [●] days
22	Final Redemption Amount:	[●] per Calculation Amount
23	Early Redemption Amount payable on redemption for (a) taxation reasons or (b) following the occurrence of a Capital Disqualification Event (in the case of Tier 2 Notes) or (c) on an event of default:	[As per Condition 5(f)/[●] per Calculation Amount]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	
	(a) Form:	Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on and after the Exchange Date on 60 days' notice given at any time/only upon the occurrence of an Exchange Event]] [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date] [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon the occurrence of an Exchange Event/in the limited circumstances set out in the Permanent Global Note]] [Australian Domestic Notes]
	(b) NGN:	[Yes][No]
	(c) CMU Notes:	[Yes][No]
25	Additional Financial Centre(s):	[Not Applicable/[●]]

- 26 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes. As the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/ No/[●]]
- 27 Whether TEFRA D/TEFRA C rules applicable or TEFRA rules not applicable: [TEFRA D/TEFRA C/TEFRA rules not applicable]

THIRD PARTY INFORMATION

[[●] has been extracted from [source]. The Royal Bank of Scotland plc confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of The Royal Bank of Scotland plc:

By:
Duly authorised

PART B – OTHER INFORMATION

1 LISTING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange’s regulated market with effect from [●]]/[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange’s regulated market with effect from [●]]
- (ii) Estimate of total expenses relating to admission to trading: [●]

2 RATINGS

- [The Notes to be issued have not been rated.]
- Ratings: [The Notes to be issued [have been rated] [are expected to be rated]:
[Standard & Poor’s: [●]]
[Moody’s Investors Service Limited: [●]] [Fitch Ratings Limited: [●]]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

[“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”]/[●]

4 YIELD

- Indication of yield: [●]
- Calculated as [●] on the Issue Date.
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5 HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/BBSW/BKBM/SHIBOR/SOR rates] can be obtained from [Reuters].

6 OPERATIONAL INFORMATION

- (i) ISIN: [●]
- (ii) Common Code: [●]
- (iii) CMU Instrument Number: [●]
- (iv) Clearing System: [Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*/Central Moneymarkets Unit Service]
- (v) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/Austraclear System/[●]]
- (vi) Names and addresses of additional Paying Agent(s) (if any): [●]/[Not Applicable]

(vii) Intended to be held in a manner which [Yes] [No]
would allow Eurosystem eligibility:

(viii) Australian Registrar other than BTA [•]/Not Applicable]
Institutional Services Australia Limited:

GENERAL INFORMATION AND RECENT DEVELOPMENTS

Authorisation

The establishment and/or updates of the Programme and/or the issue of Notes under the Programme have been duly authorised by resolutions of the Board of Directors of Royal Bank dated 27 October 1993, 25 January 1995, 24 January 1996, 22 January 1997, 28 January 1998, 27 January 1999, 26 January 2000, 31 January 2001, 20 February 2002, 30 March 2005, 29 March 2006, 28 March 2007, 23 April 2008, 29 April 2009 and 15 December 2009 and by resolutions of an authorised committee of the Board of Directors of Royal Bank dated 22 February 1994, 14 February 1995, 12 February 1996, 11 February 1997, 13 February 1998, 11 February 1999, 15 April 1999, 28 July 1999, 22 December 1999, 10 February 2000, 21 February 2000, 28 March 2001, 28 March 2002, 26 March 2003, 19 April 2004, 29 April 2005, 9 August 2005, 28 June 2006, 22 May 2007, 12 June 2008 and 15 June 2009. On 15 December 2009, the Board of Directors of Royal Bank approved the appointment of a committee to approve the establishment of, and/or updates to, and/or issuance of, notes under certain debt issuance programmes of the Royal Bank. On 8 February 2010, that committee established a sub-committee in relation to the Programme which authorised the update of the Programme on 8 June 2010, 6 June 2011, 22 February 2012 and 19 March 2013.

The addition of RBSG as an Issuer and/or the updates of the Programme and/or the issue of Notes under the Programme have been duly authorised by a resolution of the Board of Directors of RBSG dated 31 March 2004, 30 March 2005, 29 March 2006, 28 March 2007, 23 April 2008, 29 April 2009, 15 December 2009 and 20 January 2010 and by resolutions of an authorised committee of the Board of Directors of RBSG dated 19 April 2004, 29 April 2005, 9 August 2005, 28 June 2006, 22 May 2007, 12 June 2008 and 15 June 2009. On 15 December 2009 and 20 January 2010, the Board of Directors of RBSG approved the appointment of a committee to approve the establishment of, and/or updates to, and/or issuance of, notes under certain debt issuance programmes of RBSG. On 8 February 2010, that committee established a sub-committee in relation to the Programme which authorised the update of the Programme on 8 June 2010, 6 June 2011, 22 February 2012 and 19 March 2013.

Listing

Notes which are admitted to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of the Notes of that Tranche. The listing of the Programme in respect of such Notes is expected to be granted on or about 27 March 2013.

Issue Price

The issue price and amount of the relevant Notes will be determined before filing of the relevant Final Terms of each Tranche, based on prevailing market conditions.

Documents Available for Inspection or Collection

From the date hereof, so long as any of the Notes remains outstanding and throughout the life of the Programme, copies of the following documents will, when available, be available during usual business hours on a weekday (Saturdays, Sundays and public holidays excepted) for inspection at the principal office of each Issuer at RBS Gogarburn, PO Box 1000, Edinburgh EH12 1HQ and at the specified office of the Australian Registrar:

- (i) this Prospectus, any further or supplementary prospectuses relating to the Programme and each of the documents incorporated by reference into this Prospectus and any further or supplementary prospectuses;
- (ii) the amended and restated Programme Agreement, the Trust Deed (which contains the forms of the temporary and permanent global Notes, the definitive Notes, the Coupons and the Talons) and the amended and restated Agency Agreement;
- (iii) the Deed Poll in respect of Australian Domestic Notes;
- (iv) the Agency and Registry Agreement in respect of Australian Domestic Notes; and
- (v) any Final Terms in respect of Notes listed on any stock exchange and, in the case of a syndicated Tranche of Notes listed on any stock exchange, the syndication agreement (or equivalent document).

A Paying Agent will be maintained in London throughout the life of the Programme.

Unless otherwise stated in the applicable Final Terms, the relevant Issuer does not intend to provide post-issuance information in connection with any issue of Notes.

Clearing Systems

Euroclear and Clearstream, Luxembourg

The Notes (other than the Australian Domestic Notes issued by Royal Bank and CMU Notes) have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg. The appropriate codes for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be contained in the applicable Final Terms.

Austraclear System

Royal Bank will apply to Austraclear Limited (ABN 94 002 060 773) (“**Austraclear**”) for approval for each Series of Australian Domestic Notes to be traded on the settlement system operated by Austraclear (“**Austraclear System**”). Such approval by Austraclear is not a recommendation or endorsement by Austraclear of the Australian Domestic Notes. The address of Austraclear is 16-20 Bridge Street, Sydney, New South Wales, Australia.

If accepted for admission to the Austraclear System, interests in Australian Domestic Notes may be held through Euroclear or Clearstream, Luxembourg. In these circumstances, entitlements in respect of holdings of interests in the Australian Domestic Notes in Euroclear would be held in the Austraclear System by a nominee of Euroclear (currently Westpac Custodian Nominees Limited (ABN 18 002 861 565)) while entitlements in respect of holdings of interests in the Australian Domestic Notes in Clearstream, Luxembourg would be held in the Austraclear System by a nominee of Clearstream, Luxembourg (currently ANZ Nominees Limited (ABN 96 005 357 568)).

The rights of a holder of interests in Australian Domestic Notes held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg, the terms and conditions of agreements between Euroclear and Clearstream, Luxembourg and their respective nominee and the rules and regulations of the Austraclear System.

In addition, any transfer of interests in Australian Domestic Notes which is held through Euroclear or Clearstream, Luxembourg will, to the extent such transfer will be recorded on the Austraclear System, be subject to the Corporations Act 2001 of Australia and the requirements set out in Condition 1.

The relevant Issuer will not be responsible for the operation of the clearing arrangements which is a matter for the clearing institutions, their nominees, their participants and the investors.

Transactions will normally be effected for settlement not earlier than three business days after the date of the relevant transaction.

CMU Service

The CMU Service is a central depository service provided by the Central Moneymarkets Unit of the Hong Kong Monetary Authority (the “HKMA”) for the safe custody and electronic trading between the members of this service (the “CMU Members”) of capital markets instruments (the “CMU Instruments”) which are specified in the CMU Service Reference Manual as capable of being held within the CMU Service. The CMU Service is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU Service is open to all members of the Hong Kong Capital Markets Association and “authorised institutions” under the Banking Ordinance (Cap. 155) of Hong Kong. Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU Service is limited. In particular (and unlike Euroclear and Clearstream, Luxembourg), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the payment or notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are to be credited or notices in respect of the relevant CMU Instruments are to be delivered, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor may hold an interest in any Notes cleared through the CMU Service through an account with either Euroclear or Clearstream, Luxembourg. If that is the case, such investor will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU Service.

The current address of the CMU Service is 55th Floor, Two International Finance Centre, 8 Finance Street Central, Hong Kong.

Other Clearing Systems

If the Notes are to be cleared through an additional or alternative clearing system, the appropriate information will be contained in the applicable Final Terms.

Banking Regulation

Neither Issuer may redeem, substitute, vary or purchase any Tier 2 Notes (save for redemption on their scheduled maturity date) other than (i) following prior notification to, and receiving no objection from and/or receiving the consent of, the Financial Services Authority (as the same may be required from time to time) and (ii) as permitted by the Terms and Conditions.

Australian Regulatory Controls

Regulations in Australia restrict or prohibit payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities subject to international sanctions or associated with terrorism.

Dealers transacting with the Issuers

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuers and their affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers or Issuers' affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers routinely hedge their credit exposure to the Issuers consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

THE ISSUERS

Registered Office

The Royal Bank of Scotland Group plc

36 St Andrew Square
Edinburgh
EH2 2YB

Tel: +44 (0)131 556 8555

Principal Office

The Royal Bank of Scotland Group plc

RBS Gogarburn
PO Box 1000
Edinburgh

Tel: +44 (0)131 626 0000

Registered Office

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EH12 1HQ

Tel: +44 (0)131 626 0000

The Royal Bank of Scotland plc

Australia Branch
Level 48
Australia Square Tower
264-278 George Street
Sydney NSW 2000
Australia

Tel: +61 2 9004 2100

The Royal Bank of Scotland plc

Tokyo Branch
Shin-Marunouchi Center Building,
1-6-2 Marunouchi
Chiyoda-ku, Tokyo 100-0005
Japan

Tel: +81 3 6266 3380

THE TRUSTEE

The Law Debenture Trust Corporation p.l.c.

Fifth Floor
100 Wood Street
London EC2V 7EX

AGENT

The Bank of New York Mellon

One Canada Square
London E14 5AL

AUSTRALIAN REGISTRAR

BTA Institutional Services Australia Limited

(ABN 48 002 916 396)
225 George Street
Sydney NSW 2000
Australia

PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.
Vertigo Building-Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

CMU LODGING AND PAYING AGENT

The Bank of New York Mellon, acting through its Hong Kong Branch
Level 24, Three Pacific Place
1 Queen's Road East
Hong Kong

LEGAL ADVISERS

*To the Issuers
as to English law*

Linklaters LLP
One Silk Street
London EC2Y 8HQ

*To the Issuers
as to Scottish law*

Dundas & Wilson C.S. LLP
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EN

*To the Issuers as to the laws of New South
Wales and the Commonwealth of Australia*

King & Wood Mallesons
3rd Floor
10 Old Broad Street
London EC2N 1DW

To the Issuers as to Japanese law

Gaikokuho Kyodo-Jigyo Horitsu Jimusho

Linklaters
Meiji Yasuda Building 10th Floor
1-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-0005

To the Issuers as to Singapore law

Allen & Gledhill LLP
One Marina Boulevard
#28-00
Singapore 018989

To the Dealers and the Trustee as to English law

Allen & Overy LLP
One Bishops Square
London E1 6AD

DEALERS

BNP Paribas

10 Harewood Avenue
London NW1 6AA
Attention: MTN Desk

Citigroup Global Markets Limited

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
Attention: MTN Desk

Credit Suisse (Securities) Europe Limited

One Cabot Square
London E14 4QJ
Attention: MTN Trading Desk

Deutsche Bank AG, London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
Attention: PPSN Trading Desk

Goldman Sachs International

Peterborough Court
133 Fleet Street
London EC4A 2BB
Attention: Euro Medium Term Note Desk

J.P. Morgan Securities plc

25 Bank Street
Canary Wharf
London E14 5JP
Attention: Euro Medium Term Note Desk

Merrill Lynch International

2 King Edward Street
London EC1A 1HQ
Attention: EMTN Trading and Distribution Desk

Mizuho International plc

Bracken House
One Friday Street
London EC4M 9JA
Attention: MTN Trading Desk

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
Attention: Global Capital Markets – Head of Transaction
Management Group

Nomura International plc

1 Angel Lane
London EC4 3AB
Attention: Fixed Income Syndicate

Société Générale

29 boulevard Haussmann
75009 Paris
France
Attention: Syndicate desk GLFI/SYN/CAP/BND

The Royal Bank of Scotland plc

135 Bishopsgate
London EC2M 3UR
Attention: Euro Medium Term Note Desk

UBS Limited

1 Finsbury Avenue
London EC2M 2PP
Attention: MTNs and Private Placements

INDEPENDENT PUBLIC ACCOUNTANTS

To the Issuers

Deloitte LLP
Chartered Accountants
2 New Street Square
London EC4A 3BZ

OFFERING CIRCULAR - APPLICABLE TO NON PD NOTES

PAGES 121 TO 195 INCLUSIVE OF THIS OFFERING MEMORANDUM COMPRISE AN OFFERING CIRCULAR (THE “OFFERING CIRCULAR”). THE OFFERING CIRCULAR HAS BEEN PREPARED BY THE ISSUERS IN CONNECTION WITH THE ISSUANCE OF NOTES OTHER THAN NOTES TO BE ADMITTED TO THE OFFICIAL LIST OF THE UK LISTING AUTHORITY AND TO BE ADMITTED TO TRADING ON THE LONDON STOCK EXCHANGE’S REGULATED MARKET (“NON PD NOTES”). THE OFFERING CIRCULAR HAS NOT BEEN REVIEWED OR APPROVED BY THE UK LISTING AUTHORITY AND DOES NOT CONSTITUTE A PROSPECTUS FOR THE PURPOSES OF THE DIRECTIVE 2003/71/EC, AS AMENDED (THE “PROSPECTUS DIRECTIVE”).

The Offering Circular is to be read in conjunction with the following sections of the prospectus (pages 1 to 120 inclusive of this Offering Memorandum) (the “Prospectus”) (save as amended herein):

- Overview of the Programme;
- Risk Factors;
- General Description of the Programme;
- Documents Incorporated by Reference;
- Form of the Notes;
- Use of Proceeds;
- United Kingdom Taxation;
- Australian Taxation;
- Japanese Taxation;
- Subscription and Sale; and
- General Information and Recent Developments,

each of which shall be deemed to be incorporated by reference herein. This Offering Circular shall be read and construed on the basis that such sections of the Prospectus are so incorporated and form part of this Offering Circular.

On 22 February 1994, The Royal Bank of Scotland plc entered into a £1,500,000,000 (since increased from time to time to £90,000,000,000) Euro Medium Term Note Programme (the “Programme”) and issued a prospectus on that date describing the Programme. Further prospectuses describing the Programme were issued by The Royal Bank of Scotland Group plc (an “Issuer” or “RBSG”) and The Royal Bank of Scotland plc (an “Issuer” or “Royal Bank” or “RBS” and, together with RBSG, the “Issuers” and each an “Issuer”), the latest prospectus being issued on 24 February 2012. The Issuers may, pursuant to the Prospectus, issue notes to be admitted to the Official List of the UK Listing Authority and to be admitted to trading on the London Stock Exchange’s regulated market (“PD Notes”, and together with the Non PD Notes, the “Programme Notes”). Non PD Notes denominated in Australian dollars and issued in the Australian domestic capital markets (“Australian Domestic Notes”) may be issued by Royal Bank acting either through an office outside Australia or through its Australian Branch (“RBS Australia Branch”). Accordingly, a reference in this Offering Circular to the issue of Australian Domestic Notes by Royal Bank is, as the context requires, a reference to whichever of Royal Bank or RBS Australia Branch is the Issuer of the Australian Domestic Notes as specified in the applicable Pricing Supplement. Ordinary Non PD Notes may be issued by

RBSG, Royal Bank acting either through an office outside Japan or through its Tokyo branch, The Royal Bank of Scotland plc Tokyo Branch (“**RBS Tokyo Branch**”) or RBS Australia Branch. Accordingly, a reference in this Offering Circular to the issue of Ordinary Non PD Notes by Royal Bank is, as the context requires, a reference to whichever of Royal Bank, RBS acting through its Tokyo Branch or RBS acting through its Australia Branch is the Issuer of the Ordinary Non PD Notes as specified in the applicable Pricing Supplement. Any Non PD Notes issued under the Programme on or after the date of this Offering Circular are issued subject to the provisions described herein. This does not affect any Non PD Notes issued before the date of this Offering Circular.

Under the Programme, each of RBSG and RBS may, subject to compliance with all relevant laws, regulations and directives, from time to time, issue Non PD Notes denominated in any currency agreed by the relevant Issuer and the relevant Dealer(s) (as defined below). The maximum aggregate nominal amount of all Programme Notes from time to time outstanding will not exceed £90,000,000,000 (or its equivalent in other currencies, subject to increase as provided herein). Non PD Notes to be issued under the Programme may comprise (i) unsubordinated Non PD Notes (the “**Ordinary Non PD Notes**”) and Non PD Notes which are subordinated as described herein with a maturity date and with terms capable of qualifying as Tier 2 Capital (as defined herein) (the “**Tier 2 Non PD Notes**”). Neither RBS acting through its Australia Branch nor RBS acting through its Tokyo Branch may issue Tier 2 Non PD Notes.

The Non PD Notes may be issued on a continuing basis to one or more of the Dealers specified under “Overview of the Programme” (incorporated by reference herein) and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a “**Dealer**” and together the “**Dealers**”).

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and quotation for any Non PD Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Non PD Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular. There is no assurance that the application to the SGX-ST for the listing of the Non PD Notes will be approved. Admission to the Official List of the SGX-ST and quotation of any Non PD Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuers, their respective subsidiaries, the Programme or the Non PD Notes. Notice of the aggregate nominal amount of Non PD Notes, interest (if any) payable in respect of Non PD Notes, the issue price of Non PD Notes and other information which is applicable to each Tranche of Non PD Notes will be set out in a pricing supplement document (the “**Pricing Supplement**”) which, with respect to Non PD Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the date of listing of the Non PD Notes of such Tranche.

The Programme provides that Non PD Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the relevant Issuer and the relevant Dealer(s). The Issuers may also issue unlisted Non PD Notes and/or Non PD Notes not admitted to trading on any market.

Prospective investors should ensure that they understand the nature of the relevant Non PD Notes and the extent of their exposure to risks and that they consider the suitability of the relevant Non PD Notes as an investment in the light of their own circumstances and financial condition. It is the responsibility of prospective purchasers to ensure that they have sufficient knowledge, experience and professional advice to make their own legal, financial, tax, accounting and other business evaluation of the merits and risks of investing in the Non PD Notes and are not relying on the advice of the Issuers, the Trustee (as defined herein) or any Dealer in that regard. Prospective investors should consider carefully the risks set forth under “Risk Factors” (incorporated by reference herein) prior to making investment decisions with respect to the Non PD Notes.

Each of the Issuers may agree with any Dealer that Non PD Notes may be issued in a form not contemplated by the terms and conditions of the Non PD Notes herein, in which event, in the case of listed Non PD Notes only and if appropriate, a supplementary offering circular or drawdown offering circular will be published, or such additional terms will be set out in the applicable Pricing Supplement.

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

Non PD Notes issued under the Programme may be rated or unrated. Where an issue of a certain series of Non PD Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme (if any) and (where applicable) such rating will be specified in the applicable Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

This Offering Circular has been prepared for the purpose of giving information with regard to the Issuers and their subsidiaries, which, according to the particular nature of each Issuer and the Non PD Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the relevant Issuer.

RBSG (whose registered office address appears on page 193 of this Offering Circular) accepts responsibility for the information contained herein (save for the RBS Information (as defined below)) and to the best of its knowledge, such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

RBS (whose registered office address appears on page 193 of this Offering Circular) accepts responsibility for the information contained herein (save for the RBSG Information (as defined below)) and to the best of its knowledge, such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

For the purposes of the previous paragraph:

“**RBS Information**” means: (i) the RBS Registration Document (as defined in “Documents Incorporated by Reference”) incorporated by reference herein; (ii) the section headed “Forms of Pricing Supplement – Part II – Applicable Pricing Supplement for Issues by RBS”; and (iii) the information incorporated by reference into this Offering Circular pursuant to paragraphs (g) to (i) in the section headed “Documents Incorporated by Reference”; and

“**RBSG Information**” means: (i) the RBSG Registration Document (as defined in “Documents Incorporated by Reference”) incorporated by reference herein; and (ii) the section headed “Forms of Pricing Supplement – Part I – Applicable Pricing Supplement for Issues by RBSG”.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NON PD NOTES FROM AN OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE NON PD NOTES TO AN INVESTOR BY AN OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. NEITHER ISSUER WILL BE A PARTY TO ANY SUCH ARRANGEMENTS WITH INVESTORS (OTHER THAN THE

DEALERS) IN CONNECTION WITH THE OFFER OR SALE OF THE NON PD NOTES AND, ACCORDINGLY, THIS OFFERING CIRCULAR AND ANY PRICING SUPPLEMENT WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION. NEITHER ISSUER HAS ANY RESPONSIBILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

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

Royal Bank is authorised as a foreign authorised deposit-taking institution to carry on banking business in Australia under the Banking Act 1959 of Australia with Australian Business Number 30 101 464 528. Australian Domestic Notes will be issued by, and will constitute obligations of, Royal Bank acting through its Australia Branch as specified in the applicable Pricing Supplement. Different tax consequences may arise depending upon whether the Australian Domestic Notes are issued by Royal Bank acting through its Australia Branch. For further information, refer to “Australian Taxation” (incorporated by reference herein).

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

Royal Bank is licensed as a branch office of a foreign bank to carry on banking business in Japan under the Banking Act of Japan (Act No. 59 of 1981). Different tax consequences may arise depending upon whether the Ordinary Non PD Notes are issued by Royal Bank or RBS acting through its Tokyo Branch. For further information, refer to “Japanese Taxation” (incorporated by reference herein).

The Non PD Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), and Bearer Notes are (unless (i) the applicable Pricing Supplement indicates that the Limited Exchange Event as defined in “Form of the Notes – Bearer Notes” applies and (ii) the Notes are treated as issued in registered form for U.S. federal income tax purposes) subject to U.S. tax law requirements under the U.S. Tax Equity and Fiscal Responsibility Act of 1982. Subject to certain exceptions,

Non PD Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see “Subscription and Sale” (incorporated herein by reference)).

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

No person has been authorised to give any information or to make any representation not contained in or which is inconsistent with this Offering Circular (including the information incorporated by reference herein) and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuers, any of the Dealers, the Australian Registrar, the Agent, the other Paying Agents or the Trustee.

This Offering Circular (including the information incorporated by reference herein) (i) is not intended to provide the basis of any credit or other evaluation and (ii) should not be considered as a recommendation or a statement of opinion (or a report of either of those things) by the Issuers, any of the Dealers, the Australian Registrar, the Agent, the other Paying Agents or the Trustee that any recipient of this Offering Circular (including the information incorporated by reference herein) should purchase any Non PD Notes. Prospective investors should have regard to the factors described under, and referred to in, the section headed “Risk Factors” (incorporated herein by reference). Each investor contemplating purchasing any Non PD Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer. This Offering Circular (including the information incorporated by reference herein) does not constitute an offer or invitation by or on behalf of the Issuers, any of the Dealers, the Australian Registrar, the Agent, the other Paying Agents or the Trustee to any person to subscribe for or to purchase any Non PD Notes.

The delivery of this Offering Circular does not at any time imply that the information contained in this Offering Circular (including the information incorporated by reference herein) concerning either Issuer is correct at any time subsequent to the date of this Offering Circular. The Dealers, the Australian Registrar, the Agent, the other Paying Agents and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuers or any of their subsidiaries during the life of the Programme.

The Issuers, the Dealers, the Australian Registrar, the Agent, the other Paying Agents and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that the Non PD Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuers, the Dealers, the Australian Registrar, the Agent, the other Paying Agents or the Trustee which is intended to permit a public offering of the Non PD Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, the Non PD Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented accordingly.

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

reference)). In the United Kingdom, this document is being distributed only to, and is directed only at, investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) or who fall within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as “**Relevant Persons**”). This document must not be acted on or relied on in the United Kingdom by persons who are not Relevant Persons. Any investment or investment activity to which this communication relates is available only to Relevant Persons and will be engaged in only with Relevant Persons.

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

All references in this Prospectus to “**PRC**” are to the People’s Republic of China, which for the purpose of this Offering Circular shall exclude the Hong Kong Special Administrative Region of the People’s Republic of China, the Macao Special Administrative Region of the People’s Republic of China and Taiwan.

Non PD Notes may not be a suitable investment for all investors. Each potential investor in any Non PD Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Non PD Notes, the merits and risks of investing in the relevant Non PD Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement and all information contained in the applicable Pricing Supplement;**
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Non PD Notes and the impact such investment will have on its overall investment portfolio;**
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Non PD Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;**
- (iv) understand thoroughly the terms of the relevant Non PD Notes and be familiar with any relevant indices and financial markets; and**
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

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

Each potential investor should consult its own financial and legal advisers about the risks entailed by an investment in any Non PD Notes with returns that are calculated with reference to a variable and the suitability of such Non PD Notes in light of the potential investor's particular circumstances.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Non PD Notes are legal investments for it, (2) Non PD Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Non PD Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Non PD Notes under any applicable risk-based capital or similar rules.

In connection with the issue of any Tranche of Non PD Notes, one or more relevant Dealers (if any) (the "Stabilising Manager(s)") (or any person acting on behalf of any Stabilising Manager(s)) named as Stabilising Manager in the applicable Pricing Supplement may, outside Australia and on a market operated outside Australia, over-allot Non PD Notes or effect transactions with a view to supporting the market price of the Non PD Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Non PD Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Non PD Notes and 60 days after the date of the allotment of the relevant Tranche of Non PD Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

Save to the extent specified herein, terms defined in the sections of the Prospectus incorporated by reference herein shall have the same meaning when used in this Offering Circular.

For the purposes of the issue of Non PD Notes, those sections of the Prospectus incorporated by reference herein shall be deemed to be amended and supplemented as follows:

1 Defined Terms

- 1.1 All references to the "Prospectus" shall be deemed to be references to the "Offering Circular".
- 1.2 All references to the "Terms and Conditions of the Ordinary and Tier 2 Notes" shall be deemed to be references to the "Terms and Conditions of the Ordinary and Tier 2 Notes" set out in Schedule A to the Offering Circular.
- 1.3 All references to "Final Terms" shall be deemed to be references to the "Pricing Supplement" set out in Schedule B to the Offering Circular.
- 1.4 All references to "Notes" shall be deemed to be references to "Non PD Notes".

2 Insertions

- 2.1 On page 8 of the Prospectus in the "Overview of the Programme" section, the following shall be deemed to be inserted in the "Listing and admission to trading" field for the purposes of the Offering Circular:

"Application has been made to the SGX-ST for permission to deal in and quotation for any Non PD Notes which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Non PD Notes have been admitted to the Official List of the

SGX-ST. There is no assurance that the application to the SGX-ST for the listing of the Non PD Notes will be approved. For so long as any Non PD Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Non PD Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies).

For so long as any Non PD Notes are listed on the SGX-ST and the rules of the SGX-ST so require, a Paying Agent in Singapore will be appointed and maintained in the event that the Notes are issued in definitive form. In addition, in the event that any of the Global Notes are exchanged for definitive Notes, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

The Non PD Notes may also be listed on such other or further stock exchanges(s) or markets as may be agreed between the relevant Issuer and the relevant Dealer(s) in relation to each issue. Unlisted Non PD Notes and/or Non PD Notes not admitted to trading on any market may also be issued.”

- 2.2 In addition to the Notes which may be issued under the Programme as described in “Overview of the Programme”, the Issuers may issue Notes on such other terms as may be set out in the applicable Pricing Supplement.
- 2.3 On page 77 of the Prospectus in the “United Kingdom Taxation” section, the following shall be deemed to be inserted after the second sentence of the sub-section “Interest” for the purposes of the Offering Circular:

“The SGX-ST is also a recognised stock exchange for these purposes. The Australian Domestic Notes will be treated as listed on the SGX-ST if they are both admitted to trading on the main board of the SGX-ST, and are officially listed in Singapore in accordance with the provisions corresponding to those generally applicable in EEA states.”

- 2.4 On page 114 of the Prospectus in the “General Information and Recent Developments” section of the Prospectus, the following shall be deemed to be inserted after the first paragraph in the “Listing” section:

“Application has been made to the SGX-ST for permission to deal in and quotation for any Non PD Notes that may be issued pursuant to the Programme and which are agreed on or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Non PD Notes have been admitted to the Official List of the SGX-ST. Admission to the Official List of the SGX-ST and quotation of any Non PD Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or such Non PD Notes. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. The Non PD Notes will trade on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) so long as any of the Non PD Notes remain listed on the SGX-ST and the rules of the SGX-ST so require.”

3 Supplemental Offering Circular

The Issuers will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Non PD Notes, prepare a supplement to this Offering Circular or publish a new offering circular for use in connection with any subsequent issue of Non PD Notes.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify

or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

SCHEDULE A
TERMS AND CONDITIONS OF THE ORDINARY AND TIER 2 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 the section headed “Forms of Pricing Supplements” for the forms of applicable Pricing Supplements which will include the definition of certain terms used in the following Terms and Conditions.

In these Terms and Conditions, the expression “**Notes**” shall mean (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency (each as defined in the applicable 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 22 February 1994 as subsequently modified and/or supplemented and/or restated from time to time, most recently by a Thirty First Supplemental Trust Deed dated 22 March 2013 made between The Royal Bank of Scotland plc (“**Royal Bank**” or an “**Issuer**”), The Royal Bank of Scotland Group plc (“**RBSG**” or an “**Issuer**” and, together with Royal Bank, the “**Issuers**”) and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”, which expression shall include any successor as trustee) as Trustee for the holders for the time being of the Notes (the “**Noteholders**”, which expression shall, in relation to any Notes represented by a global Note, be construed as provided in Condition 1 below) (the Original Trust Deed as so modified and as further modified and/or supplemented and/or restated from time to time, the “**Trust Deed**”), or (b) in the case of Australian Domestic Notes, the Deed Poll (as defined in Condition 1). References in Conditions 1 to 19 (inclusive) to “**the Issuer**” are to the entity named as such in the applicable Pricing Supplement. In the case of Ordinary Notes, the “**Issuer**” named in the applicable Pricing Supplement may either be RBSG, the Royal Bank, The Royal Bank of Scotland plc acting through its Australian branch (“**RBS Australia Branch**”) or The Royal Bank of Scotland plc acting through its Tokyo branch (“**RBS Tokyo Branch**”). In the case of Australian Domestic Notes, the “**Issuer**” named in the applicable Pricing Supplement may either be The Royal Bank of Scotland plc or RBS acting through its Australia Branch. Neither RBS acting through its Australia Branch nor RBS acting through its Tokyo Branch may issue Tier 2 Notes (as defined below). Accordingly, a reference in these Terms and Conditions to Royal Bank is, as the context requires, a reference to whichever of Royal Bank, RBS acting through its Australia Branch or RBS acting through its Tokyo Branch is the Issuer of the Notes as specified 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), respectively.

Payments in respect of the Notes (other than Australian Domestic Notes) will be made under an amended and restated Agency Agreement dated 22 March 2013 and made between the Issuers, The Bank of New York Mellon as agent (the “**Agent**”, which expression shall include any successor as agent), The Bank of New York Mellon (Luxembourg) S.A. as a further paying agent, The Bank of New York Mellon, acting through its Hong Kong Branch as CMU lodging agent and paying agent (the “**CMU Lodging and Paying Agent**”, which

expression shall include any successor CMU Lodging and Paying Agent) (the CMU Lodging and Paying Agent together with the Agent, The Bank of New York Mellon (Luxembourg) S.A. and any additional or successor paying agent(s), the “**Paying Agents**”) and the Trustee (such Agreement as further amended, supplemented or restated from time to time, the “**Agency Agreement**”).

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

Notes may be issued at such times as shall be agreed between the relevant Issuer and the relevant Dealer(s) pursuant to an amended and restated Programme Agreement dated 22 March 2013 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 (as defined below), which may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Terms and Conditions, replace or modify them for the purposes of this Note. References herein to the “**applicable Pricing Supplement**” are to Part A of 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, 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, free of charge, at the registered office of the Trustee being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. A copy of the applicable 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 Agency and Registry Agreement and the applicable Pricing Supplement in relation to Australian Domestic Notes issued by Royal Bank may be obtained from the specified office of the Australian Registrar. In the case of Notes other than Australian Domestic Notes, the Noteholders, the holders of the Coupons (the “**Couponholders**”) and the holders of the Talons (the “**Talonholders**”) will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement, which will be binding on them. In the case of Australian Domestic Notes, the Noteholders will be deemed to have notice of, and will be entitled to the benefit of, all the provisions of the Deed Poll and the Agency and Registry Agreement, which will be binding on them. Words and expressions defined in the Trust Deed shall have the same meanings where used herein unless the context otherwise requires or unless otherwise stated.

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

As used herein, “**CNY**”, “**RMB**” and “**Renminbi**” each mean the currency of the PRC and “**PRC**” means the People’s Republic of China which for the purpose of these Terms and Conditions, excludes the Hong Kong Special Administrative Region of the PRC, the Macao Special Administrative Region of the PRC and Taiwan.

1 Form, Denomination and Title

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

This Note may (i) bear interest calculated by reference to one or more fixed rates of interest (such Note, a “**Fixed Rate Note**”), (ii) bear interest calculated by reference to, in the case of an initial period, an initial fixed rate of interest and, thereafter, the applicable fixed rate of interest that has been determined pursuant to the reset provisions contained in these Terms and Conditions, by reference to a mid-market swap rate for the Specified Currency (such Note, a “**Reset Note**”), (iii) bear interest calculated by reference to one or more floating rates of interest (such Note, a “**Floating Rate Note**”), (iv) be issued on a non-interest bearing basis and be offered and sold at a discount to its nominal amount (such Note, a “**Zero Coupon Note**”), (v) be a combination of any of the foregoing or (vi) be in any other form, depending upon the Interest/Payment Basis or other relevant provisions shown in the applicable Pricing Supplement.

In addition, the Notes will provide that the rights of Noteholders with regard to payments of principal will either be (i) unsubordinated (“**Ordinary Notes**”) or (ii) subordinated in the manner described under Condition 2(b) below with a fixed redemption date and with terms capable of qualifying as Tier 2 Capital (the “**Tier 2 Notes**”). The term “**Tier 2 Capital**” has the meaning given in the Capital Regulations (as defined in Condition 5(1)).

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

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

For so long as any of the Notes in this Tranche is represented by a global Note held by or on behalf of the Hong Kong Monetary Authority as operator (the “**CMU Operator**”) of the Central Moneymarkets Unit Service (“**CMU Service**”), each person for whose account a relevant interest in such global Note is credited as being held by the CMU Operator, as notified to the CMU Lodging and Paying Agent by the CMU Operator in a relevant CMU Instrument Position Report or in any other relevant notification by the CMU Operator

(which notification, in either case, shall be conclusive evidence of the records of the CMU Operator save in the case of manifest error) shall be deemed to be the holder of a corresponding nominal amount of the Notes (and the holder of the relevant global Note shall not be deemed to be the holder) for all purposes other than with respect to the payment of principal or interest on such Notes, the right to which shall be vested, as against the Issuer, the Trustee and the CMU Lodging and Paying Agent, solely in the bearer of such global Note and for which purpose the bearer of such global Note shall be deemed to be the holder of such nominal amount of such Notes 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). For these purposes, a notification from the CMU Service shall be conclusive and binding evidence of the identity of any holder of Notes and the nominal amount of any Notes represented by such global Note credited to its account (save in the case of manifest error).

Any reference to “**CMU Notes**” means Bearer Notes denominated in any currency which the CMU Service accepts for settlement from time to time that are, or are intended to be, initially cleared through the CMU Service.

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

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

Australian Domestic Notes are debt obligations of Royal Bank owing under the amended and restated Deed Poll executed on 18 June 2007 by Royal Bank in favour of the relevant Noteholders and the Trustee (as supplemented or amended from time to time, the “**Deed Poll**”) and take the form of entries in a register (the “**Australian Register**”) to be maintained by BTA Institutional Services Australia Limited (ABN 48 002 916 396) or such other Australian registrar appointed by Royal Bank 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 Royal Bank to the relevant Noteholder. No certificate or other evidence of title will be issued by or on behalf of Royal Bank to evidence title to an Australian Domestic Note unless Royal Bank determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

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

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

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

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

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

Australian Domestic Notes may only be transferred in, to or from Australia if (a) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place, (b) the aggregate consideration payable by the transferee at the time of transfer is at least A\$500,000 (disregarding moneys lent by the transferor or its associates) or the transfer otherwise does not require disclosure to investors under Part 6D.2 of the Corporations Act 2001 of Australia and (c) the transfer is in compliance with all applicable laws, regulations or directives. Australian Domestic Notes may only be transferred between persons in a jurisdiction or jurisdictions other than Australia if (y) a transfer and acceptance form is signed outside Australia, and (z) the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place. A transfer to an unincorporated association is not permitted.

In these Terms and Conditions:

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

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

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

2 Status of the Notes

(a) *Status of the Ordinary Notes*

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

(b) *Status of the Tier 2 Notes*

(i) *Status*

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

(ii) *Subordination*

In the event of the Winding Up or Qualifying Administration (each as defined in Condition 2(c) below) of the Issuer, the rights and claims of the holders of the Tier 2 Notes (the “**Tier 2 Noteholders**”) and the Coupons (if any) relating thereto (the “**Tier 2 Coupons**”, and “**Tier 2 Couponholders**”) will be construed accordingly) against the Issuer in respect of or arising under the Tier 2 Notes and the relative Tier 2 Coupons and the Trust Deed will be subordinated in the manner provided in this paragraph (ii) and in the Trust Deed to the claims of all Senior Creditors (as defined in this paragraph (ii)) but shall rank at least *pari passu* with the claims of holders of all other subordinated obligations (including guarantee obligations) of the Issuer and shall rank in priority to the claims of holders of all undated or perpetual subordinated obligations (including guarantee obligations) of the Issuer and to the claims of holders of all classes of share capital of the Issuer. As used in this paragraph (ii) and paragraph (iii) below, “**Senior Creditors**” means creditors of the Issuer whose claims are admitted to proof in the winding up or administration of the Issuer and who are unsubordinated creditors of the Issuer.

(iii) *Set-Off*

Subject to applicable law, neither any Tier 2 Noteholder or Tier 2 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 Tier 2 Notes or the Tier 2 Coupons and each Tier 2 Noteholder and Tier 2 Couponholder shall, by virtue of his subscription, purchase or holding of any Tier 2 Note or Tier 2 Coupon, be deemed to have waived all such rights of set off. To the extent that any set off takes place, whether by operation of law or otherwise, between: (y) any amount owed by the Issuer to a Tier 2 Noteholder or a Tier 2 Couponholder arising under or in connection with the Tier 2 Notes or the Tier 2 Coupons; and (z) any amount owed to the Issuer by such Tier 2 Noteholder or, as the case may be, Tier 2 Couponholder, such Tier 2 Noteholder or, as the case may be, Tier 2 Couponholder will immediately transfer such amount which is set off to the Issuer or, in the event of its winding up or administration (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held on trust for the Senior Creditors.

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

(c) *Definitions*

In these Terms and Conditions:

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

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

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

3 Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date specified in the applicable Pricing Supplement at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the date(s) so specified in the applicable Pricing Supplement on which interest is payable in each year (each, an “**Interest Payment Date**”) (subject to adjustment as described below) and on the Maturity Date so specified if that does not fall on an Interest Payment Date. If the Notes are in definitive form, except as provided in the applicable 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 the Modified Following Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date (or other date) should occur or (y) if any Interest Payment Date (or other date) would otherwise fall on a day which is not a Business Day, then 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. Unless the applicable Final Terms specify that the Business Day Convention is “adjusted”, any such adjustment to an Interest Payment Date (or other date) shall not affect the amount of interest payable in respect of a Fixed Rate Note and, for the purposes of the determination of any amount in respect of interest and the applicable Day Count Fraction, the number of days in the relevant period shall be calculated on the basis that no adjustment has been made to the relevant Interest Payment Date (or other date).

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

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

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

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

- (i) If “**Actual/Actual (ICMA)**” is specified in the applicable 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;
- (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;
- (iii) 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); and
- (iv) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365.

In this Condition:

“**Business Day**” has the meaning given to it in Condition 3(c)(i);

“**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 given to it in Condition 3(c)(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 Reset Notes*

(i) Rates of Interest and Interest Payment Dates

Each Reset Note bears interest:

- (i) from (and including) the Interest Commencement Date specified in the applicable Pricing Supplement until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;
- (ii) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Pricing Supplement, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and
- (iii) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

payable, in each case, in arrear on the date(s) so specified in the applicable Pricing Supplement on which interest is payable in each year (each an “**Interest Payment Date**”) (subject to adjustment as described in the second paragraph of Condition 3(a)) and on the Maturity Date if that does not fall on an Interest Payment Date. The Rate of Interest and the amount of interest (the “**Interest Amount**”) payable shall be determined by the Calculation Agent, (A) in the case of the Rate of Interest, at or as soon as practicable after each time at which the Rate of Interest is to be determined, and (B) in the case of the Interest Amount in accordance with the provisions for calculating amounts of interest in Condition 3(a) and, for such purposes, references in the second and third paragraphs of Condition 3(a) to “Fixed Rate Notes” shall be deemed to be to “Reset Notes” and Condition 3(a) shall be construed accordingly.

In these Terms and Conditions:

“**First Margin**” means the margin specified as such in the applicable Pricing Supplement;

“**First Reset Date**” means the date specified in the applicable Pricing Supplement;

“**First Reset Period**” means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Pricing Supplement, the Maturity Date;

“**First Reset Rate of Interest**” means, in respect of the First Reset Period and subject to Condition 3(b)(ii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the First Margin;

“**Initial Rate of Interest**” has the meaning specified in the applicable Pricing Supplement;

“**Mid-Market Swap Rate**” means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the frequency with which scheduled interest payments are payable on the Notes during the relevant Reset Period (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap

market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Pricing Supplement) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

“**Mid-Market Swap Rate Quotation**” means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

“**Mid-Swap Floating Leg Benchmark Rate**” means EURIBOR if the Specified Currency is euro or LIBOR for the Specified Currency if the Specified Currency is not euro;

“**Mid-Swap Rate**” means, in relation to a Reset Determination Date and subject to Condition 3(b)(ii), either:

- (i) if Single Mid-Swap Rate is specified in the applicable Pricing Supplement, the rate for swaps in the Specified Currency:
 - (A) with a term equal to the relevant Reset Period; and
 - (B) commencing on the relevant Reset Date,
which appears on the Relevant Screen Page; or
- (ii) if Mean Mid-Swap Rate is specified in the applicable Pricing Supplement, the arithmetic mean, (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the bid and offered swap rate quotations for swaps in the Specified Currency:
 - (A) with a term equal to the relevant Reset Period; and
 - (B) commencing on the relevant Reset Date,
which appear on the Relevant Screen Page,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

“**Rate of Interest**” means the Initial Rate of Interest, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest, as applicable;

“**Reset Date**” means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable), in each case as adjusted (if so specified in the applicable Pricing Supplement) in accordance with Condition 3(a) as if the relevant Reset Date was an Interest Payment Date;

“**Reset Determination Date**” means, in respect of the First Reset Period, the second Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Business Day prior to the first day of each such Subsequent Reset Period;

“**Reset Period**” means the First Reset Period or a Subsequent Reset Period, as the case may be;

“**Second Reset Date**” means the date specified in the applicable Pricing Supplement;

“**Subsequent Margin**” means the margin specified as such in the applicable Pricing Supplement;

“**Subsequent Reset Date**” means the date or dates specified in the applicable Pricing Supplement;

“**Subsequent Reset Period**” means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date; and

“**Subsequent Reset Rate of Interest**” means, in respect of any Subsequent Reset Period and subject to Condition 3(b)(ii), the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

(ii) *Fallbacks*

If on any Reset Determination Date the Relevant Screen Page is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, the Calculation Agent shall request each of the Reference Banks (as defined below) to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one or none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be determined to be the Rate of Interest as at the last preceding Reset Date or, in the case of the first Reset Determination Date, the First Reset Rate of Interest shall be the Initial Rate of Interest.

For the purposes of this Condition 3(b)(ii) “**Reference Banks**” means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

(iii) *Notification of First Reset Rate of Interest, Subsequent Reset Rate of Interest and Interest Amount*

The Calculation Agent will cause the First Reset Rate of Interest, any Subsequent Reset Rate of Interest and, in respect of a Reset Period, the Interest Amount payable on each Interest Payment Date falling in such Reset Period to be notified to the Issuer, the Agent and any stock exchange or other relevant authority on which the relevant Reset 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 a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London) thereafter.

(iv) *Determination or Calculation by Trustee*

If for any reason the Calculation Agent defaults in its obligation to determine the First Reset Rate of Interest, a Subsequent Reset Rate of Interest or to calculate any Interest Amount in accordance with this Condition 3(b), the Trustee shall determine the First Reset Rate of Interest

or the Subsequent Reset Rate of Interest (as applicable) at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of 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 Calculation Agent.

(v) *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 Condition 3(b), whether by the Calculation Agent or the Trustee shall (in the absence of wilful default, bad faith and manifest error) be binding on the Issuer, the Agent, the Calculation Agent, the Trustee, the other Paying Agents, the Australian Registrar and all Noteholders and Couponholders and (in the absence of bad faith and wilful default) no liability to the Issuer, the Trustee, the Australian Registrar, the Noteholders or the Couponholders shall attach to either the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Floating Rate Notes*

(i) *Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest and such interest will be payable 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 Interest 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.

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

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

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

- (2) the Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day.

In this Condition:

“**Business Day**” means (unless otherwise stated in the applicable 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 the Business Centre(s) (if any) specified in the applicable Pricing Supplement; 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 and which, if the Specified Currency is Renminbi, shall be Hong Kong or (2) in relation to any sum payable in euro, a day on which the Trans European Automated Real time Gross Settlement Express Transfer (TARGET2) System, or any successor thereto, (the “**TARGET2 System**”) is open;

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

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

(ii) *Rate of Interest*

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

(iii) *ISDA Determination for Floating Rate Notes*

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

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

- (A) the Rate of Interest for such Interest Period will be the Floating Rate determined by the Agent or other person specified in the applicable 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(c)(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 for Floating Rate Notes*

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

(expressed as a percentage rate per annum) for the Reference Rate (being LIBOR, EURIBOR, BBSW, BKBM, SHIBOR or SOR, as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page as at the Specified Time (as defined below) 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 subparagraph (A) above applies and no such offered quotation appears on the Relevant Screen Page or, if subparagraph (B) above applies

and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the Specified 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 each of the Reference Banks (as defined below) 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, if the Reference Rate is LIBOR, to leading banks in the London inter bank market as at approximately 11.00 a.m. (London time), if the Reference Rate is EURIBOR, to leading banks in the Euro zone inter bank market as at 11.00 a.m. (Brussels time), if the Reference Rate is BBSW, to leading banks in the Sydney inter bank market as at 10.30 a.m. (Sydney time), if the Reference Rate is BKBM, to leading banks in the New Zealand inter bank market at 10.45 a.m. (Auckland and Wellington time), if the Reference Rate is SHIBOR, to leading banks in the Beijing inter bank market at 11.30 a.m. (Beijing time), or, if the Reference Rate is SOR, to leading banks in the Singapore inter bank market as at 11.00 a.m. (Singapore 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 the Specified Time, 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, if the Reference Rate is EURIBOR, the Euro zone inter bank market, if the Reference Rate is BBSW, the Sydney inter bank market, if the Reference Rate is BKBM, the New Zealand inter bank market, if the Reference Rate is SHIBOR, the Beijing inter bank market, or, if the Reference Rate is SOR, the Singapore 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 the Specified Time, 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, if the Reference Rate is EURIBOR, the Euro

zone inter bank market, if the Reference Rate is BBSW, the Sydney inter bank market, if the Reference Rate is BKBM, the New Zealand inter bank market, if the Reference Rate is SHIBOR, the Beijing inter bank market, or, if the Reference Rate is SOR, the Singapore 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 “**Specified Time**” means, 11.00 a.m. (London time, in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR), or 10.30 a.m. Sydney time (in the case of a determination of BBSW), or 10.45 a.m. New Zealand time (in the case of a determination of BKBM), or 11.30 a.m. Beijing time (in the case of a determination of SHIBOR), or 11.00 a.m. Singapore time (in the case of a determination of SOR), “**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.

(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. Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero.

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 for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to:

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

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the

aggregate of the amounts (determined in the manner provided above) for each Calculation Amount comprising the Specified Denomination without any further rounding.

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

1. if “**Actual/Actual**” 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 Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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, calculated on a formula basis as follows:

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case **D₂** will be 30;

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

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

“**Y₁**” is the year, expressed as a number, in which the first day of the Interest Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“**D₁**” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D₁** will be 30; and

“**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D₂** will be 30; and

8. 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 applicable 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 applicable 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 Condition 3(c), 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 applicable 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 Condition 3(c) whether by the Agent (or the person specified in the applicable 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 and manifest error) be binding on the Issuer, the Agent (or the person specified in the applicable 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 and Couponholders and (in the absence of bad faith and wilful default) no liability to the Issuer, the Trustee, the Australian Registrar, the Noteholders or the Couponholders shall attach to either the Agent (or the person specified in the applicable 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.

(d) *Accrual of Interest*

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

- (1) the date on which all amounts due in respect of such Note have been paid; and

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

(e) *Interpretation*

For the purposes of this Condition 3, references to the Agent in relation to all certificates, communications, opinions, determinations, calculations, quotations, decisions or related actions given, expressed, made or obtained for the purposes of the provisions of this Condition by the Agent shall, in the case of CMU Notes, be deemed to be references to the CMU Lodging and Paying Agent, unless the context otherwise requires.

4 **Payments**

(a) *Method of Payment*

Subject as provided below:

- (i) payments in respect of definitive Notes in a Specified Currency (other than euro or Renminbi) will be made at the option of the bearer either by transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese Yen to a non-resident of Japan, shall be a non resident account) maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively);
- (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; and
- (iii) payments in respect of definitive Notes in Renminbi will be made solely by credit to a Renminbi account maintained by the payee at a bank in Hong Kong in accordance with applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong).

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or agreements to which the Issuer or any of the Paying Agents agrees to be subject and the Issuer will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements, but without prejudice to the provisions of Condition 6.

(b) *Presentation of Notes and Coupons*

Payments of principal in respect of definitive Notes (if issued) will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender of such definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States. Payments under paragraph (a) above made, at the option (if any such option is specified under paragraph (a) above) 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.

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

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

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

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

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

The holder of a global Note held on behalf of Euroclear and/or Clearstream, Luxembourg 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.

The holder of a global Note held by or on behalf of the CMU Operator 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. Payments of principal or interest (if any) in respect of such global Note will be made to the persons for whose account a particular nominal amount of Notes represented by such global Note is credited as being held by the CMU Operator at the relevant time, as notified to the CMU Lodging and Paying Agent by the CMU Operator in a relevant CMU Instrument Position Report or in any other relevant notification by the CMU Operator. No person other than the holder of such global Note shall have any claim against the Issuer in respect of any payments due on that global Note.

Notwithstanding the foregoing, U.S. dollar payments of principal and interest in respect of the Notes will be made at the specified office of any Paying Agent in the United States (which expression, as used in this Condition, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)) if:

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

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

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

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

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

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

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

In this Condition 4(c), “**Record Date**” means, in the case of payments of 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 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:

- (i) 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:
 - (A) in the case of Notes in definitive form only, the relevant place of presentation;
 - (B) each Additional Financial Centre specified in the applicable Pricing Supplement; and
- (ii) 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 which, if the Specified Currency is Australian dollars shall be Sydney and Melbourne, if the Specified Currency is New Zealand dollars, shall be Auckland, and which, if the Specified Currency is Renminbi, shall be Hong Kong or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(e) *Interpretation of principal and interest*

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

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

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

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

(f) *CNY Currency Event*

If “**CNY Currency Event**” is specified in the applicable Pricing Supplement and a CNY Currency Event, as determined by the Issuer acting in good faith, exists on a date for payment of any amount in respect of any Note or Coupon, the Issuer may, in its sole and absolute discretion, take the action described in (i), (ii) and/or (iii) below:

- (i) the relevant payment by the Issuer may be postponed to a day falling no later than 5 Business Days after the date on which the CNY Currency Event ceases to exist or, if such payment would not be possible (as determined by the Issuer acting in good faith) as soon as reasonably practicable thereafter;
- (ii) the Issuer’s obligation to make a payment in CNY under the terms of the Notes may be replaced by an obligation to pay such amount in the Relevant Currency (selected by the Issuer and converted at the Alternate Settlement Rate as of a time selected by the Calculation Agent); and/or
- (iii) give notice to the Noteholders in accordance with Condition 12 and redeem all, but not some only, of the Notes, each Note being redeemed at the Early Redemption Amount.

Upon the occurrence of a CNY Currency Event, the Issuer shall give notice as soon as practicable to the Noteholders in accordance with Condition 12 stating the occurrence of the CNY Currency Event, giving details thereof and the action proposed to be taken in relation thereto.

For the purpose of this Condition 4(f) and unless stated otherwise in the applicable Pricing Supplement:

“**Alternate Settlement Rate**” means the spot rate, determined by the Calculation Agent, between CNY and the Relevant Currency, taking into consideration all available information which the Calculation Agent deems relevant (including, but not limited to, the pricing information obtained from the CNY non-deliverable market outside the PRC and/or the CNY exchange market within the PRC);

“**CNY Currency Events**” means any one of CNY Illiquidity, CNY Non-Transferability and CNY Inconvertibility;

“**CNY Illiquidity**” means the general CNY exchange market in Hong Kong becomes illiquid as a result of which the Issuer and/or any of its affiliates cannot obtain sufficient CNY in order to make a payment or perform any other of its obligations under the Notes, as determined by the Calculation Agent;

“**CNY Inconvertibility**” means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to convert any amount into or from CNY as may be required to be paid by the Issuer under the Notes on any payment date at the general CNY exchange market in Hong Kong, other than where such impossibility, impracticability or illegality is due solely to the failure of that party to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible, impracticable or illegal for the Issuer and/or any of its affiliates,

due to an event beyond the control of the Issuer or the relevant affiliate, to comply with such law, rule or regulation);

“**CNY Non-Transferability**” means the occurrence of any event that makes it impossible, impracticable or illegal for the Issuer and/or any of its affiliates to deliver CNY between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the CNY clearing and settlement system for participating banks in Hong Kong is disrupted or suspended), other than where such impossibility, impracticability or illegality is due solely to the failure of the Issuer and/or the relevant affiliate to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant Series and it is impossible, impracticable or illegal for the Issuer and/or any of its affiliates, due to an event beyond the control of the Issuer and/or the relevant affiliate, to comply with such law, rule or regulation);

“**Governmental Authority**” means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong; and

“**Relevant Currency**” means United States dollars, Hong Kong dollars or such other currency as may be specified in the applicable Pricing Supplement.

(g) *US Dollar Settlement*

Where US Dollar Settlement is specified in the applicable Pricing Supplement, then notwithstanding any other provisions in these Terms and Conditions to the contrary, all amounts due under, the Notes and Coupons shall be payable and settled in United States dollars only.

For the purposes of these Terms and Conditions, “**US Dollar Equivalent**” means in respect of a Renminbi-denominated amount that, but for this Condition 4(g), would be due under the Notes in Renminbi, the Renminbi amount converted into US dollars using the Spot Rate for the relevant Rate Calculation Date.

For the purposes of this Condition 4(g):

“**Business Day**” means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Beijing and in New York City;

“**Rate Calculation Date**” means the day which is two Business Days prior to the relevant Interest Payment Date, Maturity Date or any date fixed for redemption (as the case maybe);

“**Reference Dealers**” means four leading dealers engaged in the foreign exchange market of the relevant currency selected by the Agent; and

“**Spot Rate**”, for each Rate Calculation Date, means a rate determined by the Issuer in good faith as follows:

- (a) in respect of the US Dollar Equivalent of a Renminbi-denominated amount, the RMB/US dollar official fixing rate, expressed as the amount of Renminbi per one US dollar, reported by the People’s Bank of China which appears on the Reuters Screen “SAEC” Page opposite the symbol “USDCNY” page at or about 9:15 am (Beijing time) on the Rate Calculation Date;
- (b) if no such rate is available under sub-paragraph (a), the spot rate determined by the Issuer in good faith on the basis of quotations provided by the Reference Dealers of the specified

exchange rate for the Rate Calculation Date as obtained in accordance with the provisions below; and

- (c) if fewer than two quotations are provided under sub-paragraph (b), the exchange rate for the Rate Calculation Date as shall be determined by an investment bank of international repute in good faith.

In determining the spot rate under sub-paragraph (b), the Issuer will request the Beijing office of each of the Reference Dealers to provide a quotation of what the specified screen rate would have been had it been published, reported or available for the Rate Calculation Date, based upon each Reference Dealer's experience in the foreign exchange market for Renminbi and general activity in such market on the Rate Calculation Date. The quotations used to determine the Spot Rate for a Rate Calculation Date will be determined in each case for such Rate Calculation Date, and will be requested at 9:15 am. (Beijing time) on such Rate Calculation Date or as soon as practicable after it is determined that the specified screen rate was not available.

If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates, without regard to the rates having the highest and lowest value. For this purpose, if more than one quotation has the same highest value or lowest value, then the rate of only one of such quotations shall be disregarded. If two or three quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the rates provided.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(g), whether by the Reference Dealers (or any of them), the Issuer or an investment bank, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Trustee, the Agents and all Noteholders and Couponholders.

5 Redemption and Purchase

(a) *At Maturity*

Unless previously redeemed or purchased and cancelled as specified below, each nominal amount of Ordinary Notes and Tier 2 Notes equal to the Calculation Amount will be redeemed by the Issuer at the 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.

(b) *Redemption for Tax Reasons*

The Notes of any Series may (subject, in the case of Tier 2 Notes, to the provisions of Condition 5(j)) 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 the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee and the Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), at their Early Redemption Amount (as determined in accordance with paragraph (f) below), if:

- (i) it has or will or would, but for redemption, become obliged to pay additional amounts as provided or referred to in Condition 6 in respect of any of the Notes of such Series;
- (ii) the payment of interest in respect of any of the Notes of such Series would be a “**distribution**” for United Kingdom tax purposes; or

- (iii) in respect of the payment of interest in respect of any of the Notes of such Series, the Issuer would not to any material extent be entitled to have any attributable loss or non-trading deficit set against the profits of companies with which it is grouped for applicable United Kingdom tax purposes (whether under the group relief system current as at the date on which agreement is reached to issue the first Tranche of Notes of such Series or any similar system or systems having like effect as may from time to time exist),

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

Before the publication of any notice of redemption pursuant to this Condition 5(b), the Issuer shall deliver to the Trustee a certificate signed by two authorised signatories of the Issuer stating that a condition for redemption pursuant to this Condition 5(b) has occurred and is continuing as at the date of the certificate, and the Trustee shall accept such certificate as sufficient evidence of such occurrence, in which event it shall be conclusive and binding on the Noteholders.

This Condition 5(b) shall apply in the case of Tier 2 Notes if, in the Issuer's opinion, the circumstance that entitles it to exercise such right of redemption was not reasonably foreseeable at the Issue Date of the first Tranche of the Notes and provided that, upon CRD IV taking effect in the United Kingdom, it shall only apply if, when and to the extent not prohibited by CRD IV.

(c) *Redemption due to Capital Disqualification Event*

If the applicable Pricing Supplement specify that this Condition 5(c) applies, then, any Series of Tier 2 Notes may, subject to the provisions of Condition 5(j), 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 the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Trustee and the Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), if the Issuer determines that a Capital Disqualification Event has occurred and is continuing.

Upon the expiration of such notice, the Issuer shall be bound to redeem such Notes at their Early Redemption Amount (as determined in accordance with paragraph (f) below).

This Condition 5(c) shall apply in the case of Tier 2 Notes if, in the Issuer's opinion, the circumstance that entitles it to exercise such right of redemption was not reasonably foreseeable at the Issue Date of the first Tranche of the Notes and provided that, upon CRD IV taking effect in the United Kingdom, it shall only apply if, when and to the extent not prohibited by CRD IV.

As used in this Condition 5(c), a "**Capital Disqualification Event**" shall be deemed to have occurred if, as a result of any amendment to, or change in, the Capital Regulations (or official interpretation

thereof) which are in effect at the Issue Date of the first Tranche of Notes, the Notes are fully excluded from Tier Two Capital (as defined in the Capital Regulations) of the Issuer and/or the Group.

(d) *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 Tier 2 Notes, to the provisions of Condition 5(j) and unless otherwise specified in the applicable Pricing Supplement), having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement 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). 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, in the case of Notes other than CMU Notes, Euroclear and/or Clearstream, Luxembourg or, in the case of CMU Notes, the CMU Service (to be reflected in the records of, in the case of Notes other than CMU Notes, Euroclear and Clearstream, Luxembourg or, in the case of CMU Notes, the CMU Service as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 60 days or such other period specified in the applicable Pricing Supplement 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 (unless otherwise specified in the applicable Pricing Supplement) be published in accordance with Condition 12 not less than the minimum period and not more than the maximum period specified in the applicable Pricing Supplement prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this subparagraph (d) and notice to that effect shall (unless otherwise specified in the applicable Pricing Supplement) be given by the Issuer to the Noteholders of the relevant Series in accordance with Condition 12 at least 10 days or such other period specified in the applicable Pricing Supplement prior to the Selection Date.

(e) *Put Option – Redemption at the Option of the Noteholders*³

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 the minimum period nor more than the maximum period of notice 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.

³Not applicable to Tier 2 Notes.

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

(f) *Early Redemption Amounts*

For the purpose of paragraphs (b) and (c) 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) 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 applicable 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 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) if and to the extent not taken into account in paragraphs (i) to (iii) above, adding (if appropriate) interest accrued to the date fixed for redemption.

(g) *Purchases*

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

This Condition 5(g) shall apply in the case of Tier 2 Notes provided that, upon CRD IV taking effect in the United Kingdom, purchases are only permitted if, when and to the extent not prohibited by CRD IV.

(h) *Cancellation*

All Notes which are redeemed or purchased or otherwise acquired as aforesaid and surrendered to the Agent for cancellation will forthwith be cancelled (together, in the case of definitive Notes, with all

matured Coupons attached thereto or surrendered therewith at the time of redemption) and thereafter may not be re-issued or resold.

(i) *Late Payment on Zero Coupon Notes*

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

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

(j) *Redemption of Tier 2 Notes*

In the case only of redemption prior to the relevant Maturity Date, Tier 2 Notes may only be redeemed by the Issuer pursuant to Condition 5(b), Condition 5(c) or 5(d) provided that (except to the extent that the FSA no longer so requires):

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

(k) *Interpretation*

- (i) In relation to Australian Domestic Notes, references in this Condition 5 to the Paying Agent or Agent shall be deemed to be to the Australian Registrar and references to the Agency Agreement shall be deemed to be to the Agency and Registry Agreement.
- (ii) In relation to CMU Notes, references in this Condition 5 to the Agent shall be deemed to be to the CMU Lodging and Paying Agent.

(l) *Definitions*

As used in this Condition 5:

“**Capital Instruments Regulations**” means any regulatory capital rules, regulations or standards which are in the future applicable to the Issuer (on a solo or consolidated basis) and which lay down the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Issuer (on a solo or consolidated basis) as required by (i) the CRD IV Regulation or (ii) the CRD IV Directive, including (for the avoidance of doubt) any regulatory technical standards issued by the European Banking Authority;

“**Capital Regulations**” means, at any time, the regulations, requirements, guidelines and policies relating to capital adequacy of the FSA and/or of the European Parliament or of the Council of the European Union then in effect in the United Kingdom;

“**CRD IV**” means, taken together, (i) the CRD IV Directive, (ii) the CRD IV Regulation and (iii) the Capital Instruments Regulations;

“**CRD IV Directive**” means a directive of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms amending Directive 2002/87/EC, a draft of which was published on 20 July 2011, and any successor directive;

“**CRD IV Regulation**” means a regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, a draft of which was published on 20 July 2011, and any successor regulation; and

“**Group**” means The Royal Bank of Scotland Group plc and its subsidiaries and subsidiary undertakings from time to time.

6 Taxation

All payments of principal and/or interest in respect of Notes and/or Coupons by the Issuer shall (save as may be provided in the applicable 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 Relevant Jurisdiction or any political subdivision 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 such additional amounts as will result (after such withholding or deduction) in the payment to the holders of the Notes or Coupons of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes and/or Coupons; except that no such additional amounts shall be payable with respect to any Note or Coupon presented for payment:

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

in respect of such a Note or Coupon by reason of their being an associate of the Issuer for the purposes of section 128F(6) of the Income Tax Assessment Act 1936 of Australia; and/or

- (h) in relation to Australian Domestic Notes issued by RBS acting through its Australia Branch, in respect of a payment to, or to a third party on behalf of, an Australia resident holder or a non Australian resident holder carrying on business in Australia at or through a permanent establishment of the non Australian resident in Australia, in circumstances where such withholding or deduction would not have been required if the holder or any person acting on his behalf had provided an appropriate tax file number, Australian business number or details of another exemption; and/or
- (i) in respect of a payment in relation to Ordinary Notes issued by RBS acting through its Tokyo Branch, by or on behalf of a holder who is for Japanese tax purposes treated as a non-resident of Japan or as a non-Japanese corporation and who is subject to such tax, duty or charge by reason of its being a person having a special relationship (as described in Article 6, paragraphs 4 of the Special Taxation Measures Law of Japan (Law No. 26 of 1957) (as amended) (the “**Special Taxation Measures Law of Japan**”)) with RBS (a “**specially-related person of RBS**”); and/or
- (j) in respect of a payment in relation to Ordinary Notes issued by RBS acting through its Tokyo Branch, by or on behalf of a holder who would otherwise be exempt from any such withholding or deduction but who fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the Paying Agent to whom the relevant Note or Coupon is presented, or whose Interest Recipient Information is not duly communicated through the Participant (as defined below) and the relevant international clearing organisation to such Paying Agent; and/or
- (k) in respect of a payment in relation to Ordinary Notes issued by RBS acting through its Tokyo Branch, by or on behalf of a holder who is for Japanese tax purposes treated as a resident of Japan or a Japanese corporation (except for (A) a Japanese designated financial institution (as defined below) who complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) a resident of Japan or a Japanese corporation who duly notifies (directly or through the Participant (as defined below) or otherwise) the relevant Paying Agent of its status as exempt from taxes to be withheld or deducted by RBS acting through its Tokyo Branch by reason of such resident of Japan or Japanese corporation receiving interest on the relevant Note through a payment handling agent in Japan appointed by it); and/or
- (l) in respect of a payment in relation to Ordinary Notes issued by RBS acting through its Tokyo Branch, where the amount of interest on such Note is to be calculated by reference to certain indicators (as prescribed under the cabinet order relating to Article 6, paragraph 4 of the Special Taxation Measures Law of Japan) relating to RBS or a specially-related person of RBS, except where the recipient of interest is a Japanese designated financial institution (as defined below) who complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption; and/or
- (m) in other circumstances as may be specified in the applicable 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 and CMU Notes) in London by the Agent or the Trustee or (in the case of Australian Domestic Notes) by the Australian Registrar or (in the case of CMU Notes) in Hong Kong by the CMU Lodging and Paying Agent or the Trustee, in either case on or prior to such due date) the date on which, the full amount of such moneys having been so received, notice to that effect is given to the Noteholders in accordance with Condition 12.

The “**Relevant Jurisdiction**” means:

- (a) in the case of Australian Domestic Notes issued by RBS Australia Branch, the United Kingdom and the Commonwealth of Australia
- (b) in the case of Ordinary Notes issued by RBS acting through its Tokyo Branch, the United Kingdom and Japan; and
- (c) in all other cases, the United Kingdom.

In relation to Ordinary Notes issued by RBS acting through its Tokyo Branch, where the Note or Coupon is held through a certain participant of an international clearing organisation or a certain financial intermediary (each, a “**Participant**”), in order to receive payments free of withholding or deduction by RBS acting through its Tokyo Branch for, or on account of, taxes, if the relevant holder of Note or Coupon is (A) a non-resident of Japan or a non-Japanese corporation (other than a specially-related person of RBS) or (B) a Japanese financial institution falling under certain categories prescribed by the relevant cabinet order under Article 6, paragraph 9 of the Special Taxation Measures Law of Japan, (a “**Japanese designated financial institution**”), all in accordance with the Special Taxation Measures Law of Japan and the relevant cabinet order thereunder (together with the relevant ministerial ordinance and other regulation thereunder, the “**Law**”), such holder of Note or Coupon shall, at the time of entrusting a Participant with the custody of the relevant Note or Coupon, provide certain information prescribed by the Law to enable the Participant to establish that the holder of Note or Coupon is exempt from the requirement for Japanese tax to be withheld or deducted (the “**Interest Recipient Information**”) and advise the Participant if the holder of Note or Coupon ceases to be so exempted (including the case where the holder who is a non-resident of Japan or a non-Japanese corporation became a specially-related person of RBS).

Where the Note or Coupon is not held by a Participant, in order to receive payments free of withholding or deduction by RBS Tokyo Branch for, or on account of, taxes, if the relevant holder of the Note or Coupon is (A) a non-resident of Japan or a non-Japanese corporation (other than a specially-related person of RBS) or (B) a Japanese designated financial institution, all in accordance with the Law, such holder of Note or Coupon shall prior to each time on which it receives interest, submit to the relevant Paying Agent a written application for tax exemption from withholding tax (*Hikazei Tekiyo Shinkokusho*) (a “**Written Application for Tax Exemption**”) in the form obtainable from the Paying Agent stating, *inter alia*, the name and address of the holder of Note or Coupon, the title of the Notes, the relevant Interest Payment Date, the amount of interest and the fact that the holder of Note or Coupon is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

7 Prescription

The Bearer Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 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 7 or Condition 4(b) or any Talon which would be void pursuant to Condition 4(b). The rights of holders of Registered Notes to make claims against the Issuer for payments of principal will become void ten years after the Relevant Date. The rights of holders of Registered Notes to make claims against the Issuer for payments of interest will become void five years after the Relevant Date.

8 Events of Default

(a) *Ordinary Notes*

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

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

Unless otherwise specified in the applicable 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(f).

At any time after the Ordinary Notes of any Series or any of them shall have become immediately due and repayable and have not been repaid the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce repayment thereof together with accrued interest and to enforce the provisions of the Trust Deed, but it shall not be bound to institute any such proceedings unless (x) it shall have been so directed by an Extraordinary Resolution of the holders of Ordinary Notes of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Ordinary Notes of such Series then outstanding and (y) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No holder of Ordinary Notes of any Series or the 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) *Tier 2 Notes*

- (i) If default shall be made in the payment of any principal or interest due on the Tier 2 Notes of the relevant Series for a period of seven days or more after any date on which the payment of principal is due or 14 days or more after any date on which the payment of interest is due (as the case may be) the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer and/or prove in any winding up of the Issuer, but may take no other action in respect of such default.
- (ii) If an order is made or an effective resolution is passed for the Winding Up of the Issuer, the Trustee may, and if so requested in writing by the holders of at least one fifth in nominal

amount of the Tier 2 Notes of the relevant Series then outstanding or if so directed by an Extraordinary Resolution of the Tier 2 Noteholders of any Series then outstanding shall (if it shall have been indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer that the Tier 2 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 Tier 2 Notes or Tier 2 Coupons of the relevant Series (other than any obligation for the payment of principal or interest on such Tier 2 Notes or Tier 2 Coupons) then the Trustee may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Tier 2 Notes or Tier 2 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 Tier 2 Notes and the Tier 2 Coupons of any Series or any other action pursuant to or in connection with the Trust Deed or the Tier 2 Notes or the Tier 2 Coupons of any Series unless (x) it shall have been so directed by an Extraordinary Resolution of the Tier 2 Noteholders of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Tier 2 Notes of such Series then outstanding and (y) it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all costs, charges, liabilities and expenses which may be incurred by it in connection with such enforcement, including the costs of its management's time and/or other internal resources, calculated in accordance with its normal hourly rates in force from time to time.
- (v) No Tier 2 Noteholder or Tier 2 Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and then only in the name of the Trustee and on giving an indemnity satisfactory to the Trustee, and only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. No Tier 2 Noteholder or Tier 2 Couponholder shall be entitled to institute proceedings for the winding up of the Issuer, or to prove in such winding up, except that if the Trustee, having become bound to proceed 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 Tier 2 Noteholder or Tier 2 Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding up of the Issuer and/or prove in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

9 Replacement of Notes, Coupons and Talons

Should any Bearer Note (including any global Note), Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of (in the case of Notes other than CMU Notes) the Agent or (in the case of CMU Notes) the CMU Lodging and Paying 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, Coupons or Talons must be surrendered before replacements will be issued.

10 Agent, Paying Agents and Registrar

(a) *Bearer Notes*

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

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

- (i) so long as any Bearer Notes are listed on any stock exchange or admitted to listing by any other relevant listing authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or relevant listing authority;
- (ii) there will at all times be a Paying Agent with a specified office in a city in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated;
- (iii) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (iv) so long as there are any CMU Notes outstanding, there will at all times be a CMU Lodging and Paying Agent;
- (v) there will at all times be an Agent; and
- (vi) so long as any Bearer Notes are listed on the SGX-ST and the rules of the SGX-ST so require, a Paying Agent in Singapore will be appointed and maintained in the event that the Notes are issued in definitive form (including as a result of the exchange of a Global Note for Notes in definitive form). In addition, an announcement of any such exchange will be made through the SGX-ST. Such announcement will include material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

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 and Couponholders, except that (without affecting the obligations of the Issuer to the Noteholders and Couponholders to repay Notes and pay interest thereon) funds received by the Agent and any other Paying Agent for the payment of any sums due in respect of the Bearer Notes shall be held by them in trust for the Noteholders and/or Couponholders until the expiration of the relevant period of prescription under Condition 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 or Couponholders for any resulting profit.

(b) *Registered Notes*

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

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

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

11 Exchange of Talons

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

12 Notices

All notices regarding the Notes (other than Australian Domestic Notes issued by Royal Bank) of any Series shall be validly given if published in a leading English language daily newspaper of general circulation (in the case of Notes other than CMU Notes) in London (which is expected to be the *Financial Times*) or (in the case of CMU Notes) in Hong Kong (which is expected to be the *South China Morning Post*), or for so long as the Notes are admitted to trading on, and listed on the SGX-ST, a daily newspaper of general circulation in Singapore (which is expected to be the *Business Times*). Any such notice will be deemed to have been given on the date of such publication in such leading newspaper or, if published more than once, on the date of the first publication. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes of any Series in accordance with this Condition. 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 (in the case of Notes other than CMU Notes) Euroclear and/or Clearstream, Luxembourg or (in the case of CMU Notes) the CMU Service, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to (in the case of Notes other than CMU Notes) Euroclear and/or Clearstream, Luxembourg or (in the case of CMU Notes) to the CMU Lodging and Paying Agent for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given

to (in the case of Notes other than CMU Notes) Euroclear and/or Clearstream, Luxembourg or (in the case of CMU Notes) to the CMU Lodging and Paying Agent.

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 other than CMU Notes), the CMU Lodging and Paying Agent (in the case of Bearer Notes which are CMU Notes) or Royal Bank (in the case of the Australian Domestic Notes). Whilst any Notes (other than CMU 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. Whilst any CMU Notes are represented by a global Note, such notice may be given by a Noteholder to the CMU Lodging and Paying Agent via the CMU Service in such manner as the CMU Lodging and Paying Agent and the CMU Service may approve for this purpose.

13 Enforcement and Remedies

(a) All Notes

Save as otherwise provided herein and without prejudice to Conditions 8(a) and 8(b)(v), 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 and Couponholders and no holder of a Bearer Note or Couponholder shall be entitled to take proceedings directly against the Issuer unless the Trustee, having become bound to proceed in accordance with the terms of the Trust Deed, fails to do so within a reasonable time and such failure is continuing.

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

(b) Tier 2 Notes

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

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

The Trust Deed contains provisions for convening meetings of Noteholders (or the holders of the Notes of any one or more Series) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Terms and Conditions of the Ordinary and Tier 2 Notes of any one or more Series or the provisions of the Trust Deed or the Deed Poll or the Agency and Registry Agreement. Such a meeting may be convened by the Trustee, the Issuer or the Trustee upon the request of Noteholders holding not less than ten per cent. in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being remaining outstanding. The quorum at any such meeting convened to consider a resolution proposed as an Extraordinary Resolution is two or more persons holding or representing a clear majority in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) whatever the nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding so held or represented, except that at any meeting the business of which includes the modification of certain of the Terms and Conditions of the Ordinary and Tier 2 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 Coupons relating thereto or modifying the majority required to pass an Extraordinary Resolution) or certain of the provisions of the Trust Deed or the Deed Poll or the Agency and Registry Agreement, the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than two thirds, or at any adjourned such meeting not less than one third, in nominal amount of the Notes (or, as the case may be, the Notes of the relevant one or more Series) for the time being outstanding. An Extraordinary Resolution in writing or duly passed at any meeting of the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series) shall be binding on all the Noteholders (or, as the case may be, holders of the Notes of the relevant one or more Series), whether or not they are present at the meeting, and on all holders of Coupons relating to the relevant Notes.

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

- (a) any modification (subject to certain exceptions as provided in the Trust Deed) of the Terms and Conditions of the Ordinary and Tier 2 Notes (or, as the case may be, the Notes of any one or more Series) or of the provisions of the Trust Deed, the Agency and Registry Agreement or the Deed Poll which in its opinion is not materially prejudicial to the interests of the Noteholders or Couponholders (or, as the case may be, the holders of the Notes or Coupons of the relevant one or more Series); or
- (b) any modification of the Notes (or, as the case may be, the Notes of the relevant one or more Series), the Coupons relating thereto or the Trust Deed, the Agency and Registry Agreement or the Deed Poll which is of a formal, minor or technical nature or is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

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

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

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

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

In connection with the exercise by it of any of its trusts, power, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders of the relevant Series as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders of that Series (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent provided for in Condition 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 or Couponholders to create and issue further notes having terms and conditions the same as (or the same in all respects save for the Issue Date, Interest Commencement Date and Issue Price), and so that the same shall be consolidated and form a single Series with, the outstanding Notes of a particular Series.

16 Indemnification

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

17 Calculation Agent determination

All discretions exercised and calculations and determinations made in respect of the Notes by the Calculation Agent shall be made in its sole and absolute discretion and in good faith and shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Trustee, the Noteholders and the Couponholders.

18 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.

19 Governing Law and Submission to Jurisdiction

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

of Condition 2(b) (and related provisions of the Trust Deed) relating to subordination of the Tier 2 Notes are governed by, and shall be construed in accordance with, Scots law.

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

SCHEDULE B
FORMS OF PRICING SUPPLEMENTS

PART I – APPLICABLE PRICING SUPPLEMENT FOR ISSUES BY RBSG

Pricing Supplement dated [date]
The Royal Bank of Scotland Group plc
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the £90,000,000,000
Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) set forth in the Offering Circular dated [●] [and the supplemental Offering Circular[s] dated [date] [and [date]]] ([together,] the “**Offering Circular[s]**”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular. The full information that has been provided on the Issuer and the offer of the Notes is only available on the basis of the combination of the Pricing Supplement and the Offering Circular.

[The Offering Circular [and the supplemental Offering Circular(s)] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date:

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Offering Circular dated [original date] [and the supplemental Offering Circular[s] dated [date] [and [date]]] ([together,] the “**Offering Circular**”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular dated [●] 2013 [and the supplemental Offering Circular[s] dated [date] [and [date]]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[The Offering Circular [and the supplemental Offering Circular(s)] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Pricing Supplement.]

- | | | |
|---|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| 1 | Issuer: | The Royal Bank of Scotland Group plc |
| 2 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: | [●] |
| | | <i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).</i> |
| | [(iii)] Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the |

- Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [●]/[other]/[Not Applicable]
- 3 Specified Currency or Currencies: [●]
 [CNY Currency Event]
 [Relevant Currency: USD/HKD/[●]]
 [US Dollar Settlement]
(N.B. CNY Currency Event, Relevant Currency and US Dollar Settlement apply to Notes denominated in Renminbi only. A Calculation Agent will also need to be specified for such Notes.)
- 4 Aggregate Nominal Amount: [●]
 [(i) Series: [●]
 [(ii) Tranche: [●]]
- 5 Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●]] *(in the case of fungible issues only, if applicable)*
- 6 (i) Specified Denominations: [●] [and integral multiples of [●] in excess thereof up to and including [●]. No notes in definitive form will be issued with a denomination above [●]]
*(Note – Although RBSG may issue Notes with a denomination of less than €100,000 or equivalent, where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:
 “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”
 (If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency).*
- (ii) Calculation Amount: [●]
*(If only one Specified Denomination, insert the Specified Denomination.
 If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
- 7 [(i) Issue Date: [●]
 [(ii) Interest Commencement Date: [●]
- 8 Maturity Date: [specify date or (for Floating Rate Notes) Interest

- Payment Date falling in or nearest to the relevant month and year]*
- 9 Interest Basis: [[●] per cent. Fixed Rate]
 [Reset Notes]
 [[LIBOR][EURIBOR][BBSW][BKBM][SHIBOR]
 [SOR] [*specify other reference rate*] +/- [●] per cent.
 [Floating Rate]
 [Zero Coupon]
 [*specify other*)]
 (Further particulars specified below)
- 10 Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount
 [(specify other)]
- 11 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for change of Notes into another interest or redemption/payment basis*]
- 12 Put/Call Options: [Investor Put]
 [Issuer Call]
 [(Further particulars specified below)]
- 13 (i) Status of the Notes: [Ordinary Notes]/[Tier 2 Notes]
 (ii) [Date [Board] approval for issuance of Notes obtained: [●]]
 (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 Fixed Rate Note Provisions: [Applicable/Not Applicable]
 (*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate(s) of Interest: [●] per cent. per annum payable in arrear [on each Interest Payment Date]
- (ii) Interest Payment Date(s): [●] [and [●]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]]
- (iii) Fixed Coupon Amount[(s)]: [[●] per Calculation Amount] [Not Applicable]
 (*Applicable to Notes in definitive form*)
- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]
- (v) Day Count Fraction: [30/360]/[Actual/Actual (ICMA)]/[Actual/365 (Fixed)]/[RBA Bond Basis]/[*specify other*]
- (vi) Determination Dates: [●] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the*

	<i>case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)</i>
(vii) Other terms relating to method of calculating interest for Fixed Rate Notes:	[Not Applicable/ <i>give details</i>]
(viii) Business Day Convention:	[Modified Following Business Day Convention [[unadjusted]/[adjusted]]/Not Applicable]
(ix) Business Centre(s):	[•]
15 Reset Note Provisions:	[Applicable/Not Applicable]
(i) Initial Rate of Interest:	[•] per cent. per annum payable in arrear [on each Interest Payment Date]
(ii) First Margin:	[+/-][•] per cent. per annum
(iii) Subsequent Margin:	[[+/-][•] per cent. per annum] [Not Applicable]
(iv) Interest Payment Date(s):	[•] [and [•]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with [<i>specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"</i>]]
(v) Fixed Coupon Amount up to (but excluding) the First Reset Date:	[[•] per Calculation Amount][Not Applicable] <i>(Applicable to Notes in definitive form)</i>
(vi) Broken Amount(s):	[[•] per Calculation Amount payable on the Interest Payment Date falling [in/on] [•]][Not Applicable] <i>(Applicable to Notes in definitive form)</i>
(vii) First Reset Date:	[•] [subject to adjustment in accordance with paragraph 15(xv)]
(viii) Second Reset Date:	[•]/[Not Applicable] [subject to adjustment in accordance with paragraph 15(xv)]
(ix) Subsequent Reset Date(s):	[•] [and [•]][subject to adjustment in accordance with paragraph 15(xv)]
(x) Relevant Screen Page:	[•]
(xi) Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
(xii) Mid-Swap Maturity:	[•]
(xiii) Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]/[Actual/365 (Fixed)]/[RBA Bond Basis]
(xiv) Determination Dates:	[•] in each year (<i>insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)</i>)
(xv) Business Day Convention:	[Modified Following Business Day Convention/Not Applicable]
(xvi) Business Centre(s):	[•]

(xvii) Calculation Agent:	[•]
16 Floating Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i) Interest Period(s)/Specified Interest Payment Dates:	[•]
(ii) Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ <i>specify other</i>]
(iii) Business Centre(s):	[•]
(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ ISDA Determination/ <i>specify other</i>]
(v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent or, as the case may be, the CMU Lodging and Paying Agent):	[•]
(vi) Screen Rate Determination:	
— Reference Rate:	[LIBOR][EURIBOR][BBSW][BKBM][SHIBOR][SOR] [<i>specify other</i>]
— Interest Determination Date(s):	[Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period] [First day of each Interest Period] [Second day on which the TARGET 2 System is open prior to the start of each Interest Period] [[•] Business Day[s] prior to the start of each Interest Period] [<i>specify other</i>]
— Relevant Screen Page:	[•] (<i>In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately</i>)
(vii) ISDA Determination:	
— Floating Rate Option:	[•]
— Designated Maturity:	[•]
— Reset Date:	[•]
(viii) Margin(s):	[+/-][•] per cent. per annum
(ix) Minimum Rate of Interest:	[•] per cent. per annum
(x) Maximum Rate of Interest:	[•] per cent. per annum
(xi) Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA) Actual/365 (Fixed)]

	Actual/365 (Sterling)
	Actual/360
	30/360 or 360/360 or Bond Basis
	30E/360 or Eurobond Basis
	30E/360 (ISDA)
	RBA Bond Basis
	<i>(specify other)</i>
(xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[•]
17 Zero Coupon Note Provisions:	[Applicable/Not Applicable]
(i) Accrual Yield:	[•] per cent. per annum
(ii) Reference Price:	[•]
(iii) Any other formula/basis of determining amount payable:	[•]
PROVISIONS RELATING TO REDEMPTION	
18 Notice periods for Condition 5(b):	Maximum period: [•] days Minimum period: [•] days
19 Redemption for Capital Disqualification Event:	[Applicable/Not Applicable]
Notice periods for Condition 5(c):	[Minimum period: [•] days Maximum period: [•] days]/[Not Applicable]
	<i>(N.B. When setting notice periods the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)</i>
20 Issuer Call:	[Applicable/Not Applicable]
	<i>(If not applicable, delete the remaining subparagraphs of this paragraph)</i>
(i) Optional Redemption Date(s):	[•]
(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount:	[•] per Calculation Amount
(iii) If redeemable in part:	
(A) Maximum Redemption Amount:	[•]
(B) Maximum Redemption Amount:	[•]

- (iv) Notice periods: Minimum period: [●] days
Maximum period: [●] days
(N.B. When setting notice periods the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
- (v) Selection Date: [60 days prior to the date fixed for redemption]/[●] days prior to the date fixed for redemption]
- (vi) Publication of list of serial numbers for Notes in definitive form: [Minimum period: [●] days
Maximum period: [●] days]]
- (vii) Notification period in relation to exchange of global Note: [10 days]/[[●] days]
- 21 Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount: [●] per Calculation Amount
- (iii) Notice periods: Minimum period: [●] days
Maximum period: [●] days
(N.B. When setting notice periods the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
- 22 Final Redemption Amount: [●] per Calculation Amount/specify other/see Appendix]
- 23 Early Redemption Amount payable on redemption for (a) taxation reasons or (b) following the occurrence of a Capital Disqualification Event (in the case of Tier 2 Notes) or (c) on an event of default: [As per Condition 5(f)/[●] per Calculation Amount/specify other]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 24 Form of Notes:
- (a) Form: Bearer Notes:
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on and after the Exchange Date on 60 days' notice given at any time/only upon the occurrence of an Exchange Event]]

- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
- [Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon the occurrence of an Exchange Event/in the limited circumstances set out in the Permanent Global Note]]
- [N.B. If Limited Exchange Event applies, insert details and a new form of Permanent Global Note needs to be executed]*
- [Australian Domestic Notes]
- (N.B. The exchange upon notice at any time option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*
- (b) NGN:
- [Yes][No]
- (If the Notes are intended to be eligible collateral for Eurosystem monetary policy and intra-day credit operations, the New Global Note should be used. The New Global Note should only be used if it is intended that the Notes be held in a manner which would allow Eurosystem eligibility and a "yes" election is made in the section in Part B under the heading "Operational Information" entitled "Intended to be held in a manner which would allow Eurosystem eligibility".)*
- (N.B. Delete this item 24(b) if the Notes are Australian Domestic Notes)*
- (c) CMU Notes:
- [Yes][No]
- (If the Notes are intended to be cleared through the Central Moneymarkets Unit Service, CMU Notes should be specified.)*
- 25 Additional Financial Centre(s): [Not Applicable/[●]]
- 26 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes. As the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No/[●]]
- 27 Other final terms or special conditions: [Not Applicable/give details]
(consider if additional risk factors are required)

[DISTRIBUTION

- 28 (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/give names, addresses and underwriting commitments]
- (ii) Date of [Syndication] Agreement: [●]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
(N.B. Specify "Not Applicable" if the Notes are Australian Domestic Notes)
- 29 If non-syndicated, name and address of Dealer: [Not Applicable/give name and address]
- 30 [Total commission and concession: [●] per cent. of the Aggregate Nominal Amount]]
- 31 Additional selling restrictions: [Not Applicable/give details]
- 32 Whether TEFRA D/TEFRA C rules applicable or TEFRA rules not applicable [TEFRA D/TEFRA C/TEFRA rules not applicable]

PURPOSE OF THE PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue [and] [admission to trading on [specify relevant market]] of the Notes described herein pursuant to the £90,000,000,000 Euro Medium Term Note Programme of The Royal Bank of Scotland Group plc and The Royal Bank of Scotland plc.

THIRD PARTY INFORMATION

[[●] has been extracted from [source]. The Royal Bank of Scotland Group plc (as Issuer) confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of The Royal Bank of Scotland Group plc:

By: _____
Duly authorised

PART B – OTHER INFORMATION

1 LISTING

Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on *[specify relevant market]* with effect from [●]] [Not Applicable]
(Where documenting a fungible issue, indicate that original securities are already admitted to trading.)

2 RATINGS

Ratings: [The Notes to be issued have not been rated.]
[The Notes to be issued [have been rated] [are expected to be rated]:
[Standard & Poor’s: [●]]
[Moody’s Investors Service Limited: [●]]
[Fitch Ratings Limited: [●]]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

[“Save as discussed in [“Subscription and Sale”], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer.”] [●]

4 [Fixed rate notes only – YIELD

Indication of yield: [●]
Calculated as *[include details of method of calculation in summary form]* [●] on the Issue Date.
The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5 [Floating rate notes only – HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/BBSW/BKBM/SHIBOR/SOR rates] [repo rates for Renminbi with a maturity of seven days][*other*] can be obtained from [Reuters].]

6 OPERATIONAL INFORMATION

- (i) ISIN: [●]
- (ii) Common Code: [●]
- (iii) CMU Instrument Number: [●]
- (iv) Clearing System: [Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme*/Central Moneymarkets Unit Service]
- (v) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/Austraclear System/*give name(s) and number(s) [and number(s)]*]
- (vi) Delivery: Delivery [against/free of] payment

(vii) Names and addresses of additional
Paying Agent(s) (if any):

[●]/[Not Applicable]

(viii) Intended to be held in a manner
which would allow Eurosystem
eligibility:

[Yes] [No]

[Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the international central securities depositaries as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*

(N.B. Delete this item 6(viii) if the Notes are Australian Domestic Notes)

PART II – APPLICABLE PRICING SUPPLEMENT FOR ISSUES BY RBS

Pricing Supplement dated [date]

The Royal Bank of Scotland plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under the £90,000,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) set forth in the Offering Circular dated [●] [and the supplemental Offering Circular[s] dated [date] [and [date]]] ([together,] the “**Offering Circular[s]**”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular. The full information that has been provided on the Issuer and the offer of the Notes is only available on the basis of the combination of the Pricing Supplement and the Offering Circular.

[The Offering Circular [and the supplemental Offering Circular(s)] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date:]

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “**Conditions**”) contained in the Trust Deed dated [original date] and set forth in the Offering Circular dated [original date] [and the supplemental Offering Circular[s] dated [date] [and [date]]] ([together,] the “**Offering Circular**”). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular dated [●] 2013 [and the supplemental Offering Circular[s] dated [date] [and [date]]], save in respect of the Conditions which are extracted from the Offering Circular dated [original date] and are attached hereto.]

[The Offering Circular [and the supplemental Offering Circular(s)] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote guidance for completing the Pricing Supplement.]

- | | | |
|---|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Issuer: | [The Royal Bank of Scotland plc]
[The Royal Bank of Scotland plc acting through its Australian branch]
[The Royal Bank of Scotland plc acting through its Tokyo Branch] |
| 2 | [(i)] Series Number: | [●] |
| | [(ii)] Tranche Number: | [●]
<i>(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).</i> |

- [(iii) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [●] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [●]/[other]]/[Not Applicable]]
- 3 Specified Currency or Currencies: [●]
 [CNY Currency Event]
 [Relevant Currency: USD/HKD/[●]]
 [US Dollar Settlement]
(N.B. CNY Currency Event, Relevant Currency and US Dollar Settlement apply to Notes denominated in Renminbi only. A Calculation Agent will also need to be specified for such Notes.)
- 4 Aggregate Nominal Amount: [●]
 [(i) Series: [●]
 [(ii) Tranche: [●]]
- 5 Issue Price: [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [●] (*in the case of fungible issues only, if applicable*)
- 6 (i) Specified Denominations: [●] [and integral multiples of [●] in excess thereof up to and including [●]. No notes in definitive form will be issued with a denomination above [●]]
(Note – Although RBS may issue Notes with a denomination of less than €100,000 or equivalent, where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:
“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”
[In respect of issues of Australian Domestic Notes, the following wording should be used:
“A\$[] and multiples thereof, subject to a minimum aggregate consideration of A\$500,000 per offeree or the offer not otherwise requiring disclosure to investors under Part 6D.2 of the Corporations Act 2001 of Australia”]
- (ii) Calculation Amount: [●]
(If only one Specified Denomination, insert the Specified Denomination.
If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)

- 7 [(i)] Issue Date: [●]
 [(ii)] Interest Commencement Date: [●]
- 8 Maturity Date: [*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
- 9 Interest Basis: [[●] per cent. Fixed Rate]
 [Reset Notes]
 [[LIBOR][EURIBOR][BBSW][BKBM][SHIBOR][SOR] [*specify other reference rate*] +/- [●] per cent. [Floating Rate]
 [Zero Coupon]
 [(specify other)]
 (Further particulars specified below)
- 10 Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [●] per cent. of their nominal amount
 [(specify other)]
- 11 Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for change of Notes into another interest or redemption/payment basis*]
- 12 Put/Call Options: [Investor Put]
 [Issuer Call]
 [(Further particulars specified below)]
- 13 (i) Status of the Notes: [Ordinary Notes]/[Tier 2 Notes]
 (ii) [Date [Board] approval for issuance of Notes obtained: [●]
 (*N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

- 14 Fixed Rate Note Provisions: [Applicable/Not Applicable]
 (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate(s) of Interest: [●] per cent. per annum payable in arrear [on each Interest Payment Date]
- (ii) Interest Payment Date(s): [●] [and [●]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]]
- (iii) Fixed Coupon Amount[(s)]: [[●] per Calculation Amount][Not Applicable]
 (*Applicable to Notes in definitive form*)
- (iv) Broken Amount(s): [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on][●]][Not Applicable]

	(v) Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]/[Actual/365(Fixed)]/[RBA Bond Basis]/[specify other]
	(vi) Determination Dates:	[●] in each year (<i>insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)</i>)
	(vii) Other terms relating to method of calculating interest for Fixed Rate Notes:	[Not Applicable/give details]
	(viii) Business Day Convention:	[Modified Following Business Day Convention [[unadjusted]/[adjusted]]/Not Applicable]
	(ix) Business Centre(s):	[●]
15	Reset Note Provisions:	[Applicable/Not Applicable]
	(i) Initial Rate of Interest:	[●] per cent. per annum payable in arrear [on each Interest Payment Date]
	(ii) First Margin:	[+/-][●] per cent. per annum
	(iii) Subsequent Margin:	[[+/-][●] per cent. per annum] [Not Applicable]
	(iv) Interest Payment Date(s):	[●] [and [●]] in each year up to and including the Maturity Date [[in each case,] subject to adjustment in accordance with <i>[specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]</i>]
	(v) Fixed Coupon Amount up to (but excluding) the First Reset Date:	[[●] per Calculation Amount][Not Applicable] (<i>Applicable to Notes in definitive form</i>)
	(vi) Broken Amount(s):	[[●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]][Not Applicable] (<i>Applicable to Notes in definitive form</i>)
	(vii) First Reset Date:	[●] [subject to adjustment in accordance with paragraph 15 (xv)]
	(viii) Second Reset Date:	[●]/[Not Applicable] [subject to adjustment in accordance with paragraph 15(xv)]
	(ix) Subsequent Reset Date(s):	[●] [and [●]] [subject to adjustment in accordance with paragraph 15(xv)]
	(x) Relevant Screen Page:	[●]
	(xi) Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
	(xii) Mid-Swap Maturity:	[●]
	(xiii) Day Count Fraction:	[30/360]/[Actual/Actual(ICMA)]/[Actual/365 (Fixed)]/[RBA Bond Basis]
	(xiv) Determination Dates:	[●] in each year (<i>insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)</i>)

	(xv) Business Day Convention:	[Modified Following Business Day Convention/Not Applicable]
	(xvi) Business Centre(s):	[•]
	(xvii) Calculation Agent:	[•]
16	Floating Rate Note Provisions:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Interest Period(s)/Specified Interest Payment Dates:	[•]
	(ii) Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ <i>specify other</i>]
	(iii) Business Centre(s):	[•]
	(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ <i>specify other</i>]
	(v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Agent or, as the case may be, the CMU Lodging and Paying Agent):	[•]
	(vi) Screen Rate Determination:	
	– Reference Rate:	[LIBOR] [EURIBOR] [BBSW] [BKBM] [SHIBOR] [SOR] [<i>specify other</i>]
	– Interest Determination Date(s):	[Second day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period] [First day of each Interest Period] [Second day on which the TARGET 2 System is open prior to the start of each Interest Period] [[•] Business Day[s] prior to the start of each Interest Period] [<i>specify other</i>]
	– Relevant Screen Page:	[•] (<i>In the case of EURIBOR, if not Reuters EURIBOR01, ensure it is a page which shows a composite rate or amend the fallback provisions appropriately</i>)
	(vii) ISDA Determination:	
	– Floating Rate Option:	[•]
	– Designated Maturity:	[•]
	– Reset Date:	[•]

	(viii) Margin(s):	[+/-][●] per cent. per annum
	(ix) Minimum Rate of Interest:	[●] per cent. per annum
	(x) Maximum Rate of Interest:	[●] per cent. per annum
	(xi) Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA) Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 or 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) RBA Bond Basis (specify other)]
	(xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
17	Zero Coupon Note Provisions:	[Applicable/Not Applicable]
	(i) Accrual Yield:	[●] per cent. per annum
	(ii) Reference Price:	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
PROVISIONS RELATING TO REDEMPTION		
18	Notice periods for Condition 5(b):	Minimum period: [●] days Maximum period: [●] days <i>(N.B. When setting notice periods the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)</i>
19	Redemption for Capital Disqualification Event:	[Applicable/Not Applicable]
	Notice periods for Condition 5(c):	[Minimum period: [●] days Maximum period: [●] days]/[Not Applicable]
20	Issuer Call:	[Applicable/Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
	(i) Optional Redemption Date(s):	[●]

- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount: [●] per Calculation Amount
- (iii) If redeemable in part:
- (A) Minimum Redemption Amount: [●]
- (B) Maximum Redemption Amount: [●]
- (iv) Notice periods: Minimum period: [●] days
Maximum period: [●] days
(N.B. When setting notice periods the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
- (v) Selection Date: [60 days prior to the date fixed for redemption]/[●] days prior to the date fixed for redemption]
- (vi) Publication of list of serial numbers for Notes in definitive form: [Minimum period: [●] days
Maximum period: [●] days]
- (vii) Notification period in relation to exchange of global Note: [10 days]/[[●] days]
- 21 Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [●]
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount: [●] per Calculation Amount
- (iii) Notice periods: Minimum period: [●] days
Maximum period: [●] days
(N.B. When setting notice periods the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
- 22 Final Redemption Amount: [[●] per Calculation Amount/specify other/see Appendix]
- 23 Early Redemption Amount payable on redemption for (a) taxation reasons or (b) [As per Condition 5(f)/[●] per Calculation Amount/specify other]

following the occurrence of a Capital Disqualification Event (in the case of Tier 2 Notes) or (c) on an event of default:

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24 Form of Notes:

(a) Form:

Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on and after the Exchange Date on 60 days' notice given at any time/only upon the occurrence of an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon the occurrence of an Exchange Event/in the limited circumstances set out in the Permanent Global Note]]

[N.B. If Limited Exchange Event applies, insert details and a new form of Permanent Global Note needs to be executed]

[Australian Domestic Notes]

(N.B. The exchange upon notice at any time option should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

(b) NGN:

[Yes][No]

(If the Notes are intended to be eligible collateral for Eurosystem monetary policy and intra-day credit operations, the New Global Note should be used. The New Global Note should only be used if it is intended that the Notes be held in a manner which would allow Eurosystem eligibility and a "yes" election is made in the section in Part B under the heading "Operational Information" entitled "Intended to be held in a manner which would allow Eurosystem eligibility".)

(N.B. Delete this item 24(b) if the Notes are Australian Domestic Notes)

(c) CMU Notes:

[Yes][No]

(If the Notes are intended to be cleared through the Central Moneymarkets Unit Service, CMU Notes should be specified.)

- 25 Additional Financial Centre(s): [Not Applicable/[●]]
- 26 Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes. As the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made /No/[●]]
- 27 Other final terms or special conditions: [Not Applicable/*give details*]
(consider if additional risk factors are required)

[DISTRIBUTION

- 28 (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/*give names, addresses and underwriting commitments*]
- (ii) Date of [Syndication] Agreement: [●]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
(N.B. Specify "Not Applicable" if the Notes are Australian Domestic Notes)
- 29 If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
- 30 [Total commission and concession: [●] per cent. of the Aggregate Nominal Amount]]
- 31 Additional selling restrictions: [Not Applicable/*give details*]
- 32 Whether TEFRA D/TEFRA C rules applicable or TEFRA rules not applicable [TEFRA D/TEFRA C/TEFRA rules not applicable]

PURPOSE OF THE PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue [and] [admission to trading on [specify relevant market]] of the Notes described herein pursuant to the £90,000,000,000 Euro Medium Term Note Programme of The Royal Bank of Scotland Group plc and The Royal Bank of Scotland plc.

THIRD PARTY INFORMATION

[[●] has been extracted from [source]. The Royal Bank of Scotland plc confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of The Royal Bank of Scotland plc:

By:
Duly authorised

PART B – OTHER INFORMATION

1 LISTING

Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [specify relevant market] with effect from [●]] [Not Applicable]

(Where documenting a fungible issue, indicate that original securities are already admitted to trading.)

2 RATINGS

[The Notes to be issued have not been rated.]

Ratings: [The Notes to be issued [have been rated] [are expected to be rated]:

[Standard & Poor's: [●]]

[Moody's Investors Service Limited: [●]]

[Fitch Ratings Limited: [●]]

3 INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

Include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

["Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."] [●]

4 [Fixed rate notes only – YIELD

Indication of yield: [●]

Calculated as [●] [include details of method of calculation in summary form] on the Issue Date.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

5 [Floating rate notes only – HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/BBSW/BKBM/SHIBOR/SOR rates] [repo rates for Renminbi with a maturity of seven days] [other] can be obtained from [Reuters].]

6 OPERATIONAL INFORMATION

(i) ISIN: [●]

(ii) Common Code: [●]

(iii) CMU Instrument Number: [●]

(iv) Clearing System: [Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme/Central Moneymarkets Unit Service]

(v) Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification [Not Applicable/Austraclear System/give name(s) and number(s) [and number(s)]]

- number(s):
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): []/[Not Applicable]
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
 [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the international central securities depositaries as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*
(N.B. Delete this item 6(viii) if the Notes are Australian Domestic Notes)
- (ix) Australian Registrar other than BTA Institutional Services Australia Limited: []/[Not Applicable]

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