

## PROSPECTUS



**The Royal Bank of Scotland plc**

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

### **Certificate and Warrant Programme**

Under the terms of its Certificate and Warrant Programme (the **Programme**), The Royal Bank of Scotland plc (the **Issuer**) may from time to time issue either (i) redeemable certificates (**Redeemable Certificates**) or (ii) exercisable certificates (**Exercisable Certificates**) or warrants which have an exercise period or date (such warrants and Exercisable Certificates together, **Warrants** and Redeemable Certificates and Warrants together, **Securities**) which may or may not relate to an underlying asset or a basket of underlying assets.

Securities will be issued on the terms set out under "*Terms and Conditions of the Securities*" (the **Conditions** and each a **Condition**) and on such additional terms as set out in a final terms document (the **Final Terms**).

Each issue of Warrants will entitle the holder (the **Warrantholder**) on the exercise date to receive either a cash amount (if any) or physical delivery of the underlying assets (if any) against payment of a specified sum, subject as set out herein and in the applicable Final Terms.

Each issue of Redeemable Certificates will entitle the holder (the **Redeemable Certificateholder**) on the redemption date to receive either a cash amount (if any) or, subject to delivery of an Asset Transfer Notice, physical delivery of the underlying assets (if any), subject as set out herein and in the applicable Final Terms.

**Prospective purchasers of Securities should ensure that they understand the nature of the relevant Securities and the extent of their exposure to risks and that they consider the suitability of the relevant Securities as an investment in the light of their own circumstances and financial condition. Securities may involve a high degree of risk and prospective purchasers should recognise that Securities, other than Securities having a minimum expiration or redemption value, may expire worthless. Potential purchasers should be prepared to sustain a total loss of their investment. It is the responsibility of potential purchasers to ensure 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 Securities and are not relying on the advice of the Issuer or any Manager or Distributor. See "*Risk Factors*" and "*Taxation*" below.**

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 Financial Services and Markets Act 2000 (**FSMA**), the Issuer may only be responsible to the Investor for this Prospectus (defined below) under section 90 of FSMA if the Issuer has authorised the Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the 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 the 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 (defined below) is not contained in this Prospectus or the relevant Final Terms, it will be the responsibility of the relevant Offeror at the time of such offer to provide the Investor with such information.** This does not affect any responsibility which the Issuer may otherwise have under applicable laws.

The Issuer will not be liable for, or otherwise obliged to pay, any tax, duty or other payment which may arise as a result of the ownership, transfer, exercise (in the case of Warrants), redemption (in the case of Redeemable Certificates) or enforcement of any Security by any person and all payments and/or deliveries made by the Issuer shall be made subject to any such tax, duty, withholding or other payment.

Application has been made to the Financial Services Authority in its capacity as competent authority (the **UK Listing Authority**) under FSMA for Securities 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 Securities to be admitted to trading on its Regulated Market (the **Market**). The Market is a regulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). The Programme provides that Securities may be listed and/or admitted to trading on such other or additional stock exchange(s) as may be agreed between the Issuer and the relevant Manager(s). The Issuer may also issue unlisted Securities.

The Final Terms for an issue of Securities which are to be admitted to trading on a regulated market or offers which do not fall within Article 3.2 of the Prospectus Directive will be delivered to the UK Listing Authority and made available, free of charge, to the public at the registered office of the Issuer and at the offices of the relevant Distributor(s), if any, and Certificate and Warrant Agents.

Unless otherwise specified in the applicable Final Terms, Securities will be represented by a global security deposited with a common depository on behalf of Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear**) on the date of issue of the relevant Securities. The Issuer may issue Securities which are clearable through clearing systems other than or in addition to Clearstream, Luxembourg and Euroclear including, but not limited to, the dematerialised and uncertificated securities trading system operated by Euroclear UK and Ireland Limited (**CREST**) as set out in the applicable Final Terms.

*Arranger*

**The Royal Bank of Scotland plc**

*Managers*

**The Royal Bank of Scotland plc  
The Royal Bank of Scotland N.V.**

The date of this Prospectus is 23 September 2010.

**This Prospectus (this Prospectus) comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC (the Prospectus Directive).**

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

**The previous paragraph should be read in conjunction with paragraph 6 on the first page of this Prospectus.**

**The applicable Final Terms will (if applicable) specify the nature of the responsibility taken by the Issuer for the information relating to the underlying reference share (or basket of shares), index (or basket of indices), inflation index (or basket of inflation indices), currency (or basket of currencies), debt obligation (or basket of debt obligations), commodity or related forward or futures contract (or basket of commodities or related forward or futures contracts), forward or futures contract relating to one or more government bonds (or basket of forward or futures contracts relating to government bonds), fund (or basket of funds), certificate (or basket of certificates) or other basis of reference (if any) (each a Reference Item) to which relevant Securities relate and which is contained in such Final Terms. However, unless otherwise expressly stated in the applicable Final Terms, any information contained therein relating to any Reference Item will only consist of extracts from, or summaries of, information contained in financial and other information released publicly by the issuer, owner or sponsor, as the case may be, of any such Reference Item. Unless otherwise expressly stated in the applicable Final Terms, the Issuer will accept responsibility that such extracts or summaries, whether or not sourced from a third party (which sources shall be identified), have been accurately reproduced and will not omit any facts which would render the reproduced information inaccurate or misleading.**

**The Securities and, in certain cases, the underlying assets or Entitlement have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the Securities Act). Securities may not at any time be offered, sold or delivered in the United States or to U.S. persons (as defined in Regulation S under the Securities Act), nor may any U.S. persons at any time trade or maintain a position in such Securities.**

**This document is to be read and construed in conjunction with any amendment or supplement hereto in connection with any issue of Securities, the applicable Final Terms and all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" on page 24).**

**Warrants create options which are either exercisable by the relevant holder or which will be automatically exercised as provided herein. There is no obligation upon the Issuer to pay any amount or deliver any asset to any holder of a Warrant unless the relevant holder duly exercises such Warrant or such Warrant is automatically exercised and, in each case, unless, in the case of Cash Settled Securities, Automatic Exercise: No delivery of Exercise Notice is specified as applying in the applicable Final Terms, an Exercise Notice is duly delivered. Warrants will be exercised or will be exercisable in the manner set forth herein and in the applicable Final Terms. In order to receive payment of any amount or delivery of any asset due under a Security, the Warrantholder will unless, in the case of Cash Settled Securities, Automatic Exercise: No delivery of Exercise Notice is specified as applying in the applicable Final Terms, be required to deliver an Exercise Notice which includes, *inter alia*, a certification (in accordance with the provisions outlined in "*Terms and Conditions of the Securities*" below) that such Warrantholder is not a U.S. person or a person who has purchased such Warrant for resale to U.S. persons, that it is not exercising such Warrant within the United States or on behalf of a U.S. person and that no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with the exercise thereof.**

**Redeemable Certificates shall be redeemed on the redemption date by payment of the Cash Settlement Amount (in the case of Cash Settled Securities) and/or by delivery of the Entitlement (in the case of Physical Delivery Securities). In order to receive the Entitlement, the holder of a Redeemable Certificate will be required to deliver an Asset Transfer Notice which includes, *inter alia*, a certification (in accordance with the provisions outlined in "*Terms and Conditions of the Securities*") that such Redeemable Certificateholder is not a U.S. person or a person who has purchased such Redeemable Certificate for resale to U.S. persons, that it is not redeeming such Redeemable Certificate within the United States or on behalf of a U.S. person and that no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with the redemption thereof.**

**The Issuer may issue Securities to either The Royal Bank of Scotland plc (RBS) or The Royal Bank of Scotland N.V. (RBS N.V.) and/or any additional or other manager of an issue of Securities from time to time (together the Managers and each a Manager). Securities not initially sold by a Manager will be held by such Manager or an affiliate or affiliates of such Manager and may be retained or sold by such Manager or such affiliate or affiliates from time to time in such amounts and at such prices as such Manager or such affiliate or affiliates may determine. There is no obligation upon any Manager to sell all of the Securities of any issue. No representation or warranty or other assurance is given as to the number of Securities of a Series (as defined under "*Terms and Conditions of the Securities*") issued or outstanding at any time.**

**In relation to any issue of Securities, the Issuer may appoint one or more financial intermediaries (each a Distributor) to offer such Securities in such country or countries and on such terms as may be specified in the applicable Final Terms.**

**Each Manager and/or Distributor and its address in relation to any issue of Securities and all other relevant terms relating to the offer of such Securities will be set forth in the applicable Final Terms.**

**To the fullest extent permitted by law, no Manager or Distributor accepts any responsibility for the contents of this Prospectus or for any other statement made or purported to be made by a Manager or a Distributor or on its behalf in connection with the Issuer or the issue and offering of the Securities. Each Manager and Distributor accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any such statement.**

**Subject as provided in the applicable Final Terms, the only persons authorised to use this Prospectus in connection with an offer of Securities are the persons named in the applicable Final Terms as the relevant Manager or Distributor, as the case may be.**

**No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or which is inconsistent with this document or any financial statements or any other information supplied in connection with the Programme or any Securities and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Manager or Distributor. This document does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation and, except in relation to an issue of Securities where otherwise specified in the applicable Final Terms, no action is being taken by the Issuer to permit a public offering of the Securities outside the United Kingdom or the distribution of this document in any jurisdiction where action for that purpose is required.**

**Neither this Prospectus nor any financial statements or any other information supplied in connection with the Programme or any Securities (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer or any Manager or Distributor that any recipient of this Prospectus or any financial statements or any other information supplied in connection with the Programme or any Securities should purchase any Securities. Each**

investor contemplating purchasing any Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and of the suitability of the relevant Securities as an investment in the light of its own circumstances and financial condition and after due consideration of an investment linked to the relevant Reference Item. Neither this Prospectus nor any document incorporated by reference in this Prospectus constitutes an offer of, or an invitation by or on behalf of, the Issuer or any Manager or Distributor or any other person to subscribe for or to purchase any Securities.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Securities shall at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme or any Securities is correct as of any time subsequent to the date indicated in the document containing the same. No Manager or Distributor undertakes to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, *inter alia*, the documents incorporated herein by reference when deciding whether or not to purchase any Securities.

The distribution of this Prospectus and the offering of Securities may be restricted by law in certain jurisdictions. Persons into whose possession this Prospectus comes are required by the Issuer and any Manager or Distributor to inform themselves about, and to observe, any such restrictions. For a description of certain further restrictions on offers and sales of the Securities and on the distribution of this Prospectus, see "*Offering and Sale*" beginning on page 126.

In connection with any issue of Securities or otherwise, the Issuer and/or any of its Affiliates (as defined under "*Terms and Conditions of the Securities*") may acquire and/or maintain positions in the underlying asset(s) relating to such Securities but neither the Issuer nor any of its Affiliates will have any obligation to acquire or maintain any such position.

In this Prospectus, references to U.S.\$ and U.S. dollars are to United States dollars, references to "EUR", "€" and "Euro" are to euro and references to "Sterling" and "£" are to pounds sterling.

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## SUMMARY OF THE PROGRAMME

**This Summary must be read as an introduction to this Prospectus and any decision to invest in any Securities should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive in each Member State of the European Economic Area (Member State), no civil liability will attach to the Issuer in any such Member State in respect of this Summary, including any translation unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a Member State, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.**

Terms and expressions defined in the Conditions shall have the same meaning in this Summary.

### Information relating to the Issuer

Issuer: The Royal Bank of Scotland plc

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

As at 30 June 2010, the Group had total assets of £1,582.1 billion and owners' equity of £76.8 billion. The Group's Tier 1 and Core Tier 1 capital ratios at that date were 12.8 per cent. and 10.5 per cent., respectively.

The Issuer had total assets of £1,422 billion and shareholder's equity of £58.1 billion as at 30 June 2010. The Issuer's capital ratios as at that date were a total capital ratio of 14.0 per cent. and a Tier 1 capital ratio of 10.3 per cent.

Risk Factors: *Risks Relating to the Issuer*

There are certain factors which may affect the Issuer's

ability to fulfil its obligations under the Securities, including:

- Investors are exposed to the credit risk of the Issuer. In the unlikely event that the Issuer defaults or goes bankrupt, Investors may lose some or all of their investment.
- Prospective investors should note that the Issuer is subject to certain general risks including, without limitation, instability in the global financial markets, lack of liquidity, depressed asset valuations and geopolitical conditions and, in addition, certain risks specific to the Issuer including, without limitation, full nationalisation and other resolution procedures under the Banking Act 2009 and risks related to the entry into the asset protection scheme.

#### *Risks relating to Securities*

Securities may involve a high degree of risk.

There are certain material factors for the purpose of assessing the market risks associated with investing in any issue of Securities, which include, without limitation, the fact that: Securities are unsecured obligations of the Issuer; there may be a time lag between valuation and settlement in relation to a Security; there may be potential conflicts of interest; market disruptions or other events may occur in respect of the particular Reference Item(s) (if any) to which the amounts payable and/or deliverable in respect of the relevant Securities may relate, as specified in the applicable Final Terms; there may be taxation risks; there may be a substitution of the Issuer; there may be illiquidity of the Securities in the secondary market; there may be the risk that performance of the Issuer's obligations under the Securities may become illegal; there may be exchange rate risks and exchange controls; and the market value of the Securities may be affected by the creditworthiness of the Issuer or the Group and a number of additional factors.

In addition, prospective investors in Reference Item Linked Securities (as defined under "*Risks related to the Reference Item*" in "*Risk Factors*") should understand the risks of transactions involving such Securities and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Securities in light of their particular financial circumstances, the information set forth herein and the information regarding such Securities and the particular Reference Item(s) to which the value of, or payments in respect of, the relevant Securities may

relate, as specified in the applicable Final Terms.

Where the applicable Final Terms specify one or more Reference Items, the relevant Securities will represent an investment linked to the performance of such Reference Item(s) and prospective investors should note that the return (if any) on their investment in the Securities will depend upon the performance of the relevant Reference Item(s).

**PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS TO DETERMINE THE RELEVANT REFERENCE ITEM(S) (IF ANY) AND TO SEE HOW THE CASH SETTLEMENT AMOUNT OR ENTITLEMENT, AND ANY PERIODIC PAYMENTS, ARE DETERMINED AND WHEN ANY SUCH AMOUNTS ARE PAYABLE AND/OR DELIVERABLE BEFORE MAKING ANY DECISION TO PURCHASE ANY REFERENCE ITEM LINKED SECURITIES.**

#### **Information relating to the Programme**

Description:	Certificate and Warrant Programme
Arranger:	The Royal Bank of Scotland plc
Principal Certificate and Warrant Agent:	The Bank of New York Mellon, acting through its London Branch.
Certificate and Warrant Agent:	The Bank of New York Mellon (Luxembourg) S.A.
Registrar:	Computershare Investor Services PLC
Calculation Agent:	The Royal Bank of Scotland plc or such other calculation agent specified in the applicable Final Terms.
Currencies:	Sterling, Euro, U.S. dollars, or any other currenc(y)(ies), subject to any applicable legal or regulatory restrictions and/or central bank requirements.
Type of Securities:	<p>The Issuer may from time to time issue Redeemable Certificates or Warrants (together <b>Securities</b>) of any kind, including but not limited to Index Securities, Inflation Index Securities, Share Securities, Debt Securities, Currency Securities, Commodity Securities, Government Bond Securities, Fund Securities, Certificate Securities and General Securities.</p> <p>Warrants may either be European Style Warrants or American Style Warrants or as specified in the applicable Final Terms.</p>
Settlement:	<p>The Securities may be cash settled or physically settled.</p> <p>The Cash Settlement Amount in respect of Cash Settled</p>

Securities which are Reference Item Linked Securities will be calculated by reference to a single index, inflation index, share, debt obligation, currency, commodity (or related forward or futures contract), forward or futures contract relating to a government bond, fund, certificate or basket of any such type of reference item (or a combination of any of them).

The Entitlement in respect of Physical Delivery Securities will be a specified amount of reference items, as applicable, subject, in the case of Warrants, to payment of the relevant Exercise Price and, in all cases, any other sums payable.

Issue Price:

Securities will be issued at such price specified in the applicable Final Terms (if any).

Redeemable Certificates:

Redeemable Certificates will be redeemed on the relevant Redemption Date either by payment of the Cash Settlement Amount or by delivery of the Entitlement as set out in the applicable Final Terms.

Warrants:

Exercise Rights:

European Style Warrants are only exercisable on the Exercise Date.

European Style Warrants where Automatic Exercise is not specified in the applicable Final Terms, with respect to which no Exercise Notice has been delivered in the manner set out in Condition 6 at or prior to the relevant Clearing System Cut-off Time, on the Actual Exercise Date, shall become void.

European Style Warrants where Automatic Exercise is specified in the applicable Final Terms, with respect to which no Exercise Notice has been delivered in the manner set out in Condition 6 at or prior to the relevant Clearing System Cut-off Time, shall be automatically exercised on the Actual Exercise Date.

American Style Warrants are exercisable on any Business Day during the Exercise Period.

American Style Warrants where Automatic Exercise is not specified in the applicable Final Terms, with respect to which no Exercise Notice has been delivered in the manner set out in Condition 6 at or prior to the relevant Clearing System Cut-off Time, on the Expiration Date, shall become void.

American Style Warrants where Automatic Exercise is specified in the applicable Final Terms, with respect to which no Exercise Notice has been delivered in the manner set out in Condition 6 at or prior to the relevant Clearing System Cut-off Time, on the Expiration Date, shall be automatically exercised on the Expiration Date.

In relation to European Style Warrants or American Style Warrants where Automatic Exercise is specified in the applicable Final Terms, such Final Terms will also specify whether either (i) Automatic Exercise: Exercise Notice by Cut-off Date applies and, if it does, an Exercise Notice will need to be delivered in the manner set out in Condition 6 by the Cut-off Date in order to receive the Cash Settlement Amount or the Entitlement, as the case may be; or (ii) in relation to Cash Settled Securities only, Automatic Exercise: No delivery of Exercise Notice applies and, if it does, no Exercise Notice will need to be delivered.

Form of Securities:

Unless otherwise specified in the applicable Final Terms, each issue of Securities will be represented by a Global Security.

If CREST (defined below) is specified as the clearing system in the applicable Final Terms, the Securities will be registered Securities in dematerialised and uncertificated form.

Clearing Systems:

Unless otherwise specified in the applicable Final Terms, Clearstream, Luxembourg and Euroclear. The Issuer may, if so specified in the applicable Final Terms, issue Securities which are clearable through clearing systems other than or in addition to Clearstream, Luxembourg and Euroclear including, but not limited to, the dematerialised and uncertificated securities trading system operated by Euroclear UK and Ireland Limited (**CREST**).

Expenses and Taxes:

A holder of Securities must pay or discharge all Expenses relating to such Securities.

The Issuer shall not be liable for, or otherwise be obliged to pay, any tax, duty or other payment which may arise as a result of the ownership, transfer, exercise (in the case of Warrants), redemption (in the case of Redeemable Certificates) or enforcement of any Security by any person and all payments and/or deliveries made by the Issuer shall be made subject to any such tax, duty, withholding or other payment.

Status:

The Securities constitute unsecured and unsubordinated obligations of the Issuer.

Listing and admission to trading:

Application may be made to admit any Securities issued to the Official List and to admit them to trading on the Market.

Securities may be listed or admitted to trading, as the case may be, on other or additional stock exchanges or markets as specified in the applicable Final Terms. Securities which are neither listed nor admitted to trading on any market may also be issued.

Governing Law:

English.

Selling Restrictions:

See "*Offering and Sale*" below.

## **RISK FACTORS**

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

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Securities issued under the Programme are also described below.*

*Each of the risks highlighted below could adversely affect the trading price of any Securities or the rights of investors under any Securities and, as a result, investors could lose some or all of their investment. The Issuer believes that the factors described below represent the principal risks inherent in investing in Securities issued under the Programme, but the Issuer may be unable to pay or deliver amounts on or in connection with any Securities for other reasons (which the Issuer currently considers not to be material or of which it is currently not aware). The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties that may result from holding the Securities. The Issuer has described only those risks relating to the Securities that it considers to be material. There may be additional risks that the Issuer currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth below. 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.*

**THE PURCHASE OF SECURITIES MAY INVOLVE SUBSTANTIAL RISKS AND MAY BE SUITABLE ONLY FOR INVESTORS WHO HAVE THE KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS NECESSARY TO ENABLE THEM TO EVALUATE THE RISKS AND THE MERITS OF AN INVESTMENT IN THE SECURITIES. PRIOR TO MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS SHOULD CONSIDER CAREFULLY, IN LIGHT OF THEIR OWN FINANCIAL CIRCUMSTANCES AND INVESTMENT OBJECTIVES, (I) ALL THE INFORMATION IN THIS PROSPECTUS AND, IN PARTICULAR, THE CONSIDERATIONS BELOW AND (II) ALL THE INFORMATION IN THE APPLICABLE FINAL TERMS. PROSPECTIVE INVESTORS SHOULD MAKE SUCH ENQUIRIES AS THEY DEEM NECESSARY WITHOUT RELYING ON THE ISSUER, THE ARRANGER, ANY MANAGER OR ANY DISTRIBUTOR.**

**CERTAIN ISSUES OF SECURITIES INVOLVE A HIGH DEGREE OF RISK AND POTENTIAL INVESTORS SHOULD BE PREPARED TO SUSTAIN A LOSS OF ALL OR PART OF THEIR INVESTMENT.**

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Prospectus prior to making any investment decision with respect to any Securities.*

*Terms and expressions defined in the Conditions shall, save where the context otherwise requires, have the same meaning in this section.*

### **RISK FACTORS RELATING TO THE ISSUER**

*Investors should have regard to the risk factors set out on pages 3 to 37 (inclusive) of the Issuer's registration document dated 9 August 2010 (the **Registration Document**).*

## **RISK FACTORS RELATING TO THE SECURITIES**

### **The Securities may not be a suitable investment for all investors**

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

- (i) have sufficient knowledge and experience to evaluate the Securities, the merits and risks of investing in the Securities 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 Securities and the impact the Securities 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 Securities, including where the Settlement Currency is different from the currency in which such investor's principal financial activities are principally denominated;
- (iv) understand thoroughly the terms of the Securities 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.

In addition, an investment in Index Securities, Inflation Index Securities, Share Securities, Debt Securities, Currency Securities, Commodity Securities, Government Bond Securities, Fund Securities and Certificate Securities or other Securities linked to other assets or bases of reference, may entail significant risks not associated with investments in conventional securities such as debt or equity securities, including, but not limited to, the risks set out in "*Risks related to the structure of a particular issue of Securities*" below.

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

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

A wide range of Securities may be issued under the Programme. A number of these Securities may have features which contain particular risks for potential investors. Set out below is a description of the most common features.

### ***General risks and risks relating to Reference Item(s)***

A Series of Securities may involve a high degree of risk, which may include, among others, interest rate, foreign exchange, time value and political risks. Prospective purchasers of Securities should recognise that their Securities, other than any Securities having a minimum expiration or redemption, as the case may be, value, may be worthless on expiry or redemption. Purchasers should be prepared to sustain a total loss of the purchase price of their Securities, except, if so indicated in the applicable Final Terms, to the extent of any minimum expiration or redemption, as the case may be, value attributable to such Securities. This risk reflects the nature of a Security as an asset which, other factors held constant, tends to decline in value over time and which may become worthless when it expires or is redeemed (except to the extent of any minimum expiration or redemption, as the case may be, value). See "*Certain factors affecting the value and trading price of Securities*" below. Prospective purchasers of Securities should be experienced with respect to options and option transactions, should understand the risks of transactions involving the relevant Securities and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Securities in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Securities and the particular Reference Item(s) (if any) to which the value of the relevant Securities may relate, as specified in the applicable Final Terms.

The risk of the loss of some or all of the purchase price of a Security upon expiration or redemption, as the case may be, means that, in order to recover and realise a return upon his or her investment, a purchaser of a Security must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item(s) (if any) specified in the applicable Final Terms. Assuming all other factors are held constant, the more a Security is "out-of-the-money" and the shorter its remaining term to expiration or redemption, as the case may be, the greater the risk that purchasers of such Securities will lose all or part of their investment. With respect to European Style Warrants or Redeemable Certificates, the only means through which a Securityholder can realise value from the Security prior to the Exercise Date or Redemption Date in relation to such Warrant or Redeemable Certificate, as the case may be, is to sell it at its then market price in an available secondary market. See "*Possible illiquidity of the Securities in the secondary market*" below.

Fluctuations in the value of the relevant index or basket of indices will affect the value of Index Securities or, as the case may be, Inflation Index Securities. Fluctuations in the price of the relevant shares or value of the basket of shares will affect the value of Share Securities. Fluctuations in the price or yield of the relevant debt obligation or value of the basket of debt obligations will affect the value of Debt Securities. Also, due to the character of the particular market on which a debt obligation is traded, the absence of last sale information and the limited availability of quotations for such debt obligation may make it difficult for many investors to obtain timely, accurate data for the price or yield of such debt instrument. Fluctuations in the value of the relevant forward or futures contract related to one or more government bonds or basket of forward or futures contracts relating to government bonds will affect the value of Government Bond Securities. Fluctuations in the rates of exchange between the relevant currencies will affect the value of Currency Securities. Fluctuations in the value of the relevant commodity or related forward or futures contract or basket of commodities or related forward or futures contracts will affect the value of Commodity Securities. Fluctuations in the net asset value of the relevant fund or basket of funds will affect the value of Fund Securities. Fluctuations in the price of the relevant certificate or basket of certificates will affect the value of Certificate Securities. Purchasers of Securities risk losing their entire investment if the value of the relevant underlying basis of reference (if any) does not move in the anticipated direction.

The Issuer may issue several issues of Securities relating to various reference indices, inflation indices, shares, currencies, commodities or related forward or futures contracts, debt instruments, forward or futures contracts relating to government bonds, funds, certificates or other bases as specified in the applicable Final Terms. However, no assurance can be given that the Issuer will issue any Securities other than the Securities to which particular Final Terms relate. At any given time, the number of Securities outstanding may be substantial. Securities provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the underlying investment. In general, certain of the risks associated with

Warrants are similar to those generally applicable to other options or warrants of private corporate issuers. Options, warrants or certificates on equities or debt securities (including, for the avoidance of doubt, Debt Securities and Government Bond Securities) are priced primarily on the basis of the value of underlying securities or obligations whilst Currency Securities, Commodity Securities, Index Securities, Inflation Index Securities, Certificate Securities and Fund Securities are priced primarily on the basis of present and expected values of the reference currency (or basket of currencies), commodity (or basket of commodities), index (or basket of indices), inflation index (or basket of inflation indices), fund (or basket of funds) or certificate (or basket of certificates) specified in the applicable Final Terms.

### ***Certain factors affecting the value and trading price of Securities***

Either (1) the Cash Settlement Amount (in the case of Cash Settled Securities) or (2)(i) the difference in the value of the Entitlement and the Exercise Price (in the case of Physical Delivery Securities which are Warrants) or (ii) the value of the Entitlement (in the case of Physical Delivery Securities which are Redeemable Certificates) (2(i) or 2(ii), as applicable, the **Physical Settlement Value**) at any time prior to expiration or redemption is typically expected to be less than the trading price of such Securities at that time. The difference between the trading price and the Cash Settlement Amount or the Physical Settlement Value, as the case may be, will reflect, among other things, the "time value" of the Securities. The "time value" of the Securities will depend partly upon the length of the period remaining to expiration or redemption and expectations concerning the value of the reference share (or basket of shares), index (or basket of indices), inflation index (or basket of inflation indices), currency (or basket of currencies), commodity or related forward or futures contract (or basket of commodities or related forward or futures contracts), forward or futures contract relating to one or more government bonds (or basket of forward or futures contracts relating to government bonds), fund (or basket of funds), certificate (or basket of certificates) or other basis of reference (if any) as specified in the applicable Final Terms. Securities offer hedging and investment diversification opportunities but also pose some additional risks with regard to interim value. The interim value of the Securities varies with the price level of the Reference Item(s) (if any) as specified in the applicable Final Terms, as well as due to a number of other interrelated factors, including those specified herein.

Before exercising (in the case of Warrants) or selling Securities, Securityholders should carefully consider, among other things, (i) the trading price of the Securities, (ii) the value and volatility of the Reference Item(s) (if any) as specified in the applicable Final Terms, (iii) the time remaining to expiration or redemption, as the case may be, (iv) in the case of Cash Settled Securities, the probable range of Cash Settlement Amounts, (v) any change(s) in interim interest rates and dividend yields (if applicable), (vi) any change(s) in currency exchange rates, (vii) the depth of the market or liquidity of the Reference Item(s) (if any) as specified in the applicable Final Terms and (viii) any related transaction costs.

### ***Certain considerations regarding hedging***

Prospective purchasers intending to purchase Securities to hedge against the market risk associated with investing in any Reference Item(s) as may be specified in the applicable Final Terms, should recognise the complexities of utilising Securities in this manner. For example, the value of the Securities may not exactly correlate with the value of the relevant Reference Item(s). Due to fluctuating supply and demand for the Securities, there is no assurance that their value will correlate with movements of the relevant Reference Item(s). For these reasons, among others, it may not be possible to purchase or liquidate securities in a portfolio at the prices used to calculate the value of any relevant Reference Item(s).

In the case of Securities relating to a share (or basket of shares), the Issuer and/or any of its Affiliates or agents may from time to time hedge the Issuer's obligations under such Securities (and under other instruments and OTC contracts issued by or entered into from time to time by the Issuer or any of its Affiliates or agents relating to such securities) by taking positions, directly or indirectly, in such share (or basket of shares). Although the Issuer has no reason to believe that such hedging activities will have a material impact on the price of any share, there can be no assurance that such hedging activities will not adversely affect the value of the Securities.

### ***Risks relating to Reference Item(s)***

Share Securities, Index Securities, Inflation Index Securities, Commodity Securities, Debt Securities, Currency Securities, Government Bond Securities, Fund Securities and Certificate Securities (each as defined below and together **Reference Item Linked Securities**) involve a high degree of risk.

Prospective investors in Reference Item Linked Securities should understand the risks of transactions involving Reference Item Linked Securities and should reach an investment decision only after careful consideration, with their advisers, of the suitability of such Reference Item Linked Securities in light of their particular financial circumstances, the information set forth herein and the information regarding the relevant Reference Item Linked Securities and the particular Reference Item(s) to which the value of, or payments in respect of, the relevant Reference Item Linked Securities may relate, as specified in the applicable Final Terms.

As the amounts payable periodically and/or the Cash Settlement Amount may be linked to the performance of the relevant Reference Item(s), an investor in a Reference Item Linked Security must generally be correct about the direction, timing and magnitude of an anticipated change in the value of the relevant Reference Item(s).

Where the applicable Final Terms specify one or more Reference Items, the relevant Reference Item Linked Securities will represent an investment linked to the economic performance of such Reference Item(s) and prospective investors should note that the return (if any) on their investment in Reference Item Linked Securities will depend upon the performance of such Reference Item(s). Potential investors should also note that whilst the market value of such Reference Item Linked Securities is linked to such Reference Item(s) and will be influenced (positively or negatively) by such Reference Item(s), any change may not be comparable and may be disproportionate. It is impossible to predict how the level of the relevant Reference Item(s) will vary over time. In contrast to a direct investment in the relevant Reference Item(s), Reference Item Linked Securities represent the right to receive payment or delivery, as the case may be, of the relevant Cash Settlement Amount(s) or Entitlement on the relevant Settlement Date or Redemption Date as well as periodic payments of interest (if specified in the applicable Final Terms), all or some of which may be determined by reference to the performance of the relevant Reference Item(s). The applicable Final Terms will set out the provisions for the determination of the Cash Settlement Amount or Entitlement and of any periodic payments.

**PROSPECTIVE INVESTORS MUST REVIEW THE APPLICABLE FINAL TERMS TO ASCERTAIN WHAT THE RELEVANT REFERENCE ITEM(S) ARE AND TO SEE HOW BOTH THE CASH SETTLEMENT AMOUNT OR ENTITLEMENT AND ANY PERIODIC PAYMENTS ARE DETERMINED AND WHEN ANY SUCH AMOUNTS ARE PAYABLE AND/OR DELIVERABLE, AS THE CASE MAY BE, BEFORE MAKING ANY DECISION TO PURCHASE ANY REFERENCE ITEM LINKED SECURITIES.**

Fluctuations in the value and/or volatility of the relevant Reference Item(s) may affect the value of the relevant Reference Item Linked Securities. Investors in Reference Item Linked Securities may risk losing their entire investment if the value of the relevant Reference Item(s) does not move in the anticipated direction.

There is no return on Reference Item Linked Securities other than the potential payment or delivery, as the case may be, of the Cash Settlement Amount or Entitlement, as the case may be, on the Settlement Date or Redemption Date and payment of any periodic interest payments.

Other factors which may influence the market value of Reference Item Linked Securities include interest rates, potential dividend or interest payments, commodity prices or inflation rates (as applicable) in respect of the relevant Reference Item(s), changes in the method of calculating the level of the relevant Reference

Item(s) from time to time and market expectations regarding the future performance of the relevant Reference Item(s), its composition and such Reference Item Linked Securities.

If any of the relevant Reference Item(s) is an index, the value of such Reference Item on any day will reflect the value of its constituents on such day. Changes in the composition of such Reference Item and factors (including those described above) which either affect or may affect the value of the constituents, will affect the value of such Reference Item and therefore may affect the return on an investment in Reference Item Linked Securities.

The Issuer may issue several issues of Reference Item Linked Securities relating to particular Reference Item(s). However, no assurance can be given that the Issuer will issue any Reference Item Linked Securities other than the Reference Item Linked Securities to which the applicable Final Terms relate. At any given time, the number of Reference Item Linked Securities outstanding may be substantial. Reference Item Linked Securities provide opportunities for investment and pose risks to investors as a result of fluctuations in the value of the Reference Item(s) to which such Reference Item Linked Securities relate.

***Certain considerations associated with Securities relating to shares (or baskets of shares)***

In the case of Securities relating to shares, no issuer of such shares will have participated in the preparation of the relevant Final Terms or in establishing the terms of the Securities and neither the Issuer nor any Manager nor any Distributor will make any investigation or enquiry in connection with such offering with respect to the information concerning any such issuer of shares contained in such Final Terms or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the relevant issue date (including events that would affect the accuracy or completeness of the publicly available documents described in this paragraph or in any applicable Final Terms) that would affect the trading price of the shares will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer of shares could affect the trading price of the shares and therefore the trading price of the Securities.

Except as provided in the Conditions in relation to Physical Delivery Securities, Securityholders will not have voting rights or rights to receive dividends or distributions or any other rights with respect to the relevant shares to which such Securities relate.

***Certain additional risk factors associated with Commodity Securities***

Commodity linked securities, which are related to the value of commodities, tend to be more volatile than traditional securities. Commodity market values are not related to the value of a future income or earnings stream, but are subject to variables of specific application to commodities markets. These variables include changes in supply and demand relationships, governmental programmes and policies, national and international monetary, trade, political, judicial and economic events, changes in interest and exchange rates, speculation and trading activities in commodities and related contracts, weather, agricultural, trade fiscal and exchange control policies. These factors may have a larger impact on commodity prices and commodity-linked instruments than on traditional fixed-income and equity securities.

***Certain additional risk factors associated with Currency Securities***

Fluctuations in exchange rates of the relevant currency (or basket of currencies) will affect the value of Currency Securities. Furthermore, investors who intend to convert gains or losses from the exercise or redemption, as the case may be, or sale of Securities into their home currency may be affected by fluctuations in exchange rates between their home currency and the Settlement Currency of the Securities. Currency values may be affected by complex political and economic factors, including governmental action to fix or support the value of a currency (or basket of currencies), regardless of other market forces (see "*Exchange rate risks and exchange controls*" below). Purchasers of Securities risk losing their entire

investment if exchange rates of the relevant currency (or basket of currencies) do not move in the anticipated direction.

If additional warrants, securities or options relating to particular currencies or particular currency indices are subsequently issued by the Issuer, or any other issuer in the market, the supply of warrants, securities and options relating to such currencies or currency indices, as applicable, in the market will increase, which could cause the price at which the Currency Securities and such other warrants, securities and options trade in the secondary market to decline significantly.

### **Risks related to Securities generally**

Set out below is a brief description of certain risks relating to the Securities generally.

#### ***Securities are unsecured obligations***

All Securities will represent direct, unconditional, unsecured and unsubordinated obligations of the Issuer and of no other person. All Securities will rank without any preference among themselves and (save to the extent that laws affecting creditors' rights generally in a bankruptcy or winding up may give preference to any of such other obligations) equally with all other unsecured and unsubordinated obligations of the Issuer.

#### ***Variation of Settlement***

If the applicable Final Terms in respect of any Securities indicates that the Issuer has an option to vary settlement in respect of such Securities, the Issuer may, at its sole and absolute discretion, elect (1) not to pay the relevant Securityholders the Cash Settlement Amount, but to deliver or procure delivery of the Entitlement or (2) not to deliver or procure delivery to the relevant Securityholders of the Entitlement, but to make payment of the Cash Settlement Amount.

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

In the ordinary course of its business, including without limitation in connection with its market making activities, the Issuer and/or any of its Affiliates may effect transactions for its own account or for the account of its customers and hold long or short positions in any Reference Item(s) or related derivatives. In addition, in connection with the offering of any Securities, the Issuer and/or any of its Affiliates may enter into one or more hedging transactions with respect to any Reference Item(s) or related derivatives. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any of its Affiliates, the Issuer and/or any of its Affiliates may enter into transactions in any Reference Item(s) or related derivatives which may affect the market price, liquidity or value of the relevant Securities and which could be deemed to be adverse to the interests of the relevant Securityholders.

Where the Issuer acts as Calculation Agent or the Calculation Agent is an Affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and Securityholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Conditions that may influence the amount receivable upon settlement of the Securities.

The Issuer and/or any Manager and/or any Distributor may at the date hereof or at any time hereafter be in possession of information in relation to one or more Reference Items that is or may be material in the context of an issue of Securities and may or may not be publicly available to Securityholders. There is no obligation on the Issuer or any Manager and/or any Distributor to disclose to Securityholders any such information.

The Issuer and/or any of its Affiliates may have existing or future business relationships with any Reference Item or, if applicable, any of their subsidiaries or affiliates or any other person or entity having obligations relating to any Reference Item (including, but not limited to, dealing, lending, depositary, risk management, advisory and banking relationships), and will pursue actions and take steps that they or it deems necessary or appropriate to protect their and/or its interests arising therefrom without regard to the consequences for a

Securityholder regardless of whether any such action might have an adverse effect (including, without limitation, any action which might constitute or give rise to any breach, event of default, credit event or termination event) on any Reference Item or any investor in Securities.

### ***Substitution of Issuer***

Condition 15 permits the Issuer to substitute for the Issuer another company subject as provided in Condition 15. Condition 15 provides that no guarantee of The Royal Bank of Scotland plc is necessary if the Substitute is its holding company.

### ***Market Disruption Event***

If an issue of Securities includes provisions dealing with the occurrence of a Market Disruption Event on a Valuation Date or an Averaging Date and the Issuer determines that (i) in relation to Securities which are Share Securities or Index Securities, such Valuation Date or such Averaging Date, as the case may be, is a Disrupted Day or (ii) in relation to Securities other than Share Securities or Index Securities (or General Securities, in relation to which market disruption events do not apply), a Market Disruption Event has occurred or exists on such Valuation Date or such Averaging Date, as the case may be, any consequential postponement of the Valuation Date or Averaging Date or any alternative provisions for valuation provided in any Securities may have an adverse effect on the value of such Securities.

### ***Settlement Disruption Event***

In the case of Physical Delivery Securities, if a Settlement Disruption Event occurs or exists on the Settlement Date (in the case of Warrants), or the Delivery Date (in the case of Redeemable Certificates), settlement or redemption, as the case may be, will be postponed until the next Settlement Business Day in respect of which there is no Settlement Disruption Event. The Issuer in these circumstances also has the right to pay the Disruption Cash Settlement Price in lieu of delivering the Entitlement.

If, in relation to Physical Delivery Securities which are Share Securities, "*Failure to Deliver due to Illiquidity*" is specified as applying in the applicable Final Terms and, following exercise or on the date of redemption, as the case may be, of such Securities, it is impossible or impracticable, in the opinion of the Calculation Agent, to deliver, when due, some or all of the Relevant Assets where such failure to deliver is due to illiquidity in the market for such Relevant Assets, the Issuer has the right to pay the Failure to Deliver Settlement Price, in lieu of delivering some or all of such Relevant Assets which are affected by such illiquidity.

### ***Cancellation due to illegality***

If either the Issuer determines in good faith that either the performance of its obligations under any Securities or that any arrangement made to hedge the Issuer's position under such Securities has become unlawful, illegal or otherwise prohibited in whole or in part under any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (but, if not having the force of law, only if compliance with it is in accordance with the general practice of persons to whom it is intended to apply), or in the interpretation thereof (an **Illegality**), the Issuer may cancel such Securities. If the Issuer cancels the Securities, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Securityholder in respect of each Security equal to the fair market value of such Security, notwithstanding such unlawfulness, illegality or other prohibition, adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any of its Affiliates of unwinding or adjusting any underlying or related hedging arrangements.

### ***Cancellation due to taxation***

If the Issuer determines in good faith that either the performance of its obligations under the Securities or

that any arrangements made to hedge its position under the Securities: (i) has resulted in; or (ii) will result in the Issuer and/or any of its Affiliates not being entitled to tax relief in respect of any losses, costs or expenses incurred in relation to the Securities or such hedging arrangements or any other adverse tax consequences, the Issuer may cancel such Securities. If the Issuer cancels the Securities, then the Issuer will pay an amount to each Securityholder in respect of each Security equal to the fair market value of such Security adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any of its Affiliates and any loss of tax relief or other adverse tax consequences of unwinding or adjusting any underlying or related hedging arrangements.

### ***Discontinuation of offer period***

The offer period in relation to any Securities may be discontinued at any time.

### ***Expenses and Taxes***

A holder of Securities must pay all Expenses relating to the Securities. As used in the Conditions, **Expenses** means all taxes, duties and/or expenses, including any applicable depository charges, transaction, exercise or redemption charges, trading costs, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or taxes or duties arising in connection with the exercise or redemption, as the case may be, of the Securities and/or, where applicable, the delivery or transfer of any Entitlement as more fully set out in Condition 13.

The Issuer will not be liable for, or otherwise obliged to pay, any tax, duty or other payment which may arise as a result of the ownership, transfer, exercise (in the case of Warrants), redemption (in the case of Redeemable Certificates) or enforcement of any Security by any person and all payments and/or deliveries made by the Issuer will be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

### ***Adjustment Provisions***

Condition 16 and/or Condition 17, as applicable, in relation to any issue of Securities, permit(s) the adjustment of the terms of the Securities upon the occurrence of certain adjustment events pursuant to the provisions of such Conditions as they may be amended in the applicable Final Terms. Any such adjustment may result in a change in a method of calculation as set out in the Conditions and/or the applicable Final Terms and/or a change in or substitution of a Reference Item (if applicable) and/or any of the other terms of such Securities. In addition, the occurrence of any such events may permit the Issuer to cancel the Securities. If the Issuer cancels the Securities, then the Issuer will pay an amount equal to the fair market value of such Security adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any of its Affiliates of unwinding or adjusting any underlying or related hedging arrangements.

### ***Emerging Markets***

Where the Securities relate to Reference Items which involve emerging market countries, investors should note that the risk of the occurrence and the severity of the consequences of the matters described herein may be greater than they would otherwise be in relation to more developed countries.

### **Certain additional Risk Factors associated with Warrants**

#### ***Exercise Notices***

Investors should note that, except in the case of Cash Settled Securities where the applicable Final Terms states that Automatic Exercise: No delivery of Exercise Notice applies, in order to receive payment of any amount or delivery of any asset due under a Warrant (regardless of whether or not such Warrant will be automatically exercised), the relevant holder will be required to deliver or send by authenticated SWIFT message (or such other method acceptable to the relevant clearing system) (confirmed in writing) a duly

completed Exercise Notice to Clearstream, Luxembourg or Euroclear, with a copy to the Issuer or, in the case of Securities cleared through CREST, to the Registrar, in accordance with the Conditions.

### ***Limitations on Exercise***

#### ***Maximum Exercise Number***

If a Maximum Exercise Number is specified in the applicable Final Terms, the Issuer will have the option to limit the number of Warrants exercisable on any date (other than on the final exercise date) to the maximum number specified in the applicable Final Terms and, in conjunction with such limitation, to limit the number of Warrants exercisable by any person or group of persons (whether or not acting in concert) on such date. If the total number of Warrants being exercised on any date (other than the Expiration Date) exceeds such maximum number and the Issuer elects to limit the number of Warrants exercisable on such date, a Warrantholder may not be able to exercise on such date all Warrants that such Warrantholder desires to exercise. In any such case, the number of Warrants to be exercised on such date will be reduced until the total number of Warrants exercised on such date no longer exceeds such maximum, such Warrants being selected in the sole and absolute discretion of the Issuer. Unless otherwise specified in the applicable Final Terms, the Warrants tendered for exercise but not exercised on such date will be automatically exercised on the next date on which Warrants may be exercised, subject to the same daily maximum exercise limitation and delayed exercise provisions.

#### ***Minimum Exercise Number***

If a Minimum Exercise Number is specified in the applicable Final Terms, a Warrantholder must tender, or, in the case of Automatic Exercise, hold, the specified minimum number of Warrants at any one time in order to exercise and, if specified in the applicable Final Terms, if tendering or holding a number at any one time greater than the Minimum Exercise Number, such number must be an integral multiple of the number specified in the applicable Final Terms in order to exercise. Thus, Warrantholders with fewer than the specified minimum number of Warrants or not having the requisite integral multiple will either have to sell their Warrants or purchase additional Warrants, incurring transaction costs in each case, in order to realise their investment. Furthermore, holders of such Warrants incur the risk that there may be differences between the trading price of such Warrants and the Cash Settlement Amount (in the case of Cash Settled Securities) or the Physical Settlement Value (in the case of Physical Delivery Securities) of such Warrants.

#### ***Time Lag after Exercise***

Unless otherwise specified in the applicable Final Terms, in the case of any exercise of Warrants which are Cash Settled Securities, there will be a time lag between the time a Warrantholder gives instructions to exercise and the time the applicable Cash Settlement Amount relating to such exercise is determined. Any delay between the time of exercise and the determination of the Cash Settlement Amount will be specified in the applicable Final Terms or the applicable Conditions. However, a delay in such determination could be significantly longer, particularly in the case of either a delay in the exercise of Warrants arising from any daily maximum exercise limitation or the occurrence of a Disrupted Day or a Market Disruption Event (if applicable) or following the imposition of any exchange controls or other similar regulations affecting the ability to obtain or exchange any relevant currency (or basket of currencies) in the case of Warrants which are Currency Securities. Any such delay could decrease the Cash Settlement Amount of the Warrants being exercised from what it might otherwise have been and may result in such Cash Settlement Amount being zero. Warrantholders who have exercised their Warrants will not be compensated in respect of any such delay and it will not be possible to withdraw Exercise Notices in respect of such Securities.

On exercise of Warrants which are Physical Delivery Securities, there will be a time lag between the time a Warrantholder gives instructions to exercise and the time the applicable Entitlement is delivered. Any delay between the time of exercise and such delivery will be specified in the applicable Final Terms or the Conditions. However, a delay in delivery could be significantly longer, particularly in the case of either a delay in the exercise of Warrants arising from any daily maximum exercise limitation or upon due

determination by the Calculation Agent that a Settlement Disruption Event occurred at any relevant time. The value of the assets comprising the Entitlement could increase or decrease during this period and could result in the value of the Entitlement being less than the Exercise Price or possibly zero. Warrant holders who have exercised their Warrants will not be compensated in respect of any such delay and it will not be possible to withdraw Exercise Notices in respect of such Warrants.

### **Risks relating to the market generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk and credit risk which may affect the Securities.

#### ***Possible illiquidity of the Securities in the secondary market***

There can be no assurance as to how any Securities will trade in the secondary market or whether such market will be liquid or illiquid. Application may be made to list an issue of Securities on a stock exchange, as indicated in the applicable Final Terms. The fact that Securities may be listed does not necessarily lead to greater liquidity. No assurance can be given that there will be a market for any Securities. If any Securities are not traded on any stock exchange, pricing information for such Securities may be more difficult to obtain, and the liquidity and market prices of such Securities may be adversely affected. The liquidity of the Securities may also be affected by restrictions on offers and sales of Securities in some jurisdictions. Securities may be more difficult to obtain and the liquidity of the Securities may be adversely affected. Also, to the extent Securities of a particular issue are exercised or redeemed, as the case may be, the number of Securities of such issue outstanding will decrease, resulting in a diminished liquidity for the remaining Securities of such issue. A decrease in the liquidity of an issue of Securities may cause, in turn, an increase in the volatility associated with the price of such issue of Securities.

Each of the Issuer and any Manager and any Distributor may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or resold or surrendered for cancellation. A Manager and any Distributor may, but is not obliged to, be a market-maker for an issue of Securities. Even if a Manager and any Distributor is a market-maker for an issue of Securities, the secondary market for such Securities may be limited. To the extent that an issue of Securities becomes illiquid, a Securityholder may have to exercise, or await redemption of, such Securities to realise value.

#### ***Over-Issuance***

As part of its issuing, market-making and/or trading arrangements, the Issuer may issue more Securities than those which are to be subscribed or purchased by third party investors. The Issuer (or any of its affiliates) may hold such Securities for the purpose of meeting any investor interest in the future. Prospective investors in the Securities should therefore not regard the issue size of any Series as indicative of the depth or liquidity of the market for such Series, or of the demand for such Series.

#### ***Exchange rate risks and exchange controls***

In the case of Cash Settled Securities, the Issuer will pay the Cash Settlement Amount in respect of the Securities in the Settlement Currency specified in the applicable Final Terms. This presents certain risks relating to currency conversions if a Securityholder's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Settlement Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Settlement 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 Settlement Currency would decrease (i) the Investor's Currency-equivalent yield on the Securities, (ii) the Investor's Currency equivalent value of the Cash Settlement Amount in respect of the Securities and (iii) the Investor's Currency equivalent market value of the Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, the Cash Settlement Amount that investors may receive may be less than expected or zero.

***Effect of credit rating reduction***

The value of the Securities is expected to be affected, in part, by investors' general appraisal of the Issuer's creditworthiness. Such perceptions are generally influenced by the ratings accorded to the Issuer's outstanding securities by standard statistical rating services, such as Moody's Investors Service Limited, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings Ltd. A reduction in the rating, if any, accorded to outstanding debt securities of the Issuer by one of these rating agencies could result in a reduction in the trading value of the Securities (see also the risk factor on page 15 of the Registration Document headed "*The Group's borrowing costs and its access to the debt capital markets depend significantly on its and the United Kingdom Government's credit ratings*").

***Determinations by the Calculation Agent***

The Conditions provide that the Calculation Agent has discretion to make certain determinations and judgements in respect of the Securities and certain adjustments to the Conditions, which could affect the amount payable by the Issuer on the Securities. Such determinations, judgements or adjustments shall, in the absence of manifest error, be conclusive and binding on Securityholders. In making any determination, judgement or adjustment, the Calculation Agent shall not have regard to any interests arising from circumstances particular to individual Securityholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such determination or adjustment for individual Securityholders (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 Calculation Agent shall not be entitled to require, nor shall any Securityholder be entitled to claim, from the Issuer, the Calculation Agent or any other person any indemnification or payment in respect of any tax consequences of any such determination or adjustment upon individual Securityholders. In exercising its right to make such determinations, judgements and adjustments, the Calculation Agent is entitled to act in its sole and absolute discretion, but must act in good faith.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the following information, which has been previously published and which has been approved by the Financial Services Authority or filed with it:

- (a) the registration document dated 9 August 2010 relating to the Issuer (the **Registration Document**) which was published via The Regulatory News Service of the London Stock Exchange (**RNS**) provided that: (i) in the paragraph headed “Overview” on page 38, the reference to “SC045551” shall be deemed to be deleted and replaced by “SC090312”; and (ii) the first paragraph under the sub-heading “No Significant Change and No Material Adverse Change on page 61 shall be deleted and replaced by: “There has been no significant change in the trading or financial position of the Issuer Group taken as a whole since 30 June 2010 (the end of the last financial period for which interim financial information has been published).”;
- (b) the prospectus dated 25 September 2009 relating to the Issuer’s Certificate and Warrant Programme, excluding all sections except for the section headed “Terms and Conditions of the Securities”, in so far as such section relates to any Securities (if so specified in the applicable Final Terms) and the section headed “Form of Final Terms”, in so far as such section relates to any Securities;
- (c) the annual report and accounts of the Issuer (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the financial year ended 31 December 2009 (excluding the section headed “Risk Factors” on pages 5 to 23) which were published via RNS on 9 April 2010;
- (d) the annual report and accounts of the Issuer (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the financial year ended 31 December 2008 (excluding the section headed “Risk Factors” on pages 4 to 11);
- (e) the Interim Results 2010 of the Issuer for the six months ended 30 June 2010, published via RNS on 27 August 2010 (the **RBS Interim Results**);
- (f) the following sections of the 2009 annual report and accounts of The Royal Bank of Scotland Group plc (**RBSG**), which were published via RNS on 18 March 2010:
  - (i) Independent auditors’ report on page 240;
  - (ii) Consolidated income statement on page 241;
  - (iii) Consolidated statement of comprehensive income on page 242;
  - (iv) Balance sheets at 31 December 2009 on page 243;
  - (v) Statements of changes in equity on pages 244 to 246;
  - (vi) Cash flow statements on page 247;
  - (vii) Accounting policies on pages 248 to 258;
  - (viii) Notes on the accounts on pages 259 to 348;
  - (ix) What we have achieved on page 1;
  - (x) Chairman’s statement on pages 2 to 3;
  - (xi) Group Chief Executive’s review on pages 4 to 6;

- (xii) Our strategic plan and progress on pages 12 to 19;
  - (xiii) Divisional review on pages 20 to 41;
  - (xiv) Business review on pages 49 to 206;
  - (xv) Report of the Directors on pages 208 to 213;
  - (xvi) Corporate governance on pages 214 to 222;
  - (xvii) Letter from the Chairman of the Remuneration Committee on pages 223 to 224;
  - (xviii) Directors' remuneration report on pages 225 to 236;
  - (xix) Directors' interests in shares on page 237;
  - (xx) Financial Summary on pages 350 to 359;
  - (xxi) Exchange rates on page 359;
  - (xxii) Economic and monetary environment on page 360;
  - (xxiii) Supervision on page 361;
  - (xxiv) Regulatory developments and reviews on pages 361 to 362;
  - (xxv) Description of property and equipment on pages 362 to 363;
  - (xxvi) Major shareholders on page 363;
  - (xxvii) Material contracts on pages 363 to 369; and
  - (xxviii) Glossary of terms on pages 383 to 387;
- (g) the following sections of the 2008 annual report and accounts of RBSG, published via RNS on 9 March 2009:
- (i) Independent auditors' report for the year ended 31 December 2008 on pages 172 to 173;
  - (ii) Consolidated income statement for the year ended 31 December 2008 on page 174;
  - (iii) Balance sheets as at 31 December 2008 on page 175;
  - (iv) Statement of recognised income and expense for the year ended 31 December 2008 on page 176;
  - (v) Cash flow statement for the year ended 31 December 2008 on page 177;
  - (vi) Accounting policies on pages 178 to 188;
  - (vii) Notes on the accounts for the year ended 31 December 2008 on pages 189 to 266;
  - (viii) Business review on pages 23 to 144;
  - (ix) Report of the Directors on pages 148 to 152;
  - (x) Corporate governance on pages 153 to 158;

- (xi) Letter from the Chairman of the Remuneration Committee on page 159;
  - (xii) Directors' remuneration report on pages 160 to 168;
  - (xiii) Directors' interests in shares on page 169;
  - (xiv) Amounts in accordance with IFRS on pages 268 to 277;
  - (xv) Exchange rates on page 277;
  - (xvi) Economic and monetary environment on page 278;
  - (xvii) Supervision on page 279;
  - (xviii) Regulatory reviews and developments on pages 280 to 281;
  - (xix) Description of property and equipment on page 281;
  - (xx) Major shareholders on page 281; and
  - (xxi) Material contracts on pages 281 to 284;
- (h) the Interim Results 2010 of RBSG for the six months ended 30 June 2010, published via RNS on 6 August 2010 (the **RBSG Interim Results**);
- (i) the following sections of the Shareholder Circular published by RBSG on 27 November 2009:
- (i) "Financial Information" on page 5;
  - (ii) "Part I – Letter From the Chairman of RBS" on pages 10 to 20;
  - (iii) "Appendix 2 to the Letter From the Chairman of RBS – Principal Terms and Conditions of the APS" on pages 46 to 75;
  - (iv) "Appendix 3 to the Letter From the Chairman of RBS – Principal Terms of Issue of the B Shares and the Dividend Access Share" on pages 76 to 84;
  - (v) "Appendix 4 to the Letter From the Chairman of RBS – Key Terms of the State Aid Restructuring Plan" on pages 85 to 86;
  - (vi) "Part II – Capital Resources and Liquidity Management" on pages 89 to 94;
  - (vii) "Part VI – Definitions" on pages 121 to 133;
  - (viii) "Annex 1 – Terms of Issue of the B Shares and the Dividend Access Share" on pages 134 to 170; and
  - (ix) "Annex 3 – Scheme Principles" on pages 177 to 181; and
- (j) the press release headed "The Royal Bank of Scotland Group plc, The Royal Bank of Scotland plc and National Westminster Bank Plc – Clarification of Contractual Position Relating to Payments Under Preference Shares and Subordinated Securities" published via RNS on 20 October 2009,

each of which shall be deemed to be incorporated in, and form part of, this Prospectus.

Any document which is incorporated by reference into any of the documents deemed to be incorporated by reference in and form part of this Prospectus, shall not constitute part of this Prospectus.

The Issuer will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the information which is incorporated herein by reference. Requests for such information should be directed to the Issuer at its registered office specified at the end of this Prospectus.

For the period of twelve months from the date of this Prospectus, copies of the RBS Interim Results will be available for inspection during normal business hours at the registered office of the Issuer and at the specified offices of each of the Certificate and Warrant Agents for the time being.

In addition, copies of documents incorporated by reference in this Prospectus will be available for viewing on the website of RNS at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

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

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

## FORM OF FINAL TERMS

*The Final Terms relating to each issue of Securities may contain (without limitation) such of the following information as is applicable in respect of such Securities. Any information which is not applicable will be deleted.*

[Date]

### **The Royal Bank of Scotland plc**

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

### **Issue of [Aggregate Number of Securities] [Title of Securities] (the Securities) under the Certificate and Warrant Programme**

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Securities. Accordingly any person making or intending to make an offer of the Securities may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph [●] of Part A below[, provided such person is one of the persons mentioned in Paragraph [●] of Part A below and that such offer is made during the Offer Period specified for such purpose therein].

Neither the Issuer nor any Manager has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances].<sup>1</sup>

[The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Securities. Accordingly any person making or intending to make an offer in that Relevant Member State of the Securities may only do so in circumstances in which no obligation arises for the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Manager has authorised, nor do they authorise, the making of any offer of Securities in any other circumstances].<sup>2</sup>

## **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 Prospectus dated 23 September 2010 as supplemented at the date of these Final Terms (the **Prospectus**), which constitutes a base prospectus for the purposes of Directive 2003/71/EC (the **Prospectus Directive**). This document constitutes the Final Terms of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Prospectus as so

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1 Consider including this legend where a non-exempt offer of Notes is anticipated.

2 Consider including this legend where only an exempt offer of Notes is anticipated.





Actual/365 (Fixed)

Actual/360

30E/360 or Eurobond Basis

Actual/Actual (ICMA)

*specify other*]

(viii) Determination Date(s): [●] in each year [Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates] (NB: Only relevant where Day Count Fraction is *Actual/Actual (ICMA)*)

(ix) Other terms relating to the method of calculating interest for Fixed Rate Securities: [Not Applicable/*give details*]

8. Floating Rate Security Provisions: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)*

(i) [Calculation Amount:] [●] *(If Nominal Amount used, delete this paragraph)*

*(Specify, in the case of Floating Rate Securities represented by a Global Security, if Nominal Amount is not otherwise specified. Specify in all other instances)*

(ii) [Nominal Amount:] [●]

(iii) Interest Commencement Date: [●]

(iv) Specified Period(s)/Specified Interest Payment Dates: [●]

(v) First Interest Payment Date: [●]

(vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]

(vii) Business Day Centre(s): [●]

(viii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other *(give details)*]

(ix) Party responsible for calculating the Interest Amount(s) (if not the [●]

- [Calculation Agent]):
- (x) Screen Rate Determination: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Reference Rate: [●]
- (Either LIBOR, EURIBOR or other, although additional information is required if other)
- Interest Determination Date(s): [●]
- (Second day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)
- Relevant Screen Page: [●]
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (xi) ISDA Determination: [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]
- (xii) Margin(s): [ +/- ][●] per cent. per annum
- (xiii) Minimum Rate of Interest: [●] per cent. per annum
- (xiv) Maximum Rate of Interest: [●] per cent. per annum
- (xv) Day Count Fraction: [Actual/Actual or Actual/Actual (ISDA)]
- Actual/365 (Fixed)
- Actual/360
- 30/360 or 360/360 or Bond Basis

30E/360 or Eurobond Basis

specify other]

*(See definition of "Day Count Fraction" in Condition 4(C) for alternatives)*

- (xvi) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Securities, if different from those set out in the Conditions: [●]

**PARAGRAPHS 9 TO 18 (INCLUSIVE) APPLY TO WARRANTS (INCLUDING EXERCISABLE CERTIFICATES) ONLY**

9. Exercise Style: The Warrants are [European/American/(*specify other*)] Style Securities.
10. Call/Put Warrants: The Warrants are [Call Securities/Put Warrants].
11. Units: Warrants must be exercised in Units. Each Unit consists of [ ] Warrants.  
*(N.B. This is in addition to any requirements relating to "Minimum Exercise Number" or "Maximum Exercise Number" set out below)*
12. Exercise Price: The exercise price per [Warrant/Unit] (which may be subject to adjustment in accordance with Condition 16(B) in the case of Share Securities) is [ ].  
*(N.B. This should take into account any relevant Multiplier and, in the case of an Index Security, must be expressed as a monetary value)*
13. Exercise Date: The exercise date of the Warrants is [ ], provided that, if such date is not a Business Day, the Exercise Date shall be the immediately [preceding/succeeding] Business Day.  
*(N.B. Only applicable in relation to European Style Warrants)*
14. Exercise Period: The exercise period in respect of the Warrants is from and including [ ] to and including [ ] [ ], or if [ ] is not a Business Day, the immediately succeeding Business Day].  
*(N.B. Only applicable in relation to American Style Warrants)*
15. Automatic Exercise: Automatic Exercise [applies/does not apply].
- [If Automatic Exercise does apply: Automatic Exercise: Exercise Notice by Cut-off Date [applies/does not apply].

Automatic Exercise: No delivery of Exercise Notice [applies/does not apply].]

16. Settlement Date: [(i)] The settlement date for the Warrants is [ ].  
(N.B. Applicable for Physical Delivery Securities. Only applicable for Cash Settled Securities if Settlement Date is different from the definition in Condition 3)
- [(ii)] **Settlement Business Day** for the purposes of Condition 5(C)(ii) and Condition 6(E) means [ ].  
(N.B. Only applicable in the case of Physical Delivery Securities)]
17. Minimum Exercise Number: The minimum number of Warrants that may be exercised (including Automatic Exercise) on any day by any Warrantholder is [ ] [and Warrants may only be exercised (including Automatic Exercise) in integral multiples of [ ] Warrants in excess thereof].
18. Maximum Exercise Number: The maximum number of Warrants that may be exercised on any day by any Warrantholder or group of Warrantholders (whether or not acting in concert) is [ ].  
(N.B. Not applicable for European Style Warrants)

**PARAGRAPHS 19 AND 20 (INCLUSIVE) APPLY TO REDEEMABLE CERTIFICATES ONLY**

19. Redemption Date: [ ]  
[Settlement Business Day means [ ].]  
(N.B. Only applicable in the case of Physical Delivery Securities)
20. Valuation Date: [ ]  
Notional Amount of each Certificate: [Currency] [Amount]
21. Averaging: Averaging [applies/does not apply] to the Securities.  
[The Averaging Dates are [ ]].
22. Scheduled Trading Day: [ ].  
(N.B. Only applicable if different from the definition in Condition 3 or if the Securities are Debt Securities, Government Bond Securities, Currency Securities, Commodity Securities, Fund Securities or any other type of Securities).
23. Business Day Centre(s): The applicable Business Day Centre[s] for the purposes of the definition of "Business Day" in Condition 3 [is/are] [ ].
24. Settlement: Settlement will be by way of [cash payment] [and/or] [physical delivery].

25. Issuer's option to vary settlement: The Issuer [has/does not have] the option to vary settlement in respect of the Securities pursuant to Condition 5(E) in the case of Warrants or Condition 8 in the case of Redeemable Certificates.
26. Cash Settlement Amount: [insert details]  
*(N.B. In the case of Warrants, only applicable if Condition 5(B)(i)(c) or Condition 5(B)(ii)(c) applies)*  
*[N.B. Always applicable for all issues of Redeemable Certificates.]*
27. Exchange Rate: The applicable rate of exchange for conversion of any amount into the relevant Settlement Currency for the purposes of determining the Settlement Price (as defined in Condition 3) or the Cash Settlement Amount (as defined in Condition 3) is [insert rate of exchange and details of how and when such rate is to be ascertained].
28. Settlement Currency: The settlement currency for the payment of [the Cash Settlement Amount] *(in the case of Cash Settled Securities)*/[the Disruption Cash Settlement Amount] *(in the case of Physical Delivery Securities)* [and any other amounts payable in respect of the Securities] is [ ].
29. Calculation Agent: The Calculation Agent is [ ].  
*(N.B. Only applicable if The Royal Bank of Scotland plc is not the Calculation Agent)*
30. Multiplier: The multiplier to be applied to each item comprising the Basket to ascertain the Settlement Price is [ ]. Each such Multiplier shall be subject to adjustment [in accordance with Condition 16(B) in the case of Share Securities]/[specify other].  
*(N.B. Only applicable in relation to Cash Settled Securities relating to a Basket)*
31. Nominal Amount: The nominal amount which is to be used to determine the Cash Settlement Amount pursuant to Condition 5(B) is [ ] and the relevant screen page (**Relevant Screen Page**) is [ ].  
*(N.B. Only applicable in relation to Cash Settled Securities which are Warrants relating to Debt Obligations)*
32. Relevant Asset(s): The relevant asset to which the Securities relate [is/are] [ ].  
*(N.B. Only applicable in relation to Physical Delivery Securities)*

33. Entitlement: The Entitlement (as defined in Condition 3) in relation to each Security is [ ].  
*(N.B. Only applicable in relation to Physical Delivery Securities)*
34. Evidence of Entitlement: The Entitlement will be evidenced by [*insert details of how the Entitlement will be evidenced*].  
*(N.B. Only applicable in relation to Physical Delivery Securities)*
35. Delivery of Entitlement: The Entitlement will be delivered [*insert details of the method of delivery of the Entitlement*].  
*(N.B. Only applicable in relation to Physical Delivery Securities)*
36. Settlement Price: The Settlement Price will be calculated [*insert calculation method*].  
*(N.B. Only applicable in relation to Index Securities relating to a Contract, Commodity Securities, [Government Bond Securities] and Fund Securities or where provisions in the Conditions are not appropriate)*
37. Correction of Share Prices, Index Levels or Official Settlement Prices: Correction of [Share Prices/Index Levels/Official Settlement Prices] [applies/does not apply and the Settlement Price shall be calculated without regard to any subsequently published correction].  
*(If Correction of Share Prices, Index Levels or Official Settlement Prices does not apply, delete the following sub-paragraph)*
- Correction Cut-Off Date: [[ ] Business Days prior to the Settlement Date or Redemption Date, as the case may be/In relation to Averaging Dates other than the final Averaging Dates, [ ] days after the relevant Averaging Date and in relation to the final Averaging Date, [ ] Business Days prior to the Settlement Date or Redemption Date, as the case may be].  
*(N.B. Only applicable in relation to Index Securities (including Index Securities relating to a Contract) or Share Securities)*
38. Relevant Time: The relevant time is [ ], being the time specified on the Valuation Date or an Averaging Date, as the case may be, for the calculation of the Settlement Price.  
*(N.B. For Index Securities (other than Index Securities relating to a Multi-Exchange Index) and Share Securities, if no Relevant Time is specified, the Settlement Price will be determined by reference to the relevant closing value or closing price(s), as the case may be)*  
*(N.B. For Index Securities relating to a Multi-Exchange Index, if no Relevant Time is specified, the Valuation Time will be determined as set out in Condition 3)*

39. Failure to Deliver due to Illiquidity: Failure to Deliver due to Illiquidity [applies/does not apply] to the Securities.
- (N.B. Only applicable in the case of the Physical Delivery Securities which are Share Securities. Careful consideration should be given to whether Failure to Deliver is applicable to other Physical Delivery Securities)*
40. Index Securities: [Applicable/Not Applicable]
- (If Not Applicable delete the remaining sub-paragraphs of this paragraph)*
- [For the purposes of Condition 3 and Condition 16(A)]
- (i) Index: [ ] *(insert Index name)*
- (ii) Bloomberg Code: [ ]
- (iii) Exchange[s]: [ ] / as determined in accordance with Condition 3
- (iv) Index Sponsor: [ ]
- (v) X Percentage: [Applicable/Not Applicable]
- (N.B. also applicable in relation to Index Securities relating to a Contract)*
- [(vi) Index Currency:] [ ]
- (N.B. Only applicable in relation to Index Securities which are Redeemable Certificates.)*
- (Repeat as necessary where there is more than one Index or insert a table)*
41. Inflation Index Securities: [Applicable/Not Applicable]
- (If Not Applicable delete the remaining sub-paragraphs of this paragraph)*
- [For the purposes of Condition 3 and Condition 16(H)]
- (i) Inflation Index: [ ]
- (ii) Bloomberg Code: [ ]
- (iii) Inflation Fixing Months: [ ]
- (iv) Settlement Price: *[insert calculation details]*
- (Repeat as necessary where there is more than one Inflation Index or insert a table)*
42. Index Securities relating to a Contract: [Applicable/Not Applicable]
- (If Not Applicable delete the remaining sub-paragraphs of this paragraph)*

[For the purposes of Condition 3 and Condition 16(A)]

- (i) Details of Contract: [ ]
- (ii) Expiry Date: [ ]
- (iii) Related Exchange[s]: [ ]
- (iv) Settlement Price: [*insert calculation details*]

*(Repeat as necessary where there is more than one Contract or insert a table)*

43. Share Securities: [Applicable/Not Applicable]  
*(If Not Applicable delete the remaining sub-paragraphs of this paragraph)*

[For the purposes of Condition 3 and Condition 16(B):

- (A) (i) Share / ISIN: [ ] / [ ]
- (ii) Share Issuer: [ ]
- (iii) Exchange[s]: [ ]
- (iv) Related Exchange[s]: [ ] / [All Exchanges]

*(Repeat as necessary where there is more than one Share or insert a table)*

- (B) [(i) De-listing, Merger Event, Nationalisation and Insolvency: [Applicable/Not Applicable]]
- [(ii) Tender Offer: [Applicable/Not Applicable]]
- [(iii) Equity Substitution: Not Applicable] [*Equity Substitution applies by default, therefore delete sub-paragraph if applicable*]

44. Debt Securities: [Applicable/Not Applicable]

*[(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)]*

Debt Obligation details: [ ]

*(Repeat as necessary where there is more than one Debt Obligation or insert a table)*

Redemption of Debt Obligations: Where one or more of the relevant Debt Obligations is redeemed (or otherwise ceases to exist) before the expiration or redemption, as the case may be, of the relevant Securities, [*insert appropriate fallback provisions*].

*(N.B. Only applicable where provisions in Conditions*

*are not appropriate)*

45. Commodity Securities:

[Applicable/Not Applicable]

*(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) [Valuation Date/Averaging Dates]:

[•]

(ii) Relevant Time:

[•]

(iii) Strike Date:

[•]

(iv) Commodity:

[•]

(v) Information Source:

[•]

(vi) Commodity Reference Price:

[•]/[The Specified Price as published by the Price Source]/[Commodity Reference Dealers]

(vii) Correction of Commodity Reference Price:

[Applicable/Not Applicable]

(viii) Price Materiality Percentage:

[[•]/Not Applicable]

(ix) Exchange:

[•]

(x) [Commodity Contract]/[Reference Asset]:

[•]

(xi) Delivery Date:

[[•]/[•] Nearby Month] *(add additional provisions for any applicable futures convention)*

(xii) Price Source:

[•]

(xiii) Specified Price:

[(A) the high price; (B) the low price; (C) the average of the high price and the low price; (D) the closing price; (E) the opening price; (F) the bid price; (G) the asked price; (H) the average of the bid price and the asked price; (I) the settlement price; (J) the official settlement price; (K) the official price; (L) the morning fixing; (M) the afternoon fixing; (N) the fixing; (O) the spot price; or (P)

*[Other – please specify]*

(xiv) Market Disruption Event:

[Price Source Disruption]

[Trading Disruption]

[Disappearance of Commodity Reference Price]

[Material Change in Formula]

[Material Change in Content]

[Tax Disruption]

[Other – Please specify]

*(NB events must be specified to apply /deleted as appropriate)*

(xv) Reference Dealers: [[●]/The Calculation Agent]

(xvi) Settlement Price: *[insert calculation details]*

*(Repeat as necessary where there is more than one Commodity or insert a table)*

46. Currency Securities: [Applicable/Not Applicable]  
*(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Relevant Screen Page: [ ]

(ii) Base Currency: [ ]

(iii) Subject Currency/Currencies: [ ]

(iv) Valuation Time: [ ]

47. Government Bond Securities: [Applicable/Not Applicable]

*[(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)]*

(i) Details of [Government Bond]/[Reference Asset] / ISIN: [ ]

(ii) Details of Government Bond Contract: [ ]

(iii) Expiry Date: [ ]

(iv) Exchange: [ ]

(v) Valuation Time: [ ]

*(Repeat as necessary where there is more than one Government Bond / Contract or insert a table)*

(vi) Settlement Price: *[insert calculation details]*

48. Fund Securities: [Applicable/Not Applicable]

*[(If Not Applicable, delete the remaining sub-paragraphs of this paragraph)]*

- (i) [Fund]/[Reference Asset]: [ ]
- (ii) Fund Shares / ISIN (or other securities code): [ ]
- (iii) Replacement Fund: [Applicable/Not Applicable]
- (iv) Effective Date: [ ]
- (v) Suspension Asset: [Applicable/Not Applicable]

*(Repeat as necessary where there is more than one Fund or insert a table)*

- (vi) Settlement Price: [*insert calculation details*]

49. Certificate Securities: [Applicable/Not Applicable]  
*[(If Not applicable, delete the remaining sub-paragraphs of this paragraph)]*

- (i) Details of Underlying/ISIN: [ ]
- (ii) Bloomberg Page: [ ]
- (iii) Valuation Time: [ ]

*(Repeat as necessary where there is more than one Underlying or insert a table)*

- (iv) Settlement Price: [*insert calculation details*]

50. Additional Disruption Events: *(delete paragraph if all Additional Disruption Events apply)* / [Applicable save as provided below] / [Not Applicable]

- (i) Change in Law: *(delete line if applicable)* / [Not Applicable]
- (ii) Hedging Disruption: *(delete line if applicable)* / [Not Applicable]
- (iii) Increased Cost of Hedging: *(delete line if applicable)* / [Not Applicable]
- (iv) Increased Cost of Stock Borrow: *(delete line if applicable)* / [Not Applicable]
- (v) Insolvency Filing: *(delete line if applicable)* / [Not Applicable]
- (vi) Loss of Stock Borrow: *(delete line if applicable)* / [Not Applicable]

51. Special conditions, other modifications or other final terms: [ ]

[If, following the date of these Final Terms, but before the later of (i) the closure of the offer for the Securities; and (ii) if applicable, the admission of the Securities to

the [Official List] [and to trading on [the London Stock Exchange's Regulated Market/ specify]] the Prospectus (the **Original Prospectus**) is amended, supplemented, updated or replaced (including replacement following the expiry of the Original Prospectus) then the Issuer shall be entitled, without the consent of any Noteholder, any prospective Noteholder, the Trustee or any other person, to amend these Final Terms so as to provide, and/or replace these Final Terms with ones which provide that references to the Original Prospectus herein shall be to the Original Prospectus as amended, supplemented, updated or replaced (save that the terms and conditions applicable to the Securities shall be the Terms and Conditions set forth in the Original Prospectus).]

[These Final Terms supersede and replace those dated [●] in relation to the Securities.]

*(When adding any other final terms consideration should be given as to whether such amendments would be acceptable as final terms)*

52. Syndication: The Securities will be distributed on a [non-] Syndicated basis:

(i) If Syndicated, names and addresses of Managers and underwriting commitments: *[Give names, and addresses and underwriting commitments]*

*(Including names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers)*

(ii) Date of Subscription Agreement: [ ]

If non-syndicated, name [and address] of Manager: *[Name [and address]]*

53. Additional selling restrictions: *[Give details]*

54. Post-issuance Information: *[●]/[Not Applicable][Give details of secondary market pricing information or specify other particulars as may be applicable]*

## **[LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Securities described herein pursuant to the Certificate and Warrant Programme of The Royal Bank of Scotland plc.]

## **RESPONSIBILITY**

Subject as set out below, the Issuer accepts responsibility for the information contained in these Final Terms. [The information relating to [ ] [and [ ] contained herein has been accurately extracted from [*insert information source(s) and as far as the Issuer is aware and is able to ascertain from information published by the relevant party, no facts have been omitted which would render the reproduced information inaccurate or misleading*]. The Issuer accepts responsibility that such information has been accurately reproduced but accepts no further or other responsibility in respect of such information.]

Signed on behalf of The Royal Bank of Scotland plc:

By: .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

(i) Listing: [London/other (*specify*)/None]

(ii) Admission to trading: [Yes]/[No]

[Application has been made by the Issuer (or on its behalf) for the Securities to be admitted to trading on [the London Stock Exchange's Regulated Market/specify] with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Securities to be admitted to trading on [the London Stock Exchange's Regulated Market/ specify]] with effect from [●].][Other/ Specify] [Not Applicable]  
(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)

### 2. NOTIFICATION [AND AUTHORISATION]

The UK Listing Authority [has been requested to provide/has provided – *include first alternative for an issue which is contemporaneous with the update of the Programme and the second alternative for subsequent issues*] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Directive.

[The Issuer has authorised the use of these Final Terms and the Prospectus dated 23 September 2010 by the Managers and [*include name(s) [and address(es)] of other financial intermediaries involved in the offer*] (the **Distributor[s]** and, together with the Managers, the **Financial Intermediaries**) in connection with offers of the Securities to the public in [*insert jurisdiction where the Prospectus has been approved and published and jurisdictions into which it has been passported*] for the period set out below.]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Manager/Distributor], so far as the Issuer is aware, no person involved in the issue of the Securities has an interest material to the offer. - *Amend as appropriate if there are other interests*]

### 4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

(i) Reasons for the offer: [ ]  
(See "Use of Proceeds" wording in Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)

(ii) Estimated net proceeds: [ ]  
(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state

*amount and sources of other funding.)*

(iii) Estimated total expenses:

[ ]

*(Expenses are required to be broken down into each principal intended "use" and presented in order of priority of such "uses".)*

*((i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and where this is the case disclosure of net proceeds and total expenses at (ii) and (iii) above are also required).*

**5. PERFORMANCE OF [INDEX/BASKET OF INDICES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE [INDEX/BASKET OF INDICES]]** *(Index Securities only)*

*[Need to include details of where past and future performance and volatility of the [index/basket of indices] can be obtained, the relevant weighting of each index within a basket of indices and where pricing information is available]. [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Need to include the name of [the/each] index, the name of [the/each] index sponsor and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about [the/each] index can be obtained.]*

*[Identify the source of all third party information.]*

**6. PERFORMANCE OF [INFLATION INDEX/BASKET OF INFLATION INDICES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE [INFLATION INDEX/BASKET OF INFLATION INDICES]]** *(Inflation Index Securities only)*

*[Need to include details of where past and future performance and volatility of the inflation [index/basket of inflation indices] can be obtained, the relevant weighting of each inflation index within a basket of inflation indices and where pricing information is available]. [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Need to include the name of [the/each] inflation index, the name of [the/each] inflation index sponsor and a description if composed by the Issuer and if the inflation index is not composed by the Issuer need to include details of where the information about [the/each]inflation index can be obtained.]*

*[Identify the source of all third party information.]*

**7. PERFORMANCE OF [THE SHARE/BASKET OF SHARES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE SHARE/BASKET OF SHARES]]** (*Share Securities only*)

*[Need to include details of the name of the share company, any security identification number of the shares, where pricing information about the shares is available, the relevant weighting of each share within a basket of shares (if relevant) and where past and future performance and volatility of the [share/basket of shares] can be obtained.]*

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Identify the source of all third party information.]*

**8. PERFORMANCE OF [THE UNDERLYING/BASKET OF UNDERLYINGS], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE UNDERLYING/BASKET OF UNDERLYINGS]]** (*Certificate Securities only*)

*[Need to include details of the name of the relevant underlying, any security identification number of the underlying, where pricing information about the underlying is available, the relevant weighting of each underlying within a basket of underlyings (if relevant) and where past and future performance and volatility of the [underlying/basket of underlyings] can be obtained.]*

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Identify the source of all third party information.]*

**9. INFORMATION IN RELATION TO THE DEBT SECURITY/SECURITIES, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE DEBT SECURITY/SECURITIES]** (*Debt Securities only*)

*[Need to include details of the name of the issuer, the ISIN (International Securities Identification Number) of the debt instrument(s), the relevant weighting of each debt instrument in a basket of debt instruments (if relevant) and where pricing information on the debt instrument(s) can be obtained.]*

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Identify the source of all third party information.]*

**10. PERFORMANCE OF [RATE[S] OF EXCHANGE/CURRENCIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE [RATE[S] OF EXCHANGE/ CURRENCIES]]** (*Currency Securities only*)

*[Need to include details of the [exchange rate(s)/currencies], where past and future performance and volatility of the [exchange rate(s)/currencies] can be obtained.] [Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

[Identify the source of all third party information.]

- 11. PERFORMANCE OF [THE COMMODITY/BASKET OF COMMODITIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE COMMODITY/BASKET OF COMMODITIES]]** (*Commodity Securities only*)

[Need to include details of the commodity/basket of commodities, where pricing information about the commodity/basket of commodities is available, the relevant weighting of each commodity within a basket of commodities and where past and future performance and volatility of [the commodity/basket of commodities] can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[Identify the source of all third party information.]

- 12. INFORMATION IN RELATION TO [THE FORWARD OR FUTURES CONTRACT RELATING TO THE GOVERNMENT BOND/BASKET OF FORWARD OR FUTURES CONTRACT RELATING TO GOVERNMENT BONDS], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE FORWARD OR FUTURES CONTRACT RELATING TO THE GOVERNMENT BOND/BASKET OF FORWARD OR FUTURES CONTRACTS RELATING TO GOVERNMENT BONDS]]** (*Government Bond Securities only*)

[Need to include details of the name of the issuer, the ISIN (International Securities Identification Number) of the government bond(s), the relevant weighting of each forward or futures contract relating to a government bond in a basket of forward or futures contract relating to government bonds and where pricing information on the forward or futures contract(s) relating to government bond(s) can be obtained.]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[Identify the source of all third party information.]

- 13. PERFORMANCE OF THE FUND/BASKET OF FUNDS, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE FUND/BASKET OF FUNDS]** (*Fund Securities only*)

[Insert information source]

[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]

[Identify the source of all third party information.]

- 14. PERFORMANCE OF THE CERTIFICATE/BASKET OF CERTIFICATES, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE CERTIFICATE /BASKET OF CERTIFICATES]** (*Certificate Securities only*)

[Insert information source]

*[Need to include a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]*

*[Identify the source of all third party information.]*

## 15. TERMS AND CONDITIONS OF THE OFFER

- (i) Names and addresses of any [ ] Dealers and any Distributors:
- (ii) Offer Period: [ ]  
*(Should be from a specified date to a specified date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter".)*
- (iii) Offer Price: [[ ]/Up to [ ]].
- (iv) Conditions to which the offer is subject: [Offers of the Securities are conditional on their issue [and on any additional conditions set out in the standard terms of business of the Financial Intermediaries, notified to investors by such relevant Financial Intermediaries.]] [The Issuer reserves the right to cancel the issue of the Securities for whatever reason including (without limitation) if (a) any circumstance occurs which, in the Issuer's opinion, may have a significant impact on the issue or (b) the number of Securities or currency amount in respect of which offers are received is (or is determined by the Issuer or any Distributor to be likely to be) less than the number or amount specified in paragraph (vi) below.]
- (v) [Description of the application process: [ ]]
- (vi) [Details of the minimum and/or maximum amount of application:<sup>3</sup> [ ]]
- (vii) [Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [ ]]
- (viii) [Details of method and time limits for paying up and delivering the Securities: [The Securities will be issued on the Issue Date against payment to the Issuer of the net subscription moneys. Investors will be notified by the relevant Financial Intermediary of their allocations of Securities and the settlement arrangements in respect thereof.]]
- (ix) [Manner and date in which results of the offer are to be made public: [ ]]

<sup>3</sup> Whether in number of Securities or amount to invest.

- (x) [Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [ ]]
- (xi) [Categories of potential investors to which the Securities are offered:<sup>4</sup> [Offers may be made by the Financial Intermediaries in *[insert jurisdiction where the Prospectus has been approved and published and jurisdictions into which it has been passported]* to any person *[insert suitability criteria, if any are deemed appropriate pursuant to any applicable conduct of business rules]*. In other European Economic Area countries, offers will only be made by the Financial Intermediaries pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus.]]
- (xii) [Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made: [Process for notification – No dealings in the Securities on a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and of the Council on Markets in financial instruments may take place prior to the Issue Date.]]
- (xiii) [Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [ ]]

## 16. OPERATIONAL INFORMATION

- (i) ISIN Code: [ ]
- (ii) Common Code: [ ]
- [(iii) *(insert here any other relevant codes such as CUSIP and CNS codes)*] [ ]
- [(iv)] Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): Euroclear UK and Ireland Limited (**CREST**)  
33 Cannon Street  
London EC4M 5SB

[Not Applicable/give name(s) and number(s) [and set out any necessary terms and/or amendments to the Conditions]

<sup>4</sup> If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.

## TERMS AND CONDITIONS OF THE SECURITIES

*The following is the text of the Conditions of the Securities. The applicable Final Terms in relation to any issue of Securities may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, supplement, replace or modify the following Conditions for the purposes of such Securities. The applicable Final Terms will be attached to each Global Security (as defined below) where applicable.*

The Securities of this Series (such Securities being hereinafter referred to as the **Securities**) are issued pursuant to an Amended and Restated Agency Agreement dated 20 September 2006 as supplemented on 5 October 2007 and as amended and restated on 18 March 2008, on 8 July 2008, on 26 September 2008, on 25 September 2009 and on 23 September 2010 (such Agreement as further amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) between The Royal Bank of Scotland plc as issuer (the **Issuer**), The Bank of New York Mellon acting through its London Branch, as principal certificate and warrant agent (the **Principal Certificate and Warrant Agent**, which expression shall include any successor principal certificate and warrant agent), The Bank of New York Mellon (Luxembourg) S.A. as certificate and warrant agent (together with the Principal Certificate and Warrant Agent, the **Certificate and Warrant Agents** and each a **Certificate and Warrant Agent**, which expression shall include any additional or successor certificate and warrant agents). The Securities have the benefit of the Agency Agreement as amended and/or supplemented by the applicable Final Terms and shall become valid obligations of the Issuer when the applicable Final Terms are attached to the relevant global security (the **Global Security**). Each Series of Securities will be represented by a Global Security (other than Securities cleared through CREST) (defined below). Pursuant to the Agency Agreement, the Issuer has covenanted in favour of each Securityholder that each Securityholder is entitled to exercise or enforce, in respect of each Security held by him, the rights and obligations attaching to the relevant Security as set out in, and subject to, the Agency Agreement, these Conditions and the applicable Final Terms.

In respect of Securities cleared through CREST, the Issuer has entered into an agreement (as amended, restated or supplemented from time to time) for the provision of registry services with Computershare Investor Services PLC (the **Registrar**).

As used herein, **Series** means the Securities of each original issue of such Securities together with the Securities of any further issue(s) expressed to be consolidated and forming a single series with the Securities of an original issue and which are identical in all respects (including as to listing) except for their respective issue dates and/or issue prices.

References herein to the **applicable Final Terms** are to Part A of the Final Terms relating to a particular Series of Securities and (where applicable) attached to the Global Security (where applicable).

Copies of the Agency Agreement (which contains the form of the Final Terms) and the applicable Final Terms may be obtained during normal office hours from the registered office of the Issuer and from the specified offices of each Certificate and Warrant Agent, save that if the Securities are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under Directive 2003/71/EC, the applicable Final Terms will only be obtainable by a Securityholder and such Securityholder must first produce evidence satisfactory to the Issuer or the relevant Certificate and Warrant Agent as to its holding of Securities and identity.

The Securityholders (as defined in Condition 1(B)) are entitled to the benefit of and are deemed to have notice of and are bound by all the provisions of the Agency Agreement (insofar as they relate to the Securities) and the applicable Final Terms, which are binding on them.

The Royal Bank of Scotland plc shall undertake the duties of calculation agent (the **Calculation Agent** which expression shall include any successor calculation agent) in respect of the terms and conditions of the

Securities (the **Conditions** and each a **Condition**) as set out below and in the applicable Final Terms unless another entity is so specified as calculation agent in the applicable Final Terms in which case the expression Calculation Agent shall, in relation to such Securities, include such other specified calculation agent.

Definitive Securities will not be issued. Each Global Security will be deposited with a common depositary (a **Common Depositary**) on behalf of Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear**).

If so specified in the applicable Final Terms, Securities will be cleared through the dematerialised securities trading system operated by Euroclear UK and Ireland Limited (**CREST**). Such Securities will be registered securities in dematerialised and uncertificated form, and (i) participating securities and (ii) uncertificated securities in accordance with the Uncertificated Securities Regulations 2001 (SI. No. 3755) as amended, supplemented or replaced from time to time (the **Regulations**).

**The applicable Final Terms for the Securities are attached to the Global Security (where applicable) and supplement these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, supplement, replace or modify these Conditions for the purposes of the Securities.**

Words and expressions defined in the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated.

## **1. Type, Title and Transfer**

### *(A) Type*

The Securities are Redeemable Certificates, Exercisable Certificates or Warrants as is specified in the applicable Final Terms. As used herein, the term "Warrants" shall include Exercisable Certificates.

The Securities may not be linked to any reference item but may be, without limitation, interest bearing debt securities (**General Securities**) or may be linked to a specified index or basket of indices (**Index Securities**), a specified inflation index or basket of inflation indices (**Inflation Index Securities**), a specified share or basket of shares (**Share Securities**), a specified debt obligation or basket of debt obligations (**Debt Securities**), a specified currency or basket of currencies (**Currency Securities**), a specified commodity (or related Contract) or basket of commodities (or related Contracts) (**Commodity Securities**), a specified Contract relating to a government bond or Contracts relating to one or more government bonds (**Government Bond Securities**), a specified fund or basket of funds (**Fund Securities**), a specified certificate or basket of certificates (**Certificate Securities**) or any other or further type of securities as is specified in the applicable Final Terms. Certain terms which will, unless otherwise varied in the applicable Final Terms, apply to Index Securities, Inflation Index Securities, Share Securities, Debt Securities, Currency Securities, Commodity Securities, Government Bond Securities, Fund Securities or Certificate Securities are set out in Condition 16.

In the case of Warrants, the applicable Final Terms will indicate whether the Securities are American style Warrants (**American Style Warrants**) or European style Warrants (**European Style Warrants**) or such other type as may be specified in the applicable Final Terms, whether automatic exercise (**Automatic Exercise**) applies to the Warrants, whether settlement shall be by way of cash payment (**Cash Settled Securities**) and/or physical delivery (**Physical Delivery Securities**), whether the Warrants are call Warrants (**Call Warrants**) or put Warrants (**Put Warrants**), or such other type as may be specified in the applicable Final Terms, whether the Warrants may only be exercised in Units and whether averaging (**Averaging**) will apply. If Units are specified in the applicable Final

Terms, Warrants must be exercised in Units and any Exercise Notice which purports to exercise Warrants in breach of this provision shall be void and of no effect.

In the case of Redeemable Certificates, the applicable Final Terms will indicate whether settlement shall be by way of cash payment (**Cash Settled Securities**) and/or physical delivery (**Physical Delivery Securities**) and whether Averaging will apply.

If Averaging is specified as applying in the applicable Final Terms, the applicable Final Terms will state the relevant Averaging Dates.

References in these Conditions, unless the context otherwise requires, to Cash Settled Securities shall be deemed to include references to Physical Delivery Securities which include an option (as set out in the applicable Final Terms) at the Issuer's election to make cash settlement of such Securities pursuant to Condition 5(E) or Condition 8(D), as the case may be, and where settlement is to be by way of cash payment. References in these Conditions, unless the context otherwise requires, to Physical Delivery Securities shall be deemed to include references to Cash Settled Securities which include an option (as set out in the applicable Final Terms) at the Issuer's election to make physical delivery of the relevant underlying asset in settlement of such Securities pursuant to Condition 5(E) or Condition 8(D), as the case may be, and where settlement is to be by way of physical delivery.

(B) *Title to Securities*

Other than in relation to Securities cleared through CREST, each person who is for the time being shown in the records of Clearstream, Luxembourg or of Euroclear as the holder of a particular amount of Securities (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the amount of Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall (except as otherwise required by law) be treated by the Issuer, the Certificate and Warrant Agents, Clearstream, Luxembourg, Euroclear and all other persons dealing with said person as the holder of such amount of Securities for all purposes (and the expressions **Securityholder**, **Warrantholder**, **Redeemable Certificateholder** and **holder of Securities** and related expressions shall be construed accordingly).

In the case of Securities cleared through CREST, title to the Securities is recorded on the relevant Operator register of corporate securities (as defined in the Regulations). The Registrar on behalf of the Issuer will maintain a register of such Securities recorded on the relevant Operator register of corporate securities (the **Register**) and shall procure that the Register is regularly updated to reflect the Operator register of corporate securities in accordance with the rules and practices from time to time of the Operator and the Regulations. Subject to this requirement, (i) each person who is for the time being shown in the Register as the holder of such Securities shall be treated by the Issuer and the Registrar as the holder of such Securities for all purposes and (ii) neither the Issuer nor the Registrar shall be liable in respect of any act or thing done or omitted to be done by it or on its behalf in reliance upon the assumption that the particulars entered in the Register which the Registrar maintains are in accordance with particulars entered in the Operator register of corporate securities relating to such Securities (and the expressions **Securityholder**, **Warrantholder**, **Redeemable Certificateholder** and **holder of Securities** and related expressions shall be construed accordingly).

Any reference to the "Operator" (as such term is used in the Regulations) shall be to CREST and shall, whenever the context so permits, be deemed to include a reference to any such additional or alternative Operator approved by the Issuer from time to time in accordance with the Regulations and notified to the relevant Securityholders in accordance with Condition 12.

(C) *Transfers of Securities*

Transfers of Warrants may not be effected after the exercise of such Warrants pursuant to Condition 6. After delivery of an Asset Transfer Notice pursuant to Condition 8, the relevant Redeemable Certificates may not be transferred.

Save for transactions where Securities are cleared through CREST, all transactions (including transfers of Securities) in the open market or otherwise must be effected through an account at Clearstream, Luxembourg or Euroclear, subject to and in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or Euroclear, as the case may be. Title will pass upon registration of the transfer in the books of Clearstream, Luxembourg or Euroclear, as the case may be.

Securities cleared through CREST may be transferred in accordance with the Regulations and the rules, procedures and practices of the relevant Operator. No transfer of such Securities will be valid unless and until entered on the relevant Operator register of corporate securities (as defined in and in accordance with, the Regulations).

Any reference herein to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer from time to time and notified to the Securityholders in accordance with Condition 12.

Transfers of Securities may not be made (directly or indirectly) to a person located in the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended).

**2. Status of the Securities**

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

**3. Definitions and Interpretation**

For the purposes of these Conditions, the following general definitions will apply:

**Actual Exercise Date** means the Exercise Date (in the case of European Style Warrants) or, subject to Condition 7(A)(ii), the date during the Exercise Period on which the Warrant is actually or is deemed exercised (in the case of American Style Warrants (as more fully set out in Condition 5(A)(i)).

**Affiliate** means in relation to any entity (the **First Entity**), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes "control" means ownership of a majority of the voting power of an entity. Notwithstanding the foregoing, the term "Affiliate" shall not include, in the context of the Issuer or any other member of the Group, (i) the UK government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees or entities thereof) or (ii) any persons or entities controlled by or under common control with the UK government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiary or subsidiary undertakings (including RBS N.V. and each of its subsidiary or subsidiary undertakings).

**Averaging Date** means, in respect of a Security and, in the case of a Warrant, its Actual Exercise Date, and each date specified as an Averaging Date in the applicable Final Terms subject to the provisions relating to non-Business Days, Disrupted Days, Market Disruption Events and other adjustments set out in Conditions 16 and 17.

**Business Day** means:

- (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 the relevant Business Day Centre(s); and
- (ii) for the purposes of making payments, 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 either:
  - (a) where the Settlement Currency is Euro, any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open for the settlement of payments in Euro; or
  - (b) where the Settlement Currency is a currency other than Euro, a day (other than a Saturday or Sunday) 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 the principal financial centre of the country of the relevant Specified Currency (if other than London) (which, if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively).

**Cash Settlement Amount** means, in relation to Cash Settled Securities, the amount to which the Securityholder is entitled in the Settlement Currency in relation to each such Security or, if Units are specified in the applicable Final Terms, each Unit, as the case may be, as determined by the Calculation Agent pursuant to the terms of the relevant Securities.

**Clearing System** means each clearance system specified as such in the applicable Final Terms and such further or alternative clearance system(s) as may be approved by the Issuer from time to time and notified to the Securityholders in accordance with Condition 12.

**Clearing System Cut-off Time** means (i) in the case of Euroclear, 10.00 a.m, Brussels time, (ii) in the case of Clearstream, Luxembourg, 10.00 a.m, Luxembourg time or (iii) in the case of CREST, 10.00 a.m, London time or such other time as determined by the Calculation Agent.

**Contract** means a futures, forward or options contract.

**Disrupted Day** means (i) in relation to Share Securities or Index Securities other than Index Securities where the relevant Index is a Multi-Exchange Index, any Scheduled Trading Day on which (a) a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or (b) on which a Market Disruption Event has occurred or (ii) in relation to Index Securities where the relevant Index is a Multi-Exchange Index, any Scheduled Trading Day on which (a) the Index Sponsor fails to publish the level of the Index, (b) any Related Exchange fails to open for trading during its regular trading session or (c) a Market Disruption Event has occurred.

**Entitlement** means, in relation to a Physical Delivery Security or, if Units are specified in the applicable Final Terms, each Unit, as the case may be, the quantity of the Relevant Asset(s) which a Securityholder is entitled to receive on the Settlement Date or Redemption Date, as the case may be, in respect of each such Security or Unit, as the case may be, following payment of, in the case of Warrants, the Exercise Price by the Warrantholder and, in any other case any other sums payable

rounded as provided in Condition 5(C)(i) or Condition 8(C)(5) as the case may be, as determined by the Calculation Agent including any documents evidencing such Entitlement.

**Exchange** means:

- (A) in respect of Index Securities where the relevant Index is not a Multi-Exchange Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms and, if the Calculation Agent in its discretion so determines, any exchange or quotation system on which any depositary receipts in respect of the constituents of such Index are listed or quoted (in which event references to the constituents of an Index may, where the Calculation Agent determines the context to permit, include such depositary receipts), any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the securities/commodities comprising such Index has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the securities/commodities comprising such Index on such temporary substitute exchange or quotation system as on the original Exchange);
- (B) in respect of Index Securities where the Index is a Multi-Exchange Index, in relation to each component security of that Index (each a **Component Security**), the principal stock exchange on which such Component Security is principally traded, as determined by the Calculation Agent and, if the Calculation Agent in its discretion so determines, the principal stock exchange on which any depositary receipts in respect of such Component Security are listed or quoted (in which event, references to the Component Security may, where the Calculation Agent determines the context to permit, include such depositary receipts);
- (C) in respect of Share Securities and in relation to a Share, each exchange or quotation system specified as such for such Share in the applicable Final Terms and if the Calculation Agent in its discretion so determines, shall, in the case of depositary receipts representing the ownership of a share, include the primary exchange or quotation system on which such depositary receipts are traded, as determined by the Calculation Agent, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to such Share on such temporary substitute exchange or quotation system as on the original Exchange);
- (D) in respect of Commodity Securities, the principal exchange or trading market on which the relevant Commodity or Contract relating to such Commodity is traded, as specified in the applicable Final Terms, or if not so specified, as determined by the Calculation Agent; and
- (E) in respect of Government Bond Securities and Certificate Securities, the exchange or quotation system specified in the applicable Final Terms or any successor to such exchange or quotation system.

**Exchange Business Day** means either (i) in respect of Index Securities or Share Securities other than Index Securities where the relevant Index is a Multi-Exchange Index, any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time or (ii) in relation to Index Securities where the relevant Index is a Multi-Exchange Index, any Scheduled Trading Day on which (a) the Index Sponsor publishes the level of the Index and (b) each Related Exchange is open for trading during its regular trading session, notwithstanding any such Related Exchange closing prior to its Scheduled Closing Time.

**Expenses** means, in relation to a Security or Unit, as the case may be, all taxes, duties and/or expenses, including any applicable depositary charges, transaction, exercise or redemption charges, trading costs, stamp duty, stamp duty reserve tax, issue, registration, securities transfer and/or taxes

or duties arising in connection with the exercise or redemption, as the case may be, of such Security or Unit, as the case may be, and/or, where applicable, the delivery or transfer of the Entitlement pursuant to the terms of such Security or Unit, as the case may be.

**In-The-Money** means:

- (a) in the case of a Cash Settled Security which is a Warrant, the Cash Settlement Amount in respect of such Warrant is greater than zero; and
- (b) in the case of a Physical Delivery Security which is a Warrant, the value of the Entitlement on the Actual Exercise Date for such Warrant is greater than the Exercise Price as determined by the Calculation Agent.

**Launch Date** means, unless otherwise specified in the applicable Final Terms, the Issue Date.

**Official Settlement Price** means the official settlement price (howsoever described under the rules of the Related Exchange or its clearing house) on maturity of the relevant Contract published by the Related Exchange or its clearing house on the Expiry Date.

**Redemption Date** means, in respect of an issue of Redeemable Certificates, the date specified as such in the applicable Final Terms.

**Reference Asset** means, in relation to Commodity Securities, Government Bond Securities and Fund Securities, the Reference Asset specified in the applicable Final Terms.

**Related Exchange** means, (i) in respect of Index Securities and in relation to an Index or in respect of Share Securities and in relation to a Share, each exchange or quotation system specified as such for such Index or Share in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in Contracts relating to such Index or Share has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the Contracts relating to such Index or such Share on such temporary substitute exchange or quotation system as on the original Related Exchange), provided that where "All Exchanges" is specified as the Related Exchange in the applicable Final Terms, "Related Exchange" shall mean each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall market for Contracts relating to such Index or such Share; (ii) in relation to Commodity Securities, an options or futures exchange or quotation system on which Commodities or Contracts or other derivatives contracts on such Commodities are traded; (iii) in relation to Government Bond Securities an options or futures exchange or quotation system on which Reference Asset Contracts or other derivatives contracts on the Reference Asset are traded and (iv) in relation to Certificate Securities an options or futures exchange or quotation system on which the Underlying Contracts or other derivatives contracts on the Underlying are traded.

**Relevant Asset** means, in respect of Physical Delivery Securities, each underlying asset comprising the Entitlement of a Securityholder, as specified in the applicable Final Terms.

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

**Scheduled Trading Day** (A) in relation to Securities other than General Securities (in relation to which, Scheduled Trading Day does not apply), Index Securities or Share Securities, is as defined in the applicable Final Terms or (B) means (i) in relation to Index Securities or Share Securities other than Index Securities where the relevant Index is a Multi-Exchange Index, any day on which each

Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions or (ii) in relation to Index Securities where the relevant Index is a Multi-Exchange Index, (a) any day on which the Index Sponsor is scheduled to publish the level of that Index, (b) each Related Exchange is scheduled to be open for trading for its regular trading session and (c) where the applicable Final Terms specify that the X Percentage applies in relation to such Index, no more than 20 per cent. of the Component Securities that comprise the level of the Index are scheduled to be unavailable for trading on the relevant Exchange(s) by virtue of such day not being a day upon which any such relevant Exchange is scheduled to be open for trading for its regular trading sessions (such unavailable percentage being the **X Percentage**).

For the purposes of determining the X Percentage, the relevant percentage contribution of each Component Security unavailable for trading shall be based on a comparison of (a) the portion of the level of that Index to that Component Security relative to (b) the overall level of that Index, in each case using the official opening weightings as published by the relevant Index Sponsor as part of the market "opening data".

**Scheduled Valuation Date** means, in relation to Index Securities or Share Securities, any original date that, but for the occurrence of an event causing a Disrupted Day, would have been the Valuation Date.

**Settlement Date** means:

(a) in relation to Cash Settled Securities which are Warrants:

the date specified as such in the applicable Final Terms, subject to adjustment in accordance with Conditions 16 and 17; and

(b) in relation to Physical Delivery Securities which are Warrants:

the date specified as such in the applicable Final Terms.

**Settlement Price** means, in relation to each Cash Settled Security or, if Units are specified in the applicable Final Terms, each Unit, as the case may be:

(a) in respect of Index Securities, subject to Condition 16(A):

(i) in the case of Index Securities relating to a Basket of Indices, an amount (which shall be deemed to be a monetary value, in the case of Warrants, on the same basis as the Exercise Price and, in the case of Redeemable Certificates, in the Index Currency) equal to the sum of the values calculated for each Index as the official closing level for each Index as determined by the Calculation Agent or, if so specified in the applicable Final Terms, the level of each Index determined by the Calculation Agent as set out in the applicable Final Terms at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, if Correction of Index Levels is specified in the applicable Final Terms as not applying, without regard to any subsequently published correction, multiplied by the relevant Multiplier specified in the applicable Final Terms; and

(ii) in the case of Index Securities relating to a single Index, an amount (which shall be deemed to be a monetary value in the case of Warrants, on the same basis as the Exercise Price and, in the case of Redeemable Certificates, in the Index Currency) equal to the official closing value of the Index as determined by the Calculation Agent or, if so specified in the applicable Final Terms, the level of the Index determined by the Calculation Agent as set out in the applicable Final Terms at the

Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, if Correction of Index Levels is specified in the applicable Final Terms as not applying, without regard to any subsequently published correction;

- (b) in respect of Share Securities, subject to Condition 16(B):
- (i) in the case of Share Securities relating to a Basket of Shares, an amount equal to the sum of the values calculated for each Share at the official closing price (or the price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Share (as defined in Condition 16(B)) on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, if Correction of Shares Prices is specified in the applicable Final Terms as not applying, without regard to any subsequently published correction (or if, in the opinion of the Calculation Agent, any such closing price (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be so determined and the Valuation Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the relevant Share whose official closing price (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) cannot be determined based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the relevant Share or on such other factors as the Calculation Agent shall decide), multiplied by the relevant Multiplier specified in the applicable Final Terms, each such value to be converted, if so specified in the applicable Final Terms, into the Settlement Currency at the Exchange Rate specified in the applicable Final Terms and the sum of such converted amounts to be the Settlement Price, all as determined by the Calculation Agent; and
  - (ii) in the case of Share Securities relating to a single Share, an amount equal to the official closing price (or the price at the Valuation Time on the Valuation Date or an Averaging Date, as the case may be, if so specified in the applicable Final Terms) quoted on the relevant Exchange for such Share (as defined in Condition 16(B)) on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date and, in either case, if Correction of Share Prices is specified in the applicable Final Terms as not applying, without regard to any subsequently published correction (or if, in the opinion of the Calculation Agent, no such closing price (or the price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) can be so determined and the Valuation Date or Averaging Date, as the case may be, is not a Disrupted Day, an amount determined by the Calculation Agent in good faith to be equal to the arithmetic mean of the closing fair market buying price (or the fair market buying price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be,

if so specified in the applicable Final Terms) and the closing fair market selling price (or the fair market selling price at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, if so specified in the applicable Final Terms) for the Share based, at the Calculation Agent's discretion, either on the arithmetic mean of the foregoing prices or middle market quotations provided to it by two or more financial institutions (as selected by the Calculation Agent) engaged in the trading of the Share or on such other factors as the Calculation Agent shall decide), such amount to be converted, if so specified in the applicable Final Terms, into the Settlement Currency at the Exchange Rate specified in the applicable Final Terms and such converted amount to be the Settlement Price, all as determined by the Calculation Agent;

- (c) in respect of Debt Securities, subject to Condition 16(C):
  - (i) in the case of Debt Securities relating to a Basket of Debt Obligations, an amount equal to the sum of the values calculated for each Debt Obligation at the bid price for such Debt Obligation as determined by or on behalf of the Calculation Agent by reference to the bid price for such Debt Obligation appearing on the Relevant Screen Page specified in the applicable Final Terms at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, or, if such price is not available, the arithmetic mean of the bid prices for such Debt Obligation at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, as received by it from two or more market-makers (as selected by the Calculation Agent) in such Debt Obligation, such bid prices to be expressed as a percentage of the nominal amount of such Debt Obligation, multiplied by the relevant Multiplier specified in the applicable Final Terms; and
  - (ii) in the case of Debt Securities relating to a single Debt Obligation, an amount equal to the bid price for the Debt Obligation as determined by or on behalf of the Calculation Agent by reference to the bid price for such Debt Obligation appearing on the Relevant Screen Page specified in the applicable Final Terms at the Valuation Time on (A) if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B) if Averaging is specified in the applicable Final Terms, an Averaging Date, or, if such price is not available, the arithmetic mean of the bid prices for such Debt Obligation at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, as received by it from two or more market-makers (as selected by the Calculation Agent) in such Debt Security, such bid prices to be expressed as a percentage of the nominal amount of the Debt Obligation;
- (d) in respect of Currency Securities, subject to Condition 16(F):
  - (i) in the case of Currency Securities relating to a Basket of Subject Currencies, an amount equal to the sum of the values calculated for each Subject Currency at the spot rate of exchange appearing on the Relevant Screen Page specified in the applicable Final Terms at the Valuation Time on (A), if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B), if Averaging is specified in the applicable Final Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of such Base Currency for which one unit of the Subject Currency can be exchanged), or, if such rate is not available, the arithmetic average (rounded, if necessary, to four decimal places (with 0.00005 being rounded in accordance with applicable market convention)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be,

of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent), multiplied by the relevant Multiplier specified in the applicable Final Terms; and

- (ii) in the case of Currency Securities relating to a single Subject Currency, an amount equal to the spot rate of exchange appearing on the Relevant Screen Page specified in the applicable Final Terms at the Valuation Time on (A), if Averaging is not specified in the applicable Final Terms, the Valuation Date or (B), if Averaging is specified in the applicable Final Terms, an Averaging Date, for the exchange of such Subject Currency into the Base Currency (expressed as the number of units (or part units) of the Base Currency for which one unit of the Subject Currency can be exchanged) or, if such rate is not available, the arithmetic average (rounded, if necessary, to four decimal places (with 0.00005 being rounded in accordance with applicable market convention)) as determined by or on behalf of the Calculation Agent of the bid and offer Subject Currency/Base Currency exchange rates (expressed as aforesaid) at the Valuation Time on the Valuation Date or such Averaging Date, as the case may be, of two or more leading dealers (as selected by the Calculation Agent) on a foreign exchange market (as selected by the Calculation Agent); and
- (e) in respect of Government Bond Securities, Inflation Index Securities, Fund Securities, Commodity Securities, Certificate Securities and Index Securities relating to a Contract, the provisions relating to the calculation of the Settlement Price will be set out in the applicable Final Terms.

**Valuation Date** means (i) in the case of an issue of Warrants, the first Scheduled Trading Day following the Actual Exercise Date of the relevant Warrant and (ii) in the case of an issue of Redeemable Certificates, the Valuation Date specified in the applicable Final Terms subject to the provisions relating to non-Business Days, Disrupted Days, Market Disruption Events and other adjustments set out in Conditions 16 and 17.

**Valuation Time** means:

- (i) in relation to Securities other than General Securities, Fund Securities and Inflation Index Securities (in relation to which Valuation Time does not apply), Index Securities or Share Securities, the time specified as such or, as the case may be, the Relevant Time specified in the applicable Final Terms; and
- (ii) (x) in relation to Index Securities or Share Securities other than Index Securities where the relevant Index is a Multi-Exchange Index, the Relevant Time specified in the applicable Final Terms or, if no Relevant Time is specified, the Scheduled Closing Time on the relevant Exchange on the relevant Valuation Date or Averaging Date, as the case may be, in relation to such Index or Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time; or
- (y) in relation to Index Securities where the relevant Index is a Multi-Exchange Index, the Relevant Time specified in the applicable Final Terms or, if no Relevant Time is specified, (a) for the purposes of determining whether a Market Disruption Event has occurred: (x) in respect of a Component Security, the Scheduled Closing Time on the relevant Exchange and (y) in respect of any Contract on the relevant Index, the close of trading on the relevant Related Exchange, and (b) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor. If, for the purposes of (a) above, the relevant

Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

The inclusion of specific provisions shall not limit, unless otherwise expressly specified, the applicability or scope of any other provision of the terms and conditions of any Securities.

#### **4 Interest**

The Securities may bear interest by reference to one or more fixed rates (**Fixed Rate Securities**) or one or more floating rates (**Floating Rate Securities**).

##### *(A) Interest on Fixed Rate Securities*

Each Fixed Rate Security bears interest from (and including) the Interest Commencement Date to (but excluding) the Redemption Date (in the case of Redeemable Certificates) or the earlier of (i) the Expiration Date and (ii) the Actual Exercise Date (in the case of Warrants), as the case may be, at the rate(s) per annum equal to the Rate(s) of Interest and such interest shall be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Redemption Date, Expiration Date or Actual Exercise Date, as the case may be.

Interest on the Fixed Rate Securities shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Securities which are represented by a Global Security, the aggregate outstanding Nominal Amount of the Fixed Rate Securities represented by such Global Security unless a Calculation Amount is specified in the applicable Final Terms, in which case, the Calculation Amount; or
- (b) in all other circumstances, 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 Settlement Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

In this Condition 4(A):

**Calculation Amount** means the amount per Security specified in the applicable Final Terms (if any);

**Day Count Fraction** has the meaning given to it in Condition 4(C);

**Fixed Interest Period** means the period from (and including) an Interest Payment Date (or, in the case of the first Fixed Interest Period, the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date;

**Interest Commencement Date** means the date so specified in the applicable Final Terms;

**Nominal Amount** means the amount so specified in the applicable Final Terms (if any); and

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

##### *(B) Interest on Floating Rate Securities*

- (i) Interest Payment Dates

Each Floating Rate Security bears interest from (and including) the Interest Commencement Date (as defined in Condition 4(A)) 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 Specified 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 Conditions or specified in the applicable Final Terms) falls the number of months or such other periods specified as the Specified 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.

(ii) Rate of Interest

The rate of interest (the **Rate of Interest**) payable from time to time in respect of Floating Rate Securities will be determined in the manner specified in the applicable Final Terms.

(iii) ISDA Determination for Floating Rate Securities

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 Principal Certificate and Warrant Agent or the Registrar or other person specified in the applicable Final Terms under an interest rate swap transaction if the Principal Certificate and Warrant Agent or the Registrar or that other person, as the case may be, 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-zone 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 Securities 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 and **Euro-zone** means the region comprised of Member States of the European Union that adopt the single currency in accordance with the treaty establishing the European Community as amended (the **Treaty**).

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

For the purposes of this Condition 4, **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 Securities.

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 Principal Certificate and Warrant Agent or the Registrar, as the case may be, in accordance with this sub-paragraph (iii) plus or minus (as indicated in the applicable Final Terms) the Margin (if any); and
- (b) the Principal Certificate and Warrant Agent or the Registrar, as the case may be, will be deemed to have discharged its obligations under Condition 4(B)(vi) in respect of the determination of the Rate of Interest if it has determined the Rate of Interest in respect of such Interest Period in the manner provided in this sub-paragraph (iii).
- (iv) Screen Rate Determination for Floating Rate Securities

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

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

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time) in the case of LIBOR or 11.00 a.m. (Brussels time) in the case of EURIBOR on the Interest Determination Date in question (as indicated in the applicable Final Terms) plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Certificate and Warrant Agent or the Registrar, as the case may be. 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 Principal Certificate and Warrant Agent or the Registrar, as the case may be, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (a) above, no such offered quotation appears or, in the case of (b) above, fewer than three such offered quotations appear, in each case as at such time, the Principal Certificate and Warrant Agent or the Registrar, as the case may be, shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks (as defined below) or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Principal Certificate and Warrant Agent or the Registrar, as the case may be, with its offered quotation (expressed as a percentage rate per annum) for deposits in the Settlement Currency for the relevant Interest Period to leading banks in the London inter-bank market as at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, to leading banks in the Euro-zone inter-bank market as at 11.00 a.m. (Brussels time), on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Certificate and Warrant Agent or the Registrar, as the case may be, 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 Principal Certificate and Warrant Agent or the Registrar, as the case may be.

If on any Interest Determination Date one only or none of the Reference Banks provides the Principal Certificate and Warrant Agent or the Registrar, as the case may be, 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 Principal Certificate and Warrant Agent or the Registrar, as the case may be, determines as being the arithmetic mean (rounded as provided above) of the rates, as communicated to (and at the request of) the Principal Certificate and Warrant Agent or the Registrar, as the case may be, by the Reference Banks or any two or more of them, at which such banks were offered, at approximately 11.00 a.m. (London time) in the case of LIBOR or, 11.00 a.m. (Brussels time) in the case of EURIBOR, on the relevant Interest

Determination Date, deposits in the Settlement Currency for the relevant Interest Period by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, plus or minus (as appropriate) the Margin (if any) or, if fewer than two of the Reference Banks provide the Principal Certificate and Warrant Agent or the Registrar, as the case may be, with such offered rates, the offered rate for deposits in the Settlement Currency for the relevant Interest Period, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Settlement Currency for the relevant Interest Period, at which, at approximately 11.00 a.m. (London time), in the case of LIBOR, or 11.00 a.m. (Brussels time), in the case of EURIBOR, on the relevant Interest Determination Date, any one or more banks selected by the Principal Certificate and Warrant Agent or the Registrar, as the case may be, 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 Principal Certificate and Warrant Agent or the Registrar, as the case may be, it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market, or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, plus or minus (as appropriate) the Margin (if any), provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

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

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

(v) Minimum and/or Maximum Rate of Interest

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

(vi) Determination of Rate of Interest and Calculation of Interest Amount

The Principal Certificate and Warrant Agent or the Registrar, as the case may be, will in the case of Floating Rate Securities, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest.

Unless otherwise specified in the applicable Final Terms, the Principal Certificate and Warrant Agent or the Registrar, as the case may be, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Securities for the relevant Interest Period by applying the Rate of Interest to:

(a) in the case of Floating Rate Securities which are represented by a Global Security, the aggregate outstanding Nominal Amount (as defined in Condition 4(A) of the Floating Rate Securities represented by such Global Security unless a Calculation Amount is specified in the applicable Final Terms, in which case, the Calculation Amount; or

(b) in all other circumstances, the Calculation Amount (as defined in Condition 4(A)),

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 Settlement Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

(vii) Notification of Rate of Interest and Interest Amount

The Principal Certificate and Warrant Agent or the Registrar, as the case may be, 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 Securities 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 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 Securities are for the time being listed and to the Securityholders in accordance with Condition 12.

(viii) Determination or Calculation by the Issuer

If for any reason the Principal Certificate and Warrant Agent or the Registrar, as the case may be, defaults in its obligation to determine the Rate of Interest or calculate any Interest Amount in accordance with this Condition 4(B), the Issuer (or the Calculation Agent on its behalf) 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 4(B) 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, 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 Principal Certificate and Warrant Agent or the Registrar, as applicable.

(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 4(B) whether by the Principal Certificate and Warrant Agent, the Registrar, the Calculation Agent or the Issuer shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Certificate and Warrant Agent, the Registrar, the Calculation Agent, any other Certificate and Warrant Agent and all Securityholders and (in the absence as aforesaid) no liability shall attach to the Principal Certificate and Warrant Agent, the Registrar, the Calculation Agent or the Issuer, as the case may be, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(C) *Day Count Fraction and Business Day Convention*

(i) Day Count Fraction

**Day Count Fraction** means, in respect of the calculation of an amount for any period of time (the **Calculation Period**):

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

3. if **Actual/360** is specified in the applicable Final Terms, the actual number of days in the Calculation Period divided by 360;
4. if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Final Terms, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

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

where:

- Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;
- Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and
- D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30

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

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

where:

- Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;
- Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and
- D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case

D<sub>2</sub> will be 30

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

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

where:

- Y<sub>1</sub>** is the year, expressed as a number, in which the first day of the Calculation Period falls;
- Y<sub>2</sub>** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- M<sub>1</sub>** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- M<sub>2</sub>** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- D<sub>1</sub>** is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and
- D<sub>2</sub>** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Redemption Date, Expiration Date or Actual Exercise Date, as the case may be or (ii) such number would be 31, in which case D<sub>2</sub> will be 30

7. if **Actual/Actual (ICMA)** is specified in the applicable Final Terms:

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

**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 (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date).

**Reference Rate** means the rate specified as such in the applicable Final Terms.

**Relevant Screen Page** means such page, section, caption, column or other part of a particular information service as may be specified in the applicable Final Terms.

(ii) **Business Day Convention**

If any Interest Payment Date (or other date) which is specified in the applicable Final Terms to be subject to adjustment in accordance with a business day convention would otherwise fall on a day which is not a Business Day, then, if the business day convention specified is:

- (1) in the case where a Specified Period is specified in accordance with Condition 4(B)(i)(b), the Floating Rate Convention, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (a) such Interest Payment Date (or other date) shall be brought forward to the immediately preceding Business Day and (b) after the foregoing paragraph (a) shall have applied, each subsequent Interest Payment Date (or other date) shall be the last Business Day of the last month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; 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.

(d) *Accrual of Interest*

Each Security will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal and/or delivery of all assets deliverable is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Security have been paid and/or all assets deliverable in respect of such Security have been delivered; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such Security has been received by the Principal Certificate and Warrant Agent or the Registrar, as the case may be, and/or all assets in respect of such Security have been received by any agent appointed by the Issuer to deliver such assets to Securityholders and notice to that effect has been given to the Securityholders in accordance with Condition 12.

(e) *Nature of the Return*

Any interest paid to the Securityholder shall constitute consideration paid for the use of the proceeds from acquiring the Securities and for the assumption of the risk that the Securityholder may not recover its original investment or that its return may be variable.

**5. Exercise Rights: THIS CONDITION IS APPLICABLE FOR ISSUES OF WARRANTS ONLY**

(A) *Exercise Period and Exercise Date*

(i) American Style Warrants

American Style Warrants are exercisable on any Business Day during the Exercise Period specified in the applicable Final Terms (the **Exercise Period**) subject to Condition 7.

If Automatic Exercise is not specified as applying in the applicable Final Terms, any American Style Warrant with respect to which no Exercise Notice (as defined below) has been delivered in the manner set out in Condition 6, at or prior to the relevant Clearing System Cut-off Time on the last Business Day of the Exercise Period (the **Expiration Date**), shall become void.

If Automatic Exercise is specified as applying in the applicable Final Terms, any such American Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 6, at or prior to the relevant Clearing System Cut-off Time on the Expiration Date, shall be automatically exercised on the Expiration Date and the provisions of Condition 6(E) shall apply.

The Business Day during the Exercise Period on which an Exercise Notice is delivered prior to the relevant Clearing System Cut-off Time and the copy thereof so received by the Principal Certificate and Warrant Agent, or, if Automatic Exercise is specified as applying in the applicable Final Terms and no Exercise Notice has been delivered at or prior to the relevant Clearing System Cut-off Time on the Expiration Date and the relevant Warrants are in the determination of the Calculation Agent In-The-Money, the Expiration Date is referred to herein as the **Actual Exercise Date**. If any such Exercise Notice is received by Clearstream, Luxembourg or Euroclear or, in the case of Securities cleared through CREST, the Registrar, as the case may be, or if the copy thereof is received by the Principal Certificate and Warrant Agent, in the case of Clearstream, Luxembourg or Euroclear, after the relevant Clearing System Cut-off Time, on any Business Day during the Exercise Period, such Exercise Notice will be deemed to have been delivered on the next Business Day, which Business Day shall be deemed to be the Actual Exercise Date, provided that any such Security in respect of which no Exercise Notice has been delivered in the manner set out in Condition 6 at or prior to the relevant Clearing System Cut-off Time on the Expiration Date shall (i), if Automatic Exercise is not specified as applying in the applicable Final Terms, become void or (ii), if Automatic Exercise is specified as applying in the applicable Final Terms and such Warrant is In-The-Money, be automatically exercised on the Expiration Date as provided above and the provisions of Condition 6(F).

(ii) European Style Warrants

European Style Warrants are only exercisable on the Exercise Date specified in the applicable Final Terms (the **Exercise Date**) subject to Condition 7.

If Automatic Exercise is not specified as applying in the applicable Final Terms, any European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 6, at or prior to the relevant Clearing System Cut-off Time on the Actual Exercise Date, shall become void.

If Automatic Exercise is specified as applying in the applicable Final Terms, any such European Style Warrant with respect to which no Exercise Notice has been delivered in the manner set out in Condition 6, at or prior to the relevant Clearing System Cut-off Time on the Actual Exercise Date and which is in the determination of the Calculation Agent In-The-Money, shall be automatically exercised on the Actual Exercise Date and the provisions of Condition 6(F) shall apply.

(B) *Cash Settlement*

If the Warrants are Cash Settled Securities, each such Warrant or, if Units are specified in the applicable Final Terms, each Unit entitles its holder, upon due exercise and, except in relation to Warrants where Automatic Exercise: No delivery of Exercise Notice is specified as applying in the applicable Final Terms, subject to certification as to non-U.S. beneficial ownership, to receive from the Issuer on the Settlement Date a Cash Settlement Amount calculated by the Calculation Agent (which shall not be less than zero) equal to:

- (i) where Averaging is not specified in the applicable Final Terms:
  - (a) if such Warrants are Call Warrants,  
(Settlement Price less Exercise Price) multiplied by, in the case of Warrants which are Debt Securities only, the Nominal Amount;
  - (b) if such Warrants are Put Warrants,  
(Exercise Price less Settlement Price) multiplied by, in the case of Warrants which are Debt Securities only, the Nominal Amount; and
  - (c) if such Warrants are neither Call Warrants nor Put Warrants, the Cash Settlement Amount will be as specified in the applicable Final Terms; or
- (ii) where Averaging is specified in the applicable Final Terms:
  - (a) if such Warrants are Call Warrants,  
(the arithmetic mean of the Settlement Prices for all the Averaging Dates - Exercise Price) multiplied by, in the case of Warrants which are Debt Securities only, the Nominal Amount;
  - (b) if such Warrants are Put Warrants,  
(Exercise Price less the arithmetic mean of the Settlement Prices for all the Averaging Dates) multiplied by, in the case of Warrants which are Debt Securities only, the Nominal Amount; and
  - (c) if such Warrants are neither Call Warrants nor Put Warrants, the Cash Settlement Amount will be as specified in the applicable Final Terms.

Any amount determined pursuant to the above, if not an amount in the Settlement Currency, will be converted into the Settlement Currency at the Exchange Rate specified in the applicable Final Terms for the purposes of determining the Cash Settlement Amount. The Cash Settlement Amount will be rounded to the nearest two decimal places (or, in the case of Japanese Yen, the nearest whole unit) in the relevant Settlement Currency, 0.005 (or, in the case of Japanese Yen, half a unit) being rounded in accordance with applicable market convention, with Warrants exercised at the same time by the same Warrantholder being aggregated for the purpose of determining the aggregate Cash Settlement Amounts payable in respect of such Warrants or Units, as the case may be.

Subject as provided herein, except where Automatic Exercise and Automatic Exercise: No delivery of Exercise Notice are each specified as applying in the applicable Final Terms, the Issuer shall on the Settlement Date pay or cause to be paid the Cash Settlement Amount (if any) for each duly exercised Warrant or Unit, as the case may be, to the Warrantholder's account specified in the relevant Exercise Notice for value on the Settlement Date less any Expenses not already paid, such

payment to be made in accordance with the rules of Clearstream, Luxembourg or Euroclear, or, as the case may be, CREST.

Subject as provided herein, where Automatic Exercise and Automatic Exercise: No delivery of Exercise Notice are each specified as applying in the applicable Final Terms, the Issuer shall on the Settlement Date pay or cause to be paid the Cash Amount Settlement Amount (if any) for each automatically exercised Warrant or Unit, as the case may be, to, or to the order of, the Common Depositary or, in the case of securities cleared through CREST to or to the order of the Registrar for the account of the relevant Warranholders for value on the Settlement Date less any Expenses not already paid, such payment to be made in accordance with the rules of Clearstream, Luxembourg or Euroclear, or CREST, as the case may be.

(C) *Physical Settlement*

(i) Exercise Rights in relation to Warrants which are Physical Delivery Securities

If the Warrants are Physical Delivery Securities, each such Warrant or, if Units are specified in the applicable Final Terms, each Unit, as the case may be, entitles its holder, upon due exercise and subject to certification as to non-U.S. beneficial ownership, to receive from the Issuer on the Settlement Date the Entitlement subject to payment by the Warranholder of the relevant Exercise Price specified in the applicable Final Terms and any other sums payable. The method of delivery of the Entitlement and how it will be evidenced are set out in the applicable Final Terms.

Warrants or Units, as the case may be, exercised at the same time by the same Warranholder will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Warrants or Units, as the case may be, provided that the aggregate Entitlements in respect of the same Warranholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be and as specified in the applicable Final Terms, in such manner as the Issuer shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered and in lieu thereof the relevant Warranholder will receive an amount in the Settlement Currency equal to the value of any such fractions after such aggregation as calculated by the Calculation Agent from such source(s) as it may select (and converted if necessary into the Settlement Currency by reference to such exchange rate as the Calculation Agent deems appropriate). Payment of any such amount will be made to the account specified by the Warranholder in the relevant Exercise Notice as referred to in Condition 6(A) or in such manner as shall be notified to the Warranholders in accordance with Condition 12.

For the purposes of any Warrant which is a Physical Delivery Security (i) the Issuer shall be under no obligation to register or procure the registration of any Warranholder or any other person as the registered shareholder in the register of members of any Share Company or Basket Company, as the case may be, and (ii) the Issuer shall not be obliged to account to any Warranholder or any person for any entitlement received or that is receivable in respect of any Shares comprising the Entitlement in respect of any Warrant or Unit if the date on which the Shares are first traded on the relevant Exchange ex such entitlement is on or prior to the Actual Exercise Date.

Following exercise of a Share Security which is a Physical Delivery Security, all dividends on the relevant Shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the relevant Actual Exercise Date and to be delivered in the same manner as such relevant Shares. Any such dividends to be paid to a Warranholder will be paid to the account specified by the Warranholder in the relevant Exercise Notice as referred to in Condition 6(A).

Subject as provided herein and subject to payment of the aggregate Exercise Prices and payment of any Expenses with regard to the relevant Warrants or Units, as the case may be, the Issuer shall on the Settlement Date deliver, or procure the delivery of, the Entitlement for each duly exercised

Warrant or Unit, as the case may be, pursuant to the details specified in the applicable Exercise Notice. Subject as provided in this Condition 5(C) and Condition 5(D), the Entitlement shall be delivered in such manner as set out in the applicable Final Terms.

After delivery of the Entitlement and for the Intervening Period (as defined below), none of the Issuer, the Calculation Agent and any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Warrantholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of the Entitlement, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to the Entitlement or (iii) be under any liability to a Warrantholder in respect of any loss or damage which such Warrantholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of the Entitlement.

**Intervening Period** means such period of time as any person other than the relevant Warrantholder shall continue to be registered as the legal owner of any securities or other obligations comprising the Entitlement.

(ii) Settlement Disruption

If, following the exercise of Physical Delivery Securities, in the opinion of the Calculation Agent, delivery of the Entitlement using the method of delivery specified in the applicable Final Terms is not practicable by reason of a Settlement Disruption Event (as defined below) subsisting on any Settlement Date, then such Settlement Date for such Warrants shall be postponed to the first following Settlement Business Day in respect of which no Settlement Disruption Event is subsisting, provided that the Issuer may elect in its sole and absolute discretion to satisfy its obligations in respect of the relevant Warrant or Unit, as the case may be, by delivering the Entitlement using such other commercially reasonable manner as it may select and, in such event, the Settlement Date shall be such day as the Issuer deems appropriate in connection with delivery of the Entitlement in such other commercially reasonable manner. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Entitlement, the Settlement Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Settlement Date. If a Settlement Disruption Event will result in the delivery on a Settlement Date of some but not all of the Relevant Assets comprising the Entitlement, the Calculation Agent shall determine the appropriate *pro rata* portion of the Exercise Price to be paid by the relevant Warrantholder in respect of that partial settlement.

For so long as delivery of the Entitlement is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole and absolute discretion to satisfy its obligations in respect of the relevant Warrant or Unit, as the case may be, by payment to the relevant Warrantholder of the Disruption Cash Settlement Price not later than the fifth Business Day following the date that notice of such election is given to the Warrantholders in accordance with Condition 12. Payment of the Disruption Cash Settlement Price will be made to the account specified by the Warrantholder in the relevant Exercise Notice as referred to in Condition 6(A) or in such manner as shall be notified to the Warrantholders in accordance with Condition 12. The Calculation Agent shall give notice as soon as practicable to the Warrantholders in accordance with Condition 12 that a Settlement Disruption Event has occurred.

No Warrantholder shall be entitled to any payment in respect of the relevant Warrant or Unit, as the case may be, in the event of any delay in the delivery of the Entitlement due to the occurrence of a Settlement Disruption Event and the Issuer shall not be in breach of these Conditions and no liability in respect thereof shall attach to the Issuer.

For the purposes hereof:

**Disruption Cash Settlement Price** in respect of any relevant Warrant or Unit, as the case may be, shall be the fair market value of such Warrant or Unit, as the case may be on a day selected by the Issuer in its sole and absolute discretion provided that such day is not more than 15 days prior to the date that the Calculation Agent gives notice to the Warranholders that a Settlement Disruption Event has occurred as provided above (taking into account, where the Settlement Disruption Event affected some but not all of the Relevant Assets comprising the Entitlement and such non-affected Relevant Assets have been duly delivered as provided above, the value of such Relevant Assets and, taking into account in all cases, such amount of the Exercise Price as has been paid) adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any of its Affiliates of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent.

**Settlement Disruption Event** means, in the opinion of the Calculation Agent, an event beyond the control of the Issuer as a result of which delivery of the Relevant Asset(s) by or on behalf of the Issuer using the method specified in the applicable Final Terms is not practicable.

(D) *Failure to Deliver due to Illiquidity*

If, "Failure to Deliver due to Illiquidity" is specified as applying in the applicable Final Terms and, following the exercise of such Warrants, in the opinion of the Calculation Agent, it is impossible or impracticable to deliver, when due, some or all of the Relevant Assets (the **Affected Relevant Assets**) comprising the Entitlement, where such failure to deliver is due to illiquidity in the market for the Relevant Assets (a **Failure to Deliver**), then:

- (a) subject as provided elsewhere in these Conditions, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated Settlement Date in accordance with Condition 5(C)(i) and the Calculation Agent shall determine the appropriate pro rata portion of the Exercise Price to be paid by the relevant Warranholder in respect of that partial settlement; and
- (b) in respect of any Affected Relevant Assets, in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole and absolute discretion in lieu of delivery of the Affected Relevant Assets, to pay to the relevant Warranholder the Failure to Deliver Settlement Price no later than the fifth Business Day following the date that notice of such election is given to the Warranholders in accordance with Condition 12. Payment of the Failure to Deliver Settlement Price will be made to the account specified by the Warranholder in the relevant Exercise Notice referred to in Condition 6(A) or in such manner as shall be notified to the Warranholders in accordance with Condition 12. The Calculation Agent shall give notice as soon as practicable to the Warranholders in accordance with Condition 12 that the provisions of this Condition 5(D) apply. If the Issuer does not so elect, the provisions of Condition 5(C)(ii) shall apply.

For the purposes hereof:

**Failure to Deliver Settlement Price** in respect of any relevant Warrant or Unit, as the case may be, shall be the fair market value of the Affected Relevant Assets on a day selected by the Issuer in its sole and absolute discretion prior to the date on which the Calculation Agent gives notice to the Warranholders as provided above (taking into account the pro rata portion of the Exercise Price paid or payable in relation to the Affected Relevant Assets adjusted to take account fully for any proportionate losses, expenses and costs to the Issuer and/or any of its Affiliates of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options

or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent.

(E) *Variation of Settlement*

If the applicable Final Terms specify that the Issuer has an option to vary settlement in respect of the Warrants, following a valid exercise of Warrants in accordance with these Conditions, the Issuer may in its sole and absolute discretion in respect of each such Warrant or, if Units are specified in the applicable Final Terms, each Unit, elect not to pay the relevant Warrantholders the Cash Settlement Amount or not to deliver or procure delivery of the Entitlement to the relevant Warrantholders, as the case may be, but, in lieu thereof, to deliver or procure delivery of the Entitlement or make payment of the Cash Settlement Amount on the Settlement Date to the relevant Warrantholders, as the case may be. Notification of any such election will be given to Warrantholders no later than the relevant Clearing System Cut-off Time on the second Business Day following the Actual Exercise Date in accordance with Condition 12.

(F) *General*

In relation to any Warrants where Automatic Exercise is specified as applying in the applicable Final Terms, the expressions **exercise**, **due exercise** and related expressions shall be construed to apply to any such Warrants which are automatically exercised in accordance with the above provisions.

None of the Issuer, the Calculation Agent, the Certificate and Warrant Agents or the Registrar shall have any responsibility for any errors or omissions in the calculation of any Cash Settlement Amount or of any Entitlement.

The purchase of Warrants does not confer on any Warrantholder any rights (whether in respect of voting, distributions or otherwise) attaching to any Relevant Asset.

All references in this Condition to **Luxembourg or Brussels time** shall, where Warrants are cleared through an additional or alternative clearing system, be deemed to refer as appropriate to the time in the city where the relevant clearing system is located.

**6. Exercise Procedure: THIS CONDITION IS APPLICABLE FOR ISSUES OF WARRANTS ONLY**

(A) *Exercise Notice*

To exercise Warrants, instructions in the form and with the content prescribed by the relevant Clearing System through which the relevant Warrantholder exercises its Warrants or, in the case of CREST, the Registrar, (an **Exercise Notice**) must be given to that Clearing System or, in the case of Securities cleared through CREST, the Registrar, in accordance with the provisions set out in Condition 5 and this Condition 6. In addition, the Warrantholder must undertake to pay all Expenses or other taxes or duties in relation to the Warrants or Units being exercised and authorise the relevant Clearing System to deduct an amount in respect thereof from any Cash Settlement Amount due to such Warrantholder and to pay it to the order of the Issuer and, in the case of Warrants which are Physical Delivery Securities, the Exercise Notice shall:

- (i) include such details as are required for delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered.

- (ii) certify, *inter alia*, that the beneficial owner of each Warrant or Unit, as the case may be, being exercised is not a U.S. person (as defined in the Exercise Notice) or a person who has purchased such Warrant for resale to U.S. persons, that the Warrant or Unit, as the case may be, is not being exercised within the United States or on behalf of a U.S. person and that no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with the exercise thereof; and
- (iii) authorise the production of such certification in any applicable administrative or legal proceedings.

(B) *Verification of the Warrantholder*

Other than in relation to Securities cleared through CREST, upon receipt of an Exercise Notice, Clearstream, Luxembourg or Euroclear, as the case may be, shall verify that the person exercising the Warrants is the Warrantholder thereof according to the books of Clearstream, Luxembourg or Euroclear, as the case may be. Subject thereto, Clearstream, Luxembourg or Euroclear, as the case may be, will confirm to the Principal Certificate and Warrant Agent the Series number and the number of Warrants being exercised and the account details, if applicable, for the payment of the Cash Settlement Amount or, as the case may be, the details for the delivery of the Entitlement in respect of each Warrant or Unit, as the case may be, being exercised. Upon receipt of such confirmation, the Principal Certificate and Warrant Agent will inform the Issuer thereof. Clearstream, Luxembourg or Euroclear, as the case may be, will on or before the Settlement Date debit the account of the relevant Warrantholder with the Warrants being exercised. If the Warrants are American Style Warrants, upon exercise of less than all the Warrants constituted by the Global Security, the Common Depository will, on the instructions of, and on behalf, of the Principal Certificate and Warrant Agent, note such exercise on the Schedule to such Global Security and the number of Warrants so constituted shall be reduced by the cancellation *pro tanto* of the Warrants so exercised.

In the case of Securities cleared through CREST, the Registrar will upon receipt of any Exercise Notice verify that the person exercising the Warrant is the Warrantholder thereof according to the Register. If the Registrar is unable to so verify, such exercise Notice shall be deemed not to have been given.

(C) *Determinations*

Any determination as to whether an Exercise Notice is duly completed and in proper form shall be made by Clearstream, Luxembourg or Euroclear, as the case may be, in either case, in consultation with the Principal Certificate and Warrant Agent and the Issuer, or, in the case of Securities cleared through CREST, made by the Registrar and shall be conclusive and binding on the Issuer, the Certificate and Warrant Agents or, as the case may be, the Registrar and the relevant Warrantholder. Subject as set out below, any Exercise Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Certificate and Warrant Agent and the Issuer (in the case of Securities cleared other than through CREST) immediately after being delivered or sent to Clearstream, Luxembourg or Euroclear or, as the case may be, the Registrar, as provided in paragraph (A) above, shall be null and void.

If such Exercise Notice is subsequently corrected to the satisfaction of Clearstream, Luxembourg or Euroclear, as the case may be, in consultation with the Principal Certificate and Warrant Agent and the Issuer, or, in the case of Securities cleared through CREST, corrected to the satisfaction of the Registrar in consultation with the Issuer it shall be deemed to be a new Exercise Notice submitted at the time such correction was delivered (and copied, as the case may be).

**If Automatic Exercise is not specified as applying in the applicable Final Terms, any Warrant with respect to which the Exercise Notice has not been duly completed and delivered in the manner set out above by the cut-off time specified in Condition 5(A)(i), in the case of American Style Warrants, or Condition 5(A)(ii), in the case of European Style Warrants, shall become void.**

The Issuer or the Principal Certificate and Warrant Agent or, in the case of Securities cleared through CREST, the Issuer or the Registrar shall use reasonable endeavours promptly to notify the Warrantholder submitting an Exercise Notice if it has been determined as provided above that such Exercise Notice is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Certificate and Warrant Agents, the Registrar, Clearstream, Luxembourg and Euroclear shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Warrantholder.

*(D) Delivery of an Exercise Notice*

Delivery of an Exercise Notice shall constitute an irrevocable election by the relevant Warrantholder to exercise the Warrants specified. After the delivery of such Exercise Notice, such exercising Warrantholder may not transfer such Warrants. Notwithstanding this, if any Securityholder does so transfer or attempts so to transfer such Securities, the Securityholder will be liable to the Issuer for any Expenses suffered or incurred by the Issuer or any of its Affiliates through whom it has hedged its position, including those suffered or incurred as a consequence of the Issuer or any of its Affiliates through whom it has hedged its position having terminated or commenced any related hedging operations in reliance on the relevant Exercise Notice and subsequently (i) entering into replacement hedging operations in respect of such Securities or (ii) paying any amount on the subsequent exercise of such Securities without having entered into any replacement hedging operations.

*(E) Automatic Exercise*

This paragraph only applies if Automatic Exercise is specified as applying in the applicable Final Terms and the Warrants are automatically exercised as provided in Condition 5(A)(i) or Condition 5(A)(ii) (to be so automatically exercised the Warrants must be, in the determination of the Calculation Agent, In-The-Money).

If "Automatic Exercise : Exercise Notice by Cut-off Date" is specified as applying in the applicable Final Terms then this paragraph (E)(1) shall apply and not paragraph (2) below:

- (1) In order to receive the Cash Settlement Amount, if the Warrants are Cash Settled Securities, or the Entitlement, if the Warrants are Physical Delivery Securities, in respect of a Warrant, or if Units are specified in the applicable Final Terms, a Unit, as the case may be, the relevant Warrantholder must deliver or send by authenticated SWIFT message (or such other method acceptable to the relevant Clearing System) (confirmed in writing) a duly completed Exercise Notice to Clearstream, Luxembourg or Euroclear, as the case may be, with a copy to the Principal Certificate and Warrant Agent and the Issuer or, in the case of Securities cleared through CREST, to the Registrar on any Business Day until not later than the relevant Clearing System Cut-off Time, on the day (the **Cut-off Date**) falling 180 days after (i) the Expiration Date, in the case of American Style Warrants, or (ii) the Actual Exercise Date, in the case of European Style Warrants. The Exercise Notice shall include the applicable information set out in the Exercise Notice referred to in Condition 6(A). The Business Day during the period from the Expiration Date or the Actual Exercise Date, as the case may be, until the Cut-off Date on which an Exercise Notice is delivered to Clearstream, Luxembourg or Euroclear, as the case may be, and a copy thereof delivered to the Principal Certificate and Warrant Agent and the Issuer or, in the case of Securities cleared through

CREST, delivered to the Registrar is referred to in this Condition 6(E) as the **Exercise Notice Delivery Date**, provided that if the Exercise Notice is received by Clearstream, Luxembourg or Euroclear, as the case may be, or if the copy thereof is received by the Principal Certificate and Warrant Agent and the Issuer or, if in the case of Securities cleared through CREST, the Exercise Notice is received by the Registrar, in each case, after the relevant Clearing System Cut-off Time, on any Business Day, such Exercise Notice shall be deemed to have been delivered on the next Business Day, which Business Day shall be deemed to be the Exercise Notice Delivery Date.

Subject to the relevant Warrantholder performing its obligations in respect of the relevant Warrant or Unit, as the case may be, in accordance with these Conditions, the Settlement Date for such Warrants or Units, as the case may be, shall, subject as provided herein, be (A) in the case of Securities cleared other than through CREST (i) in the case of Cash Settled Securities, the fifth Business Day following the Exercise Notice Delivery Date and (ii) in the case of Physical Delivery Securities, the fifth Settlement Business Day following the Exercise Notice Delivery Date; and (B) in the case of Securities cleared through CREST (i) in the case of Cash Settled Securities, the sixth Business Day following the Exercise Notice Delivery Date and (ii) in the case of Physical Delivery Securities, the sixth Settlement Business Day following the Exercise Notice Delivery Date. **If a Warrantholder does not so deliver an Exercise Notice in accordance with this Condition 6(E) at or prior to the relevant Clearing System Cut-off Time, on the Cut-off Date, the Issuer's obligations in respect of such Warrants shall be discharged and no further liability in respect thereof shall attach to the Issuer.**

In relation to Cash Settled Securities, only, if Automatic Exercise: No delivery of Exercise Notice is specified as applying in the applicable Final Terms, then this paragraph (E)(2) shall apply:

- (2) In order to receive the Cash Settlement Amount, the relevant Warrantholder will not be required to deliver or send an Exercise Notice or any order form of notification and any such Warrant will be settled pursuant to and subject as provided herein.

*(F) Exercise Risk*

Exercise of the Warrants is subject to all applicable laws, regulations and practices in force on the relevant Exercise Date and none of the Issuer, the Certificate and Warrant Agents and/or the Registrar shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. None of the Issuer and the Certificate and Warrant Agents shall under any circumstances be liable for any acts or defaults of any of the Common Depository, Clearstream, Luxembourg, Euroclear, CREST or the Registrar in relation to the performance of its duties in relation to the Warrants.

The Issuer will be discharged by payment or delivery to, or to the order of, the Common Depository or Clearstream, Luxembourg or Euroclear, as the case may be, or, in the case of Securities cleared through CREST, the Registrar, in respect of the amount so paid or delivered. Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear, or on the Register and Operator register of corporate securities, as the case may be, as the holder of a particular number of Warrants must look solely to Clearstream, Luxembourg or Euroclear or the Registrar, as the case may be, for his share of each such payment or delivery so made to, or to the order of, Clearstream, Luxembourg or Euroclear or the Registrar, as the case may be.

**7. Minimum and Maximum Number of Warrants Exercisable: THIS CONDITION IS APPLICABLE FOR ISSUES OF WARRANTS ONLY**

*(A) American Style Warrants*

This paragraph (A) applies only to American Style Warrants.

- (i) The number of Warrants exercisable by any Warrantholder on any Actual Exercise Date, or, in the case of Automatic Exercise, the number of Warrants held by any Warrantholder on any Actual Exercise Date, in each case as determined by the Issuer, must not be less than the Minimum Exercise Number specified in the applicable Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Final Terms. Any Exercise Notice which purports to exercise Warrants in breach of this Condition shall, unless the Issuer otherwise decides, in its sole and absolute discretion, be void and of no effect.
- (ii) If the Issuer determines that the number of Warrants being exercised on any Actual Exercise Date by any Warrantholder or a group of Warrantholders (whether or not acting in concert) exceeds the Maximum Exercise Number (a number equal to the Maximum Exercise Number being the **Quota**), the Issuer may deem the Actual Exercise Date for the first Quota of such Warrants, selected in the sole and absolute discretion of the Issuer, to be such day and the Actual Exercise Date for each additional Quota of such Warrants (and any remaining number thereof) to be each of the succeeding Business Days until all such Warrants have been attributed with an Actual Exercise Date, provided, however, that the deemed Actual Exercise Date for any such Warrants which would thereby fall after the Expiration Date shall fall on the Expiration Date. In any case where more than the Quota of Warrants are exercised on the same day by Warrantholder(s), the order of settlement in respect of such Warrants shall be at the sole and absolute discretion of the Issuer.

*(B) European Style Warrants*

This paragraph (B) applies only to European Style Warrants.

The number of Warrants exercisable by any Warrantholder on the Exercise Date as determined by the Issuer, must not be less than the Minimum Exercise Number specified in the applicable Final Terms and, if specified in the applicable Final Terms, if a number greater than the Minimum Exercise Number, must be an integral multiple of the number specified in the applicable Final Terms. Any Exercise Notice which purports to exercise Warrants in breach of this provision shall, unless the Issuer otherwise decides, in its sole and absolute discretion, be void and of no effect.

**8. Redemption and Redemption Procedure for Redeemable Certificates: THIS CONDITION IS APPLICABLE FOR ISSUES OF REDEEMABLE CERTIFICATES ONLY**

*(A) Redemption*

Subject as provided in these Conditions and as specified in the applicable Final Terms, each Redeemable Certificate will be redeemed by the Issuer:

- (i) in the case of a Cash Settled Security, by payment of the Cash Settlement Amount; or
- (ii) in the case of a Physical Delivery Security, subject as provided herein, by delivery of the Entitlement,

such redemption to occur in either case, subject as provided below, on the Redemption Date. If (i) the date for payment of any amount in respect of the Redeemable Certificates is not a Business Day,

the Redeemable Certificateholder shall not be entitled to payment until the next following Business Day and shall not be entitled to any further payment in respect of such delay or (ii) the date for delivery of any Entitlement in respect of the Redeemable Certificates is not a Settlement Business Day, the Redeemable Certificateholder shall not be entitled to delivery of the Entitlement until the next following Settlement Business Day.

(B) *Cash Settlement*

Subject as provided herein, if the Redeemable Certificates are Cash Settled Securities, each Redeemable Certificate entitles its holder to receive from the Issuer, on the Redemption Date, the Cash Settlement Amount determined in accordance with the formula specified, or as otherwise provided, in the applicable Final Terms. The Issuer shall on the Redemption Date pay or cause to be paid the Cash Settlement Amount for each Redeemable Certificate to, or to the order of, the Common Depository or, in the case of securities cleared through CREST, to or to the order of the Registrar for the account of the relevant Redeemable Certificateholders, for value on the Redemption Date less any Expenses, such payment to be made in accordance with the rules of Clearstream, Luxembourg or Euroclear or CREST, as the case may be.

(C) *Physical Settlement*

(1) Asset Transfer Notices

In relation to Redeemable Certificates which are Physical Delivery Securities, in order to obtain delivery of the Entitlement(s) in respect of any Redeemable Certificate, the relevant Redeemable Certificateholder must deliver, or send by tested telex (confirmed in writing), to Clearstream, Luxembourg or Euroclear (as applicable) with a copy to the Principal Certificate and Warrant Agent and the Issuer, in each case, not later than the relevant Clearing System Cut-off Time on the date (the **Cut-off Date**) falling two Business Days prior to the Redemption Date, a duly completed asset transfer notice (an **Asset Transfer Notice**) in the form set out in the Agency Agreement (copies of which form may be obtained from Clearstream, Luxembourg, Euroclear and the Certificate and Warrant Agents during normal office hours) in accordance with the provisions set out in this Condition 8.

The Asset Transfer Notice shall:

- (a) specify the Series number of the Redeemable Certificates and the number of Redeemable Certificates the subject of the Asset Transfer Notice;
- (b) specify the number of the Redeemable Certificateholder's account at Clearstream, Luxembourg or Euroclear, as the case may be, to be debited with such Redeemable Certificates;
- (c) irrevocably instruct Clearstream, Luxembourg or Euroclear, as the case may be, to debit on or before the Redemption Date the relevant Redeemable Certificateholder's account with the relevant Redeemable Certificates;
- (d) include an undertaking to pay all Expenses or other taxes or duties arising from the redemption of such Redeemable Certificates and an authority to Clearstream, Luxembourg or Euroclear, as the case may be, to debit a specified account of the Redeemable Certificateholder at Clearstream, Luxembourg or Euroclear, as the case may be, in respect thereof and to pay such Expenses or other taxes or duties;
- (e) include such details as are required by the applicable Final Terms for delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or

agent to whom documents evidencing the Entitlement are to be delivered and specify the name and number of the Redeemable Certificateholder's account with Euroclear or Clearstream, Luxembourg, as the case may be, to be credited with any cash payable by the Issuer, either in respect of any cash amount constituting the Entitlement or any dividends relating to the Entitlement or as a result of the occurrence of a Settlement Disruption Event and the Issuer electing to pay the Disruption Cash Settlement Price or as a result of the occurrence of a Failure to Deliver and the Issuer electing to pay the Failure to Deliver Settlement Price;

- (f) in the case of Currency Securities only, specify the number of the Redeemable Certificateholder's account at Clearstream, Luxembourg or Euroclear, as the case may be, to be credited with the amount due upon redemption of the Redeemable Certificates; and
- (g) certify, *inter alia*, that the beneficial owner of each Redeemable Certificate is not a U.S. person (as defined in the Asset Transfer Notice) or a person who purchased such Redeemable Certificate for resale to U.S. persons, that the Redeemable Certificate is not being redeemed within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any redemption thereof; and
- (h) authorise the production of such certification in any applicable administrative or legal proceedings,

all as provided in the Agency Agreement.

If Condition 8(D) applies, the form of Asset Transfer Notice required to be delivered will be different from that set out above. Copies of such Asset Transfer Notice may be obtained from Clearstream, Luxembourg, Euroclear and the Certificate and Warrant Agents during normal office hours.

(2) Verification of the Redeemable Certificateholder

Upon receipt of an Asset Transfer Notice, Clearstream, Luxembourg or Euroclear, as the case may be, shall verify that the person delivering the Asset Transfer Notice is the holder of the Redeemable Certificates described therein according to the books of Clearstream, Luxembourg or Euroclear, as the case may be. Subject thereto, Clearstream, Luxembourg or Euroclear, as the case may be, will confirm to the Principal Certificate and Warrant Agent the Series number and number of Redeemable Certificates the subject of such notice and the details for the delivery of the Entitlement in respect of each Redeemable Certificate. Upon receipt of such confirmation, the Principal Certificate and Warrant Agent will inform the Issuer thereof. Clearstream, Luxembourg or Euroclear, as the case may be, will on or before the Delivery Date debit the account of the relevant Redeemable Certificateholder with the relevant Redeemable Certificates.

(3) Determinations

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made by Clearstream, Luxembourg or Euroclear, as the case may be, in each case, in consultation with the Principal Certificate and Warrant Agent and the Issuer, and shall be conclusive and binding on the Issuer, the Certificate and Warrant Agents and the relevant Redeemable Certificateholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Principal Certificate and Warrant Agent and the Issuer immediately after being delivered or sent to Clearstream, Luxembourg or Euroclear, as the case may be, as provided in paragraph (1) above, shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of Clearstream, Luxembourg or Euroclear, as the case may be, in consultation with the Principal Certificate and Warrant Agent and the Issuer, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered to Clearstream, Luxembourg or Euroclear, as the case may be, and copied to the Principal Certificate and Warrant Agent and the Issuer.

The Issuer shall use reasonable endeavours promptly to notify the Redeemable Certificateholder submitting an Asset Transfer Notice if it has determined as provided above that such Asset Transfer Notice is incomplete or not in proper form. In the absence of negligence or wilful misconduct on its part, none of the Issuer, the Certificate and Warrant Agents, Clearstream, Luxembourg and Euroclear shall be liable to any person with respect to any action taken or omitted to be taken by it in connection with such determination or the notification of such determination to a Redeemable Certificateholder.

(4) Delivery of an Asset Transfer Notice

After delivery of an Asset Transfer Notice, the relevant Redeemable Certificateholder may not transfer the Redeemable Certificates which are the subject of such notice.

(5) Delivery of the Entitlement

Subject as provided herein, the Issuer shall deliver, or procure the delivery of, the Entitlement for each duly redeemed Certificate herein on the Redemption Date (such date, subject to adjustment in accordance with this Condition, the **Delivery Date**) pursuant to the details specified in the applicable Asset Transfer Notice, provided that the Asset Transfer Notice is duly delivered to Clearstream, Luxembourg or Euroclear, as the case may be, with a copy to the Principal Certificate and Warrant Agent and the Issuer, as provided above on or prior to the Cut-Off Date. Subject as provided in Condition 8(C)(6) and Condition 8(C)(7), the Entitlement shall be delivered and evidenced in such manner as set out in the applicable Final Terms.

If a Redeemable Certificateholder fails to give an Asset Transfer Notice as provided herein with a copy to the Principal Certificate and Warrant Agent and the Issuer, on or prior to the Cut-Off Date, then the Entitlement will be delivered as soon as practicable after the Redemption Date (in which case, such date of delivery shall be the Delivery Date) at the risk of such Redeemable Certificateholder in the manner provided herein. For the avoidance of doubt, in such circumstances such Redeemable Certificateholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Delivery Date falling after the Redemption Date and no liability in respect thereof shall attach to the Issuer **PROVIDED THAT if a Redeemable Certificateholder does not so deliver an Asset Transfer Notice in accordance with this Condition 8(C) at or prior to the relevant Clearing System Cut-off Time, on the date falling 180 days after the Cut-off Date, the Issuer's obligations in respect of such Redeemable Certificates shall be discharged and no further liability in respect thereof shall attach to the Issuer.**

All Expenses arising from the delivery of the Entitlement in respect of such Redeemable Certificates shall be for the account of the relevant Redeemable Certificateholder and no delivery of the Entitlement shall be made until all Expenses have been paid to the satisfaction of the Issuer by the relevant Redeemable Certificateholder.

Redeemable Certificates held by the same Redeemable Certificateholder will be aggregated for the purpose of determining the aggregate Entitlements in respect of such Redeemable Certificates provided that the aggregate Entitlements in respect of the same Redeemable Certificateholder will be rounded down to the nearest whole unit of the Relevant Asset or each of the Relevant Assets, as the case may be, in such manner as the Issuer shall determine. Therefore, fractions of the Relevant Asset or of each of the Relevant Assets, as the case may be, will not be delivered and in lieu thereof the relevant Redeemable Certificateholder will receive an amount in the Settlement Currency equal to

the value of any such fractions after such aggregation as calculated by the Calculation Agent from such source(s) as it may select (and converted if necessary into the Settlement Currency by reference to such exchange rate as the Calculation Agent deems appropriate). Payment of any such amount will be made to the account specified by the Redeemable Certificateholder in the relevant Asset Transfer Notice as referred to in Condition 8(C)(1)(e) or in such manner as shall be notified to the Redeemable Certificateholders in accordance with Condition 12.

For the purposes of any Redeemable Certificate which is a Physical Delivery Security (i) the Issuer shall be under no obligation to register or procure the registration of any Redeemable Certificateholder or any other person as the registered shareholder in the register of members of any Share Company or Basket Company, as the case may be, and (ii) the Issuer shall not be obliged to account to any Redeemable Certificateholder or any person for any entitlement received or that is receivable in respect of any Shares comprising the Entitlement in respect of any Redeemable Certificate or Unit if the date on which the Shares are first traded on the relevant Exchange ex such entitlement is on or prior to the Delivery Date.

Following the Delivery Date of a Share Security which is a Physical Delivery Security all dividends on the relevant Shares to be delivered will be payable to the party that would receive such dividend according to market practice for a sale of the Shares executed on the relevant Delivery Date and to be delivered in the same manner as such relevant Shares. Any such dividends to be paid to a Redeemable Certificateholder will be paid to the account specified by the Redeemable Certificateholder in the relevant Asset Transfer Notice as referred to in Condition 8(C)(1)(e).

After delivery of the Entitlement and for the Intervening Period, none of the Issuer, the Calculation Agent and any other person shall at any time (i) be under any obligation to deliver or procure delivery to any Redeemable Certificateholder any letter, certificate, notice, circular or any other document or, except as provided herein, payment whatsoever received by that person in respect of the Entitlement, (ii) be under any obligation to exercise or procure exercise of any or all rights attaching to the Entitlement or (iii) be under any liability to a Redeemable Certificateholder in respect of any loss or damage which such Redeemable Certificateholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of the Entitlement.

**Intervening Period** means such period of time as any person other than the relevant Redeemable Certificateholder shall continue to be regarded as the legal owner of any securities or other obligations comprising the Entitlement.

(6) Settlement Disruption

If, in the opinion of the Calculation Agent, delivery of the Entitlement using the method of delivery specified in the applicable Final Terms is not practicable by reason of a Settlement Disruption Event (as defined below) subsisting on any Delivery Date, then such Delivery Date for such Redeemable Certificates shall be postponed to the first following Settlement Business Day in respect of which no Settlement Disruption Event is subsisting, provided that the Issuer may elect in its sole and absolute discretion to satisfy its obligations in respect of the relevant Redeemable Certificate by delivering the Entitlement using such other commercially reasonable manner as it may select and, in such event, the Delivery Date shall be such day as the Issuer deems appropriate in connection with delivery of the Entitlement in such other commercially reasonable manner. For the avoidance of doubt, where a Settlement Disruption Event affects some but not all of the Relevant Assets comprising the Entitlement, the Delivery Date for the Relevant Assets not affected by the Settlement Disruption Event will be the originally designated Delivery Date.

For so long as delivery of the Entitlement is not practicable by reason of a Settlement Disruption Event, then in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole and absolute discretion to satisfy its obligations in respect of the relevant

Redeemable Certificate by payment to the relevant Redeemable Certificateholder of the Disruption Cash Settlement Price not later than the fifth Business Day following the date that notice of such election is given to the Redeemable Certificateholders in accordance with Condition 12. Payment of the Disruption Cash Settlement Price will be made to the account specified by the Redeemable Certificateholder in the relevant Asset Transfer Notice as referred to in Condition 8(C)(1)(e) or in such manner as shall be notified to the Redeemable Certificateholders in accordance with Condition 12. The Calculation Agent shall give notice as soon as practicable to the Redeemable Certificateholders in accordance with Condition 12 that a Settlement Disruption Event has occurred.

No Redeemable Certificateholder shall be entitled to any payment in respect of the relevant Redeemable Certificate in the event of any delay in the delivery of the Entitlement due to the occurrence of a Settlement Disruption Event and the Issuer shall not be in breach of these Conditions and no liability in respect thereof shall attach to the Issuer.

For the purposes hereof:

**Disruption Cash Settlement Price** in respect of any relevant Redeemable Certificate shall be the fair market value of such Redeemable Certificate on a day selected by the Issuer in its sole and absolute discretion provided that such day is not more than 15 days before the date that the Calculation Agent gives notice to the Redeemable Certificateholders that a Settlement Disruption Event has occurred as provided above (taking into account, were the Settlement Disruption Event affected some but not all of the Relevant Assets comprising the Entitlement and such non-affected Relevant Assets have been duly delivered as provided above, the value of such Relevant Assets) adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any of its Affiliates of unwinding and adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent.

**Settlement Disruption Event** means, in the opinion of the Calculation Agent, an event beyond the control of the Issuer as a result of which delivery of the Relevant Asset(s) by or on behalf of the Issuer using the method specified in the applicable Final Terms is not practicable.

(7) Failure to Deliver due to Illiquidity

If "Failure to Deliver due to Illiquidity" is specified as applying in the applicable Final Terms and in the opinion of the Calculation Agent, it is impossible or impracticable to deliver, when due, some or all of the Relevant Assets (the **Affected Relevant Assets**) comprising the Entitlement, where such failure to deliver is due to illiquidity in the market for the Relevant Assets (a **Failure to Deliver**), then:

- (a) subject as provided elsewhere in these Conditions, any Relevant Assets which are not Affected Relevant Assets, will be delivered on the originally designated Redemption Date in accordance with this Condition 8 (subject as provided herein); and
- (b) in respect of any Affected Relevant Assets, in lieu of physical settlement and notwithstanding any other provision hereof, the Issuer may elect in its sole and absolute discretion in lieu of delivery of the Affected Relevant Assets, to pay to the relevant Redeemable Certificateholder of the Failure to Deliver Settlement Price no later than the fifth Business Day following the date that notice of such election is given to the Redeemable Certificateholders in accordance with Condition 12. Payment of the Failure to Deliver Settlement Price will be made to the account specified by the Redeemable Certificateholder in the relevant Asset Transfer Notice referred to in Condition 8(C)(1)(e) or in such manner as shall be notified to the Redeemable Certificateholders in accordance with Condition 12. The Calculation Agent shall give notice as soon as practicable to the Redeemable

Certificateholders in accordance with Condition 12 that the provisions of this Condition 8(C)(7) apply. If the Issuer does not so elect, the provisions of Condition 8(C)(6) shall apply.

For the purposes hereof:

**Failure to Deliver Settlement Price** in respect of any relevant Redeemable Certificate shall be the fair market value of the Affected Relevant Assets on a day selected by the Issuer in its sole and absolute discretion prior to the date on which the Calculation Agent gives notice to the Redeemable Certificateholders as provided above adjusted to take account fully for any proportionate losses, expenses and costs to the Issuer and/or any of its Affiliates of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements), all as calculated by the Calculation Agent.

*(D) Variation of Settlement*

If the applicable Final Terms specify that the Issuer has an option to vary settlement in respect of the Certificates, the Issuer may at its sole and absolute discretion in respect of each such Certificate, elect not to pay the relevant Redeemable Certificateholders the Cash Settlement Amount or not to deliver or procure delivery of the Entitlement to the relevant Redeemable Certificateholders, as the case may be, but, in lieu thereof to deliver or procure delivery of the Entitlement or make payment of the Cash Settlement Amount on the Redemption Date to the relevant Redeemable Certificateholders, as the case may be. Notification of such election will be given to Redeemable Certificateholders no later than the Relevant Clearing System Cut-off Time on the second Business Day following the Redemption Date in accordance with Condition 12.

*(E) General*

None of the Issuer, the Calculation Agent and the Certificate and Warrant Agents shall have any responsibility for any errors or omissions in the calculation of any Cash Settlement Amount or of any Entitlement.

The purchase of Redeemable Certificates does not confer on any Redeemable Certificateholder any rights (whether in respect of voting, distributions or otherwise) attaching to any Relevant Asset.

All references in this Condition to Luxembourg or Brussels time shall, where Redeemable Certificates are cleared through an additional or alternative clearing system, be deemed to refer as appropriate to the time in the city where the relevant clearing system is located.

*(F) Redemption Risk*

Redemption of the Redeemable Certificates is subject to all applicable laws, regulations and practices in force on the relevant Delivery Date and none of the Issuer and the Certificate and Warrant Agents shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. None of the Issuer and the Certificate and Warrant Agents shall under any circumstances be liable for any acts or defaults of any of the Common Depository, Clearstream, Luxembourg, or Euroclear in relation to the performance of its duties in relation to the Redeemable Certificates.

The Issuer will be discharged by payment or delivery to, or to the order of, the Common Depository or Clearstream, Luxembourg or Euroclear, as the case may be, in respect of the amount so paid or delivered. Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear, as the case may be, as the holder of a particular amount of the Redeemable Certificates must look solely to

Clearstream, Luxembourg or Euroclear, as the case may be, for his share of each such payment or delivery so made to, or to the order of, Clearstream, Luxembourg or Euroclear, as the case may be.

## **9. Cancellation due to Illegality or Taxation**

### *(A) Illegality*

If the Issuer determines in good faith that either the performance of its obligations under the Securities or that any arrangement made to hedge its position under the Securities has or will become unlawful, illegal, or otherwise prohibited in whole or in part under any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (but, if not having the force of law, only if compliance with it is in accordance with the general practice of persons to whom it is intended to apply), or in the interpretation thereof (an **Illegality**), the Issuer may cancel the Securities by giving notice to Securityholders in accordance with Condition 12.

Should any one or more of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not in any way be affected thereby.

If the Issuer cancels the Securities, then the Issuer will, if and to the extent permitted by applicable law, pay an amount to each Securityholder in respect of each Security or, if Units are specified in the applicable Final Terms, each Unit, as the case may be, held by such holder, which amount shall be the fair market value of a Security or Unit, as the case may be, notwithstanding such unlawfulness, illegality or other prohibition, on a day selected by the Issuer in its sole and absolute discretion, adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any of its Affiliates of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements) and also taking into account, in the case of Warrants, if already paid by or on behalf of the Securityholder, the Exercise Price, all as calculated by the Calculation Agent. Payment will be made in such manner as shall be notified to the Securityholders in accordance with Condition 12.

### *(B) Taxation*

If the Issuer determines in good faith that either the performance of its obligations under the Securities or that any arrangements made to hedge its position under the Securities: (i) has resulted in, or (ii) will result in (following a change in any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interruption thereof or following a decision of any court or tribunal), the Issuer and/or any of its Affiliates not being entitled to tax relief in respect of any losses, costs or expenses incurred in relation to the Securities or such hedging arrangements or any other adverse tax consequences, the Issuer may, having given not more than 30 nor less than 3 days' notice to Securityholders in accordance with Condition 12, cancel the Securities.

If the Issuer cancels the Securities then the Issuer will pay an amount to each Securityholder in respect of each Security or, if Units are specified in the applicable Final Terms, each Unit, as the case may be, held by such Securityholder, which amount shall be the fair market value of a Security or Unit, as the case may be, on a day selected by the Issuer in its sole and absolute discretion adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any of its Affiliates and any loss of tax relief or other tax consequences of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements) and any costs arising as a result of any of the changes referred to above and also taking into account in the case of Warrants, if already paid by or on behalf of the Securityholder, the Exercise Price, all as calculated by the

Calculation Agent. Payment will be made in such manner as shall be notified to the Securityholders in accordance with Condition 12.

**10. Purchases**

Any of the Issuer or its subsidiaries or Affiliates may, but is not obliged to, at any time purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased or otherwise acquired may, at the Issuer's discretion, be held or resold or surrendered for cancellation.

**11. Certificate and Warrant Agents, Determinations and Modifications and Meetings of Securityholders**

*(A) Certificate and Warrant Agents*

The specified offices of the Certificate and Warrant Agents are as set out at the end of these Conditions.

The Issuer reserves the right at any time to vary or terminate the appointment of any Certificate and Warrant Agent and to appoint further or additional Certificate and Warrant Agents, provided that no termination of appointment of the Principal Certificate and Warrant Agent shall become effective until a replacement Principal Certificate and Warrant Agent shall have been appointed and, provided that so long as any of the Securities are listed on a stock exchange, there shall be a Certificate and Warrant Agent having a specified office in each location required by the rules and regulations of the relevant listing authority or stock exchange. Notice of any termination of appointment and of any changes in the specified office of any Certificate and Warrant Agent will be given to the Securityholders in accordance with Condition 12. In acting under the Agency Agreement, each Certificate and Warrant Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Securityholders and any determinations and calculations made in respect of the Securities by any Certificate and Warrant Agent shall (save in the case of manifest error) be final, conclusive and binding on the Issuer and the Securityholders.

*(B) Calculation Agent*

The Issuer reserves the right at any time to vary or terminate the appointment of the Calculation Agent, provided that there will at all times be a Calculation Agent. Notice of any termination of appointment of the Calculation Agent will be given to Securityholders in accordance with Condition 12.

In relation to each Series of Securities, the Calculation Agent (whether it be the Issuer or another entity) acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Securityholders.

The Calculation Agent may, with the consent of the Issuer, delegate any of its obligations and functions to a third party as it deems appropriate and any determination or calculation by any such delegate shall be deemed to be a determination or calculation by the Calculation Agent.

*(C) Determinations*

Any determination made by the Issuer and/or the Calculation Agent pursuant to these Conditions shall (save in the case of manifest error) be final, conclusive and binding on the Issuer, the Calculation Agent and the Securityholders.

In making any determination in respect of any adjustment pursuant to these Conditions, the Issuer and/or Calculation Agent shall not have regard to any interests arising from circumstances particular to individual Securityholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such determination for individual Securityholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Issuer and/or Calculation Agent shall not be entitled to require, nor shall any Securityholder be entitled to claim, from the Issuer, the Calculation Agent or any other person any indemnification or payment in respect of any tax consequences of any such determination upon individual Securityholders.

(D) *Modifications*

The Issuer may modify these Conditions and/or the Agency Agreement without the consent of the Securityholders in any manner which the Issuer may deem necessary or desirable provided that either:

- (i) such modification is not materially prejudicial to the interests of the Securityholders in the sole and absolute discretion of the Issuer (without considering the individual circumstances of any holders of Securities or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (ii) such modification is of a formal, minor or technical nature or to correct a manifest or proven error or to cure, correct or supplement any defective provision contained herein and/or therein or to comply with any mandatory provision of law of the jurisdiction in which the Issuer is incorporated; or
- (iii) in respect of Securities which the Issuer determines (whether before or after issue) to list on a stock exchange, market or quotation system, such modification is made to enable such Securities to be listed on such stock exchange, market or quotation system.

Notice of any such modification, which will be binding on the Securityholders, will be given to the Securityholders in accordance with Condition 12 but failure to give, or non-receipt of, such notice will not affect the validity of any such modification.

(E) *Meetings of Securityholders*

The Agency Agreement contains provisions for convening meetings of the Securityholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of these Conditions or the Agency Agreement. At least 21 days' notice (exclusive of the day on which the notice is given and of the day on which the meeting is held) specifying the date, time and place of the meeting shall be given to Securityholders. Such a meeting may be convened by the Issuer or Securityholders holding not less than 10 per cent. (by number) of the Securities for the time being remaining outstanding. The quorum at a meeting of the Securityholders (except for the purpose of passing an Extraordinary Resolution) will be two or more persons holding or representing not less than 10 per cent. (by number) of the Securities for the time being remaining outstanding or, at any adjourned meeting, two or more persons being or representing Securityholders whatever the number of Securities so held or represented. The quorum at a meeting of Securityholders for the purpose of passing an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. (by number) of the Securities for the time being remaining outstanding or, at any adjourned meeting, two or more persons being or representing Securityholders holding not less than 10 per cent. (by number) of the Securities for the time being remaining outstanding. A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-fourths of the votes cast by Securityholders at such meeting as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Securityholders shall be binding on all the Securityholders, whether or not they are present at the meeting, save for those Warrants remaining unexercised but for which an Exercise Notice shall have been received as described in Condition 6 prior to the date of the meeting. Warrants which have not been exercised but in respect of which an Exercise Notice has been received as described in Condition 6 will not confer the right to attend or vote at, or join in convening, or be counted in the quorum for, any meeting of the Warrantholders. Resolutions can be passed in writing if passed unanimously.

## **12. Notices**

All notices to Securityholders shall be valid if (i) (a) delivered to Clearstream, Luxembourg and Euroclear or, in the case of Securities cleared through CREST, to the Registrar for communication by them to the Securityholders, (b) published in a daily newspaper with general circulation in the United Kingdom, expected to be the *Financial Times* or (c) published on the website of RNS at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html> and any such notices shall be conclusively presumed to have been received by the Securityholders and (ii) if and so long as the Securities are listed on a stock exchange, in accordance with the rules and regulations of the relevant stock exchange or other relevant authority. Any such notice shall be deemed to have been given on the date of such delivery or, if earlier, the date of any publication as required by any relevant stock exchange or, if published more than once, on the date of the first such publication.

## **13. Expenses and Taxes**

- (A) A Securityholder must pay or discharge all Expenses relating to such Security as provided above and, in relation to any Security, no payment of any Cash Settlement Amount or delivery of any Entitlement, in respect of such Security, will be made until all Expenses in relation to such Security have been paid or discharged to the satisfaction of the Issuer.
- (B) The Issuer shall not be liable for or otherwise obliged to pay any tax, duty or other payment which may arise as a result of the ownership, transfer, exercise (in the case of Warrants), redemption (in the case of Certificates) or enforcement of any Security by any person and all payments and/or deliveries made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

## **14. Further Issues**

The Issuer shall be at liberty from time to time without the consent of Securityholders to create and issue further Securities which (i) are expressed to be consolidated and form a single Series with the outstanding Securities and (ii) are identical in all respects with such Securities except for their respective issue dates and/or issue prices.

## **15. Substitution of the Issuer**

The Issuer (or any previously substituted company from time to time) shall, without the consent of the Securityholders, be entitled at any time to substitute for the Issuer any other company (the **Substitute**) as principal obligor in respect of all obligations arising from or in connection with the Securities provided that (i) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Securities represent valid, legally binding and enforceable obligations of the Substitute have been taken, fulfilled and done and are in full force and effect; (ii) the Substitute shall have assumed all obligations arising from or in connection with the Securities and shall have become a party to the Agency Agreement, with any consequential amendments; (iii) either (a) the Substitute shall be the holding company of the Issuer (the holding company currently being The Royal Bank of Scotland Group plc, company number SC045551) or (b) the obligations of the Substitute in respect of the Securities shall be

unconditionally and irrevocably guaranteed by the Issuer, (iv) each stock exchange or listing authority on which the Securities are listed shall have confirmed that, following the proposed substitution of the Substitute, the Securities would continue to be listed on such stock exchange; and (v) the Issuer shall have given at least 30 days' prior notice of the date of such substitution to the Securityholders in accordance with Condition 12.

## 16. Terms for Securities

### (A) *Index Securities (including Index Securities relating to a Contract)*

For the purposes of this Condition 16(A):

**Basket** means, where more than one index is specified in the applicable Final Terms, the basket comprising such indices.

**Multi-Exchange Index** means an Index in respect of which there is more than one Exchange.

**Indices** and **Index** mean, subject to adjustment in accordance with this Condition 16(A), the Basket of indices or the index specified in the applicable Final Terms and related expressions shall be construed accordingly.

**Index Currency** means the currency specified as such in the applicable Final Terms.

**Index Sponsor** means, in relation to an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any related to such Index and (b) announces (directly, or by appointing a third party to do so) the level of such Index on a regular basis during each Scheduled Trading Day or any successor index sponsor.

### (1) **Market Disruption**

**Market Disruption Event** means, in respect of an Index, the occurrence or existence on any Scheduled Trading Day of a Trading Disruption or an Exchange Disruption which in either case the Issuer determines is material, or an Early Closure, provided that, in the case of a Multi-Exchange Index, (other than where the Market Disruption Event relates to futures or options contracts relating to that Index) a Market Disruption Event will only have occurred if the securities comprised in the Index in respect of which an Early Closure, Exchange Disruption and/or Trading Disruption occurs or exists amount, in the determination of the Issuer, in aggregate to 20 per cent. or more of the level of the Index. For the purpose of determining whether a Market Disruption Event exists at any time in respect of a security included in the relevant Index at any time, then the relevant percentage contribution of that security to the level of the relevant Index shall be based on a comparison of (x) the portion of the level of the relevant Index attributable to that security and (y) the overall level of the relevant Index, in each case immediately before the occurrence of such Market Disruption Event, as determined by the Issuer.

As used above:

**Early Closure** means, in respect of an Index, the closure on any Exchange Business Day of the Exchange in respect of any Index or Component Security or any Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange, as the case may be, at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange, as the case may be, on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into the relevant Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day.

**Exchange Disruption** means, in respect of an Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for: (i) any Component Security on the Exchange in respect of such Component Security; or (ii) Contract relating to the Index on any Related Exchange.

**Trading Disruption** means, in respect of an Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange, as the case may be, or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise: (i) relating to any Component Security on the Exchange in respect of such Component Security; or (ii) Contract or other derivatives contract relating to the Index on any Related Exchange.

(2) **Non-Business Days, Modification or Discontinuation of an Index, Disrupted Days and Other Adjustments**

If a day in respect of which an Index level is to be determined or on which a calculation of amounts payable under the Securities is to be determined is not a Scheduled Trading Day or is a Disrupted Day for one or more Indices or is otherwise a day on which, in the determination of the Calculation Agent, such Index level cannot be determined, such day may be deferred, brought forward or, in the case of a Disrupted Day, omitted in respect of either just the affected Indices or all of the Indices, as determined by the Calculation Agent. In the case of a Disrupted Day or if there is a change of Index Sponsor or an Index is not calculated and published at all or there is a change in the formula or method of calculating an Index, the Calculation Agent may make its own determination of the level of the relevant Index or make such adjustment to the calculation of the level of the relevant Index or any amount payable under the Securities (which may include the substitution of an Index with a different index or indices irrespective of whether such index or indices are then currently used for the purposes of the calculation of amounts payable under the Securities) and/or any of the other terms of these Conditions and/or the applicable Final Terms as it may, in its discretion, determine to be appropriate. If it determines that it is unable to make such an adjustment, the Issuer may, having given not more than 30 nor less than 15 days' notice to Securityholders in accordance with the Conditions, redeem the Securities at an amount determined by the Calculation Agent as representing their fair market value on such day as the Calculation Agent shall select in its sole and absolute discretion. The Calculation Agent may also make such adjustments if the Issuer would be entitled to redeem the Securities under the Conditions for reasons of an Illegality.

If Correction of an Index is specified as applying in the applicable Final Terms and the official closing level of an Index published on the Valuation Date or an Averaging Date is subsequently corrected and the correction (the **Corrected Index Level**) is published by the Index Sponsor or (if applicable) the Successor Index Sponsor prior to the Correction Cut-Off Date specified in the applicable Final Terms, then such Corrected Index Level shall be deemed to be the closing level for such Index for the Valuation Date or such Averaging Date, as the case may be, and the Calculation Agent shall use such Corrected Index Level in determining the Cash Settlement Amount.

(B) *Share Securities*

For the purposes of this Condition 16(B):

**Basket** means, where more than one share is specified in the applicable Final Terms, the basket comprising such shares.

**Basket Company** means a company whose shares are included in the Basket of Shares and **Basket Companies** means all such companies.

**Deposit Agreement** means, in relation to Shares the ownership of which are represented by depositary receipts, the agreements or other instruments constituting such depositary receipts, as from time to time amended or supplemented in accordance with their terms.

**Shares** and **Share** mean, subject to adjustment in accordance with this Condition 16(B), the Basket of shares, the share or the depositary receipt specified in the applicable Final Terms and in the case of depositary receipts, shall, where appropriate in the determination of the Calculation Agent, include the shares represented by the depositary receipts which are the subject of the Deposit Agreement and related expressions shall be construed accordingly.

**Share Company** means, in the case of an issue of Securities relating to a single share, the company that has issued such share and in the case of depositary receipts, shall, where appropriate in the determination of the Calculation Agent, include the issuer of the shares represented by the depositary receipts which are the subject of the Deposit Agreement.

(1) **Market Disruption**

**Market Disruption Event** means, in respect of a Share, the occurrence or existence on any Scheduled Trading Day of a Trading Disruption or an Exchange Disruption which in either case the Issuer determines is material or an Early Closure.

As used above:

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

**Exchange Disruption** means, in respect of a Share, any event (other than an Early Closure) that disrupts or impairs (as determined by the Issuer) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Shares on the Exchange, or (ii) to effect transactions in, or obtain market values for, Contracts relating to the Share on any relevant Related Exchange.

**Trading Disruption** means, in respect of a Share, any suspension of or limitation imposed on trading (i) by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise, or (ii) in Contracts relating to a Share.

(2) **Potential Adjustment Events, Merger Event, Tender Offer, De-listing, Nationalisation and Insolvency and Correction of Share Prices**

(a) **Potential Adjustment Event** means any of the following:

- (i) a subdivision, consolidation or reclassification of relevant Shares (unless resulting in a Merger Event) or a free distribution or dividend of any such Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of the relevant Shares of (a) such Shares or (b) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Basket Company or Share Company, as the case may be, equally or proportionately with such payments to

holders of such Shares or (c) share capital or other securities of another share issuer acquired or owned (directly or indirectly) by the Basket Company or Share Company, as the case may be, as a result of a spin-off or other similar transaction or (d) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or in other consideration) at less than the prevailing market price as determined by the Calculation Agent;

- (iii) an extraordinary dividend;
  - (iv) a call by a Basket Company or Share Company, as the case may be, in respect of relevant Shares that are not fully paid;
  - (v) a repurchase by a Basket Company or any of its subsidiaries or a Share Company or any of its subsidiaries, as the case may be, of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
  - (vi) in respect of a Basket Company or Share Company, as the case may be, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Basket Company or Share Company, as the case may be, pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides, upon the occurrence of certain events, for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights;
  - (vii) any other event that has or may have, in the opinion of the Calculation Agent, a diluting, concentrative or other effect on the theoretical value of the relevant Shares; or
  - (viii) the making of any amendment or supplement to the terms of the Deposit Agreement.
- (b) **De-listing** means, in respect of any relevant Shares, the Exchange announces that pursuant to the rules of such Exchange, such Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) or another exchange or quotation system located in another country which exchange or quotation system and country is deemed acceptable by the Calculation Agent.

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

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

**Merger Event** means, in respect of any relevant Shares, any (i) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all such

Shares outstanding to another entity or person, or (ii) consolidation, amalgamation, merger or binding share exchange of a Basket Company or Share Company, as the case may be, with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in any such reclassification or change of all such Shares outstanding) or (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares of the Basket Company or Share Company, as the case may be, that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Basket Company or its subsidiaries or the Share Company or its subsidiaries, as the case may be, with or into another entity in which the Basket Company or Share Company, as the case may be, is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding Shares immediately following such event, in each case where the Merger Date is on or before (a) in the case of Cash Settled Securities, the last occurring Valuation Date or where Averaging is specified in the applicable Final Terms, the final Averaging Date in respect of the relevant Security or (b) in the case of Physical Delivery Securities, the relevant Settlement Date.

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

**Tender Offer** means a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10 per cent. and less than 100 per cent. of the outstanding voting shares of the Basket Company or Share Company, as the case may be, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

- (c) If Correction of Share Prices is specified as applying in the applicable Final Terms and the price of a Share published on the Valuation Date or an Averaging Date is subsequently corrected and the correction (the **Corrected Share Price**) is published on the relevant Exchange prior to the Correction Cut-Off Date specified in the applicable Final Terms, then such Corrected Share Price shall be deemed to be the closing price for such Share for the Valuation Date or such Averaging Date, as the case may be, and the Calculation Agent shall use such Corrected Share Price in determining the Cash Settlement Amount.
- (d) Upon the occurrence of a Merger Event, Tender Offer, De-listing, Nationalisation or Insolvency, the Issuer shall give notice as soon as practicable to the Securityholders in accordance with Condition 12 stating the occurrence of the Merger Event, De-listing, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto as described in (3) below.

### (3) **Non-Business Days, Disrupted Days and Other Adjustments**

If a day in respect of which a Share price is to be determined is not a Scheduled Trading Day or is a Disrupted Day for one or more Shares or is otherwise a day on which, in the determination of the Calculation Agent, such Share price cannot be determined, such day may be deferred, brought forward or, in the case of a Disrupted Day, omitted in respect of either just the affected Shares or all

of the Shares, as determined by the Calculation Agent. In the case of a Disrupted Day, the Calculation Agent may make its own determination of the relevant Share Price.

If the Calculation Agent determines that there is a Potential Adjustment Event, a Merger Event, a Tender Offer, a Nationalisation, a Delisting, or an Insolvency, or in addition, an Additional Disruption Event (as defined in Condition 17) or a change of Exchange in respect of a Share or a Share Company, the Calculation Agent may make such adjustment to the calculation of the relevant Share price, any amount payable under the Securities (which may include the substitution of a Share Company with another company or companies, irrespective of whether such company or companies are then currently used for the purposes of the calculation of amounts payable under the Securities), and/or any of the other terms of these Conditions and/or the applicable Final Terms as it may, in its discretion, determine to be appropriate. If the Calculation Agent determines that it is unable to make such an adjustment, the Issuer may, having given not more than 30 nor less than 15 days' notice to Securityholders in accordance with the Conditions, redeem the Securities at an amount determined by the Calculation Agent as representing their fair market value on such day as the Calculation Agent shall select in its sole and absolute discretion. The Issuer may also make such adjustments if it would be entitled to redeem or cancel the Securities under the Conditions for reasons of Illegality.

Alternatively, the Issuer may, in the case of Share Securities relating to a Basket of Shares cancel part of the Securities by giving notice to Securityholders in accordance with Condition 12. If the Securities are so cancelled in part the portion (the **Cancelled Amount**) of each Security or, if Units are specified in the applicable Final Terms each Unit, representing the affected Shares(s) shall be cancelled and the Issuer will (i) pay to each Securityholder in respect of each Security or Unit, as the case may be, held by such Securityholder an amount equal to the fair market value of the Cancelled Amount on a day selected by the Issuer in its sole and absolute discretion and taking into account the Potential Adjustment Event, Merger Event, Delisting, Nationalisation, Insolvency, Tender Offer or Additional Disruption Event, as the case may be, adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any of its Affiliates of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements) and also taking into account, in the case of Warrants, if already paid by or on behalf of the Securityholder, the Exercise Price, all as calculated by the Calculation Agent and (ii) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any one or more of any Relevant Asset and/or the Entitlement and/or the Exercise Price and/or the Multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for such cancellation in part. For the avoidance of doubt the remaining part of each Security or Unit, as the case may be, after such cancellation and adjustment shall remain outstanding with full force and effect. Payment will be made in such manner as shall be notified to the Securityholders in accordance with Condition 12.

Unless "Equity Substitution" is specified as not applying in the applicable Final Terms, the Calculation Agent may substitute the relevant Share (the **Substituted Share**) the subject of the Potential Adjustment Event, De-listing, Merger Event, Nationalisation and Insolvency with a share selected by the Calculation Agent from the Reference Index (the **New Share**) and (ii) determine the effective date(s) of the adjustment(s). If "Equity Substitution" applies and the Calculation Agent selects a New Share in substitution for the Substituted Share, the Issuer shall make such other adjustments to these Conditions as it deems appropriate. The Calculation Agent may, but need not, determine the appropriate adjustment(s) by reference to the adjustment(s) in respect of such Potential Adjustment Event, De-listing, Merger Event, Nationalisation and Insolvency made by an options exchange to options on the Shares traded on that options exchange.

**Reference Index** means, in relation to a Substituted Share, the index (a) of which the Substituted Share is a component, or of which it has been a component of at any time during the six months

immediately preceding the relevant substitution, and (b) over which futures contracts are actively traded, as determined by the Calculation Agent. If more than one index satisfies the above criteria or if no index satisfies the above criteria, the Calculation Agent shall determine the Reference Index for the Substituted Share by reference to such criteria as it deems appropriate.

(C) *Debt Securities*

For the purposes of this Condition 16(C):

**Basket** means, where more than one debt obligation is specified in the applicable Final Terms, the basket comprising such debt obligations.

**Debt Obligations** and **Debt Obligation** mean, subject to adjustment in accordance with this Condition 16(C), the Basket of debt obligations, or the debt obligation specified in the applicable Final Terms and related expressions shall be construed accordingly.

(1) **Market Disruption**

**Market Disruption Event** shall mean the suspension of or limitation imposed on trading either (i) on any exchange on which the Debt Obligations or any of them (in the case of a Basket of Debt Obligations) are traded or (ii) on any exchange on which options contracts or futures contracts with respect to the Debt Obligations or any of them (in the case of a Basket of Debt Obligations) are traded if, in the determination of the Calculation Agent, such suspension or limitation is material.

(2) **Adjustments for Non-Business Days and Market Disruption Events**

If a day in respect of which the price of a Debt Obligation is to be determined is not a Business Day or is a day on which a Market Disruption Event has occurred for one or more Debt Obligations or is otherwise a day on which, in the determination of the Calculation Agent, such price cannot be determined, such day may be deferred, brought forward or omitted in respect of either just the affected Debt Obligation(s) or all of the Debt Obligations, as determined by the Calculation Agent and/or the Calculation Agent may make its own determination of the price of the relevant Debt Obligation and/or adjust any of the other terms of these Conditions and/or the applicable Final Terms as it may, in its discretion, determine to be appropriate. If it determines that it is unable to make such an adjustment, the Issuer may, having given not more than 30 nor less than 15 days' notice to Securityholders in accordance with the Conditions, redeem the Securities at an amount determined by the Calculation Agent as representing their fair market value on such day as the Calculation Agent shall select in its sole and absolute discretion. The Calculation Agent may also make such adjustments if the Issuer would be entitled to redeem the Securities under the Conditions for reasons of an Illegality.

(D) *Government Bond Securities*

For the purposes of this Condition 16(D):

**Basket** means the basket comprising the government bonds or related Contracts specified in the applicable Final Terms (in each case, where more than one).

**Government Bonds** and **Government Bond** mean, subject to adjustment in accordance with this Condition 16(D), the Basket of government bonds, or the government bond specified in the applicable Final Terms and related expressions shall be construed accordingly.

(1) **Market Disruption**

**Market Disruption Event** shall mean the suspension of or limitation imposed on trading either (i) on any exchange on which the Government Bonds or any of them (in the case of a Basket of Government Bonds) are traded or (ii) on any exchange on which Contracts with respect to the Government Bonds or any of them (in the case of a Basket of Government Bonds) are traded if, in the determination of the Calculation Agent, such suspension or limitation is material.

(2) **Adjustments for Non-Business Days and Market Disruption Events**

If a day in respect of which the price of a Government Bond or related Reference Asset is to be determined is not a Business Day or is a day on which a Market Disruption Event has occurred for one or more Government Bonds or related Reference Asset(s), or is otherwise a day on which, in the determination of the Calculation Agent, such price cannot be determined, such day may be deferred, brought forward or omitted in respect of either just the affected Government Bond(s) (or the related Reference Asset(s)), or all of the Government Bonds (or the related Reference Asset(s)), as determined by the Calculation Agent, and/or the Calculation Agent may make its own determination of the price of the relevant Government Bond (or related Reference Asset) and/or adjust any of the other terms of these Conditions and/or the applicable Final Terms as it may, in its discretion, determine to be appropriate. If it determines that it is unable to make such an adjustment, the Issuer may, having given not more than 30 nor less than 15 days' notice to Securityholders in accordance with the Conditions, redeem the Securities at an amount determined by the Calculation Agent as representing their fair market value on such day as the Calculation Agent shall select in its sole and absolute discretion. The Calculation Agent may also make such adjustments if the Issuer would be entitled to redeem the Securities under the Conditions for reasons of an Illegality.

(E) *Commodity Securities*

For the purposes of this Condition 16(E):

**Basket** means, where more than one commodity is specified in the applicable Final Terms, the basket comprising such commodities.

**Bullion** means Gold, Silver, Platinum or Palladium, as the case may be.

**Bullion Reference Dealers** means, with respect to any Bullion for which the relevant Commodity Reference Price is "Commodity Reference Dealers", the four major dealers that are the members of the LBMA specified in the applicable Final Terms, or if no such Bullion Reference Dealers are specified, selected by the Calculation Agent, in each case, acting through their principal London offices.

**Commodities and Commodity** mean, subject to adjustment in accordance with this Condition 16(E) the Basket of commodities or the commodity specified in the applicable Final Terms and related expressions shall be construed accordingly.

**Commodity Business Day** means (a) in respect of any Commodity (other than Bullion) for which the Commodity Reference Price is a price announced or published by an Exchange, a day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which that Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time; (b) in respect of any Commodity (other than Bullion) for which the Commodity Reference Price is not a price announced or published by an Exchange, a day in respect of which the relevant Price Source published (or, but for the occurrence of a Market Disruption Event, would have published) a price; and (c) in respect of any Commodity which is

Bullion, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London and New York and in such location as the Issuer may determine to be the place where payment would be or is to be made for such Bullion under any related hedging arrangements.

**Commodity Reference Dealers** means that the price for a date will be determined on the basis of quotations provided by Reference Dealers or Bullion Reference Dealers on that date of that day's Specified Price for a unit of the relevant Commodity for delivery on the Delivery Date, if applicable. If four quotations are provided as requested, the price for that date will be the arithmetic mean of the Specified Prices for that Commodity provided by each Reference Dealer or Bullion Reference Dealer, without regard to the Specified Prices having the highest and lowest values. If exactly three quotations are provided as requested, the price for that date will be the Specified Price provided by the relevant Reference Dealer or Bullion Reference Dealer that remains after disregarding the Specified Prices having the highest and lowest values. For this purpose, if more than one quotation has the same highest value and lowest value, then the Specified Price of one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the price for the date cannot be determined.

**Commodity Reference Price** means, in respect of a Commodity, the reference price for such Commodity or for the Contract or, as the case may be, Reference Asset relating to such Commodity determined as specified in the applicable Final Terms.

**Delivery Date** means, in respect of a Commodity Reference Price, the Nearby Month of expiration of the relevant Contract or the relevant date or month for delivery of the underlying Commodity (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) as follows:

- (A) if a date is, or a month and year are, specified in the applicable Final Terms, that date or that month and year;
- (B) if a Nearby Month is specified in the applicable Final Terms, the month of expiration of the relevant Contract; and
- (C) if a method is specified in the applicable Final Terms for the purpose of determining the Delivery Date, the date or the month and year determined pursuant to that method.

**Disappearance of Commodity Reference Price** means, in relation to a Commodity Reference Price, (A) the permanent discontinuation of trading in the relevant Contract on the relevant Exchange; (B) the disappearance of, or of trading in, the relevant Commodity; or (C) the disappearance or permanent discontinuance or unavailability of a Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Contract or the relevant Commodity.

**Gold** means gold bars or unallocated gold complying with the rules of the LBMA relating to good delivery and fineness from time to time in effect.

**LBMA** means the London Bullion Market Association or its successor.

**LME** means London Metal Exchange Limited or its successor.

**London Gold Market** means the market in London on which members of the LBMA, among other things, quote prices for the buying and selling of Gold.

**LPPM** means the London Platinum and Palladium Market, on which members quote prices for the buying and selling of Platinum and Palladium, or its successor.

**Material Change in Content** means, in respect of a Commodity, the occurrence since the Launch Date of a material change in the content, composition or constitution of the relevant Commodity or relevant Contract.

**Material Change in Formula** means, in respect of a Commodity, the occurrence since the Launch Date of a material change in the formula for or method of calculating the relevant Commodity Reference Price.

**Nearby Month**, when preceded by an ordinal adjective, means, in respect of a date, the month of expiration of the Contract identified by that ordinal adjective, so that, for example: (i) “**First Nearby Month**” means the month of expiration of the first Contract to expire following that date; (ii) “**Second Nearby Month**” means the month of expiration of the second Contract to expire following that date; and (iii) “**Sixth Nearby Month**” means the month of expiration of the sixth Contract to expire following that date.

**Ounce** means, in the case of Gold, a fine troy ounce, and in the case of Silver, Platinum and Palladium, a troy ounce.

**Palladium** means palladium ingots or plate or unallocated palladium complying with the rules of the LPPM relating to good delivery and fineness from time to time in effect.

**Platinum** means platinum ingots or plate or unallocated platinum complying with the rules of the LPPM relating to good delivery and fineness from time to time in effect.

**Price Source** means, in respect of a Commodity, the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated) specified in the applicable Final Terms.

**Price Source Disruption** means, in respect of a Commodity or Contract, (A) the failure of the relevant Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price) for the relevant Commodity Reference Price; (B) the temporary or permanent discontinuance or unavailability of the Price Source; (C) if the Commodity Reference Price is “**Commodity Reference Dealers**”, the failure to obtain at least three quotations as requested from the relevant Reference Dealers; or (D) if a Price Materiality Percentage is specified in the applicable Final Terms, the Specified Price for the relevant Commodity Reference Price differs from the Specified Price determined in accordance with the Commodity Reference Price “**Commodity Reference Dealers**” by such Price Materiality Percentage.

**Reference Dealers** means, in respect of a Commodity (other than Bullion) for which the Commodity Reference Price is **Commodity Reference Dealers**, the four dealers specified in the applicable Final Terms or, if dealers are not so specified, four leading dealers in the relevant market selected by the Calculation Agent.

**Relevant Commodity Price** means the price determined on any day for the specified Commodity Reference Price.

**Silver** means silver bars or unallocated silver complying with the rules of the LBMA relating to good delivery and fineness from time to time in effect.

**Specified Price** means, in respect of a Commodity Reference Price, any of the following prices (which must be a price reported in or by, or capable of being determined from information reported in or by, the relevant Price Source), as specified in the applicable Final Terms (and, if applicable, as of the time so specified): (A) the high price; (B) the low price; (C) the average of the high price and the low price; (D) the closing price; (E) the opening price; (F) the bid price; (G) the asked price; (H) the average of the bid price and the asked price; (I) the settlement price; (J) the official settlement price; (K) the official price; (L) the morning fixing; (M) the afternoon fixing; (N) the fixing; (O) the spot price; or (P) any other price specified in the applicable Final Terms.

**Tax Disruption** means, in respect of a Commodity, the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to the relevant Commodity or Commodity Contract (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Launch Date, if the direct effect of such imposition, change or removal is to raise or lower the Commodity Reference Price on the day on which the Commodity Reference Price would otherwise be determined from what it would have been without that imposition, change or removal.

**Trading Disruption** means, in respect of the relevant Commodity, the material suspension of, or the material limitation imposed on, trading in the Contract or the relevant Commodity on the relevant Exchange or Related Exchange. For these purposes:

- (i) a suspension of the trading in the Contract or the relevant Commodity on any Commodity Business Day shall be deemed to be material only if:
  - (A) all trading in the Contract or the relevant Commodity is suspended for the entire day; or
  - (B) all trading in the Contract or the relevant Commodity is suspended subsequent to the opening of trading on such day, trading does not recommence prior to the regularly scheduled close of trading in such Contract or such Commodity on such day and such suspension is announced less than one hour preceding its commencement; and
- (ii) a limitation of trading in the Contract or the relevant Commodity on any Commodity Business Day shall be deemed to be material only if the relevant Exchange establishes limits on the range within which the price of the Contract or the Commodity may fluctuate and the closing or settlement price of the Contract or the Commodity on such day is at the upper or lower limit of that range.

(1) **Market Disruption**

**Market Disruption Event** means the occurrence, with respect to any Commodity or Contract or, as the case may be, Reference Asset, of any of Price Source Disruption, Trading Disruption, Disappearance of Commodity Reference Price, Material Change in Formula, Material Change in Content or Tax Disruption if so specified in the applicable Final Terms or such other event as may be specified in the applicable Final Terms.

(2) **Adjustments for Non-Business Days and Market Disruption Events**

If a day in respect of which a Commodity Reference Price is to be determined is not a Commodity Business Day or is a day on which a Market Disruption Event occurs or is otherwise a day on which, in the determination of the Calculation Agent, such Commodity Reference Price cannot be determined, in the sole and absolute discretion of the Calculation Agent in relation to one or more Commodities, such day may be deferred, brought forward or, in respect of a day on which a Market

Disruption Event occurs, omitted in respect of either just the affected Commodity or all of the Commodities, as determined by the Calculation Agent. In the case of a Market Disruption Event or a day on which, in the determination of the Calculation Agent, the Commodity Reference Price cannot otherwise be determined, the Calculation Agent may make its own determination of the relevant Commodity Reference Price.

In addition, if there is a Market Disruption Event in respect of a Commodity, the Calculation Agent may make such adjustment to the calculation or definition of the relevant Commodity Reference Price, any amount payable under the Securities (which may include the substitution of a Commodity with a different commodity or commodities (irrespective of whether such commodity or commodities are then currently used for the purposes of the calculation of amounts payable under the Securities) and/or any of the other terms of these Conditions and/or the applicable Final Terms as it may, in its discretion, determine to be appropriate. If it determines that it is unable to make such an adjustment, the Issuer may, having given no more than 30 nor less than 15 days' notice to Securityholders in accordance with the Conditions, redeem the Securities at an amount determined by the Calculation Agent as representing their fair market value on such day as the Calculation Agent shall select in its sole and absolute discretion. The Calculation Agent may also make such adjustments if the Issuer would be entitled to redeem or cancel the Securities under the Conditions for reasons of Illegality.

(F) *Currency Securities*

For the purposes of this Condition 16(F):

**Base Currency** means, in respect of a Currency Pair, the currency specified as such in the applicable Final Terms.

**Basket** means, where more than one Subject Currency is specified in the applicable Final Terms, the basket comprising the relevant currencies or foreign exchange rates.

**Currency Business Day** means a day on which the relevant FX Rate can, in the determination of the Issuer, be determined.

**Currency Pair** means the two currencies specified for an FX Rate in the applicable Final Terms.

**FX Rate** means, in respect of each Currency Pair specified in the applicable Final Terms, the rate for purchase of the Subject Currency (expressed as the number of units of the relevant Subject Currency per 1 unit of the Base Currency) as displayed on the Relevant Screen Page specified in the applicable Final Terms at the Valuation Time (rounded in the sole and absolute discretion of the Calculation Agent) and without regard to any subsequently published correction. If a day on which an FX Rate is to be determined is not a Currency Business Day, such day may be deferred or brought forward or omitted as determined by the Calculation Agent. If any such FX Rate is not so displayed at the Valuation Time on a relevant date, the relevant FX Rate in respect of the Valuation Time on such date shall be determined by the Calculation Agent in its sole and absolute discretion.

**Relevant Screen Page** means the screen page specified as such in the applicable Final Terms.

**Subject Currency** means, in respect of a Currency Pair, the currency specified as such in the applicable Final Terms.

**Adjustments and Determination**

If a day on which an FX Rate is to be determined is not a Currency Business Day or is otherwise a

day on which, in the determination of the Calculation Agent, such FX Rate cannot be determined, such day may be deferred, brought forward or omitted as determined by the Calculation Agent and/or the Calculation Agent may make its own determination of the FX Rate and/or adjust any of the other terms of these Conditions and/or the applicable Final Terms as it may, in its discretion, determine to be appropriate. If it determines that it is unable to make such an adjustment, the Issuer may, having given not more than 30 nor less than 15 days' notice to Securityholders in accordance with the Conditions, redeem the Securities at an amount determined by the Calculation Agent as representing their fair market value on such day as the Calculation Agent shall select in its sole and absolute discretion. The Calculation Agent may also make such adjustments if the Issuer would be entitled to redeem the Securities under the Conditions for reasons of an Illegality.

(G) *Fund Securities*

For the purposes of this Condition 16(G):

**Basket** means, where more than one fund is specified in the applicable Final Terms, the basket comprising such funds.

**Effective Date** means the date on which any Hedge Position becomes effective.

**Funds and Fund** mean, subject to adjustment or substitution (if applicable) in accordance with this Condition 16(G), the Basket of funds, or the fund specified in the applicable Final Terms and related expressions shall be construed accordingly.

**Fund Business Day** means any day that is not a Saturday or a Sunday on which banks are open for general business in the jurisdictions specified in the applicable Final Terms.

**Fund Prospectus** means the prospectus, offering memorandum, listing particulars or other document which contains, among other things, the investment, objectives, portfolio guidelines or strategy of the Funds as described in the applicable Final Terms.

**Fund Service Provider** means any third party service provider appointed to provide services, directly or indirectly, to the Fund, whether or not specified in the Fund Prospectus, including but not limited to any adviser, administrator, operator, management company, depository, custodian, sub-custodian, prime broker, trustee, registrar and transfer agent or domiciliary agent.

**Fund Shares** means shares issued by the Fund(s) specified in the applicable Final Terms.

**Hedge Position** means any purchase, sale, entry into or maintenance of, one or more (i) positions or contracts in Fund Shares, securities, options, futures, derivatives or foreign exchange, (ii) securities lending transactions or (iii) other instruments or arrangements (however described) by the Issuer, the Calculation Agent or any Hedge Provider in order to hedge the Issuer's risk of entering into and performing its obligations with respect to Securities.

**Hedge Provider** means any Affiliate(s) and/or any other party(ies) and/or any special purpose vehicle(s) holding or entering into a Hedge Position in connection with the Issuer's hedging arrangements in respect of Securities.

**Insolvency** means that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting a Relevant Party, (A) all the shares, units or other equity interests of that Relevant Party, respectively, are required to be transferred to a trustee, liquidator or other similar official or (B) holders of all or some of the shares,

units or other equity interests of that Relevant Party, respectively, become legally prohibited from transferring them.

**Management Company** means, in respect of the Fund, the investment manager of the Fund or, in respect of any publication of the net asset value of the Fund, the service provider responsible for publishing such net asset value.

**Merger Event** means, in respect of any relevant shares, units or interests issued by a Relevant Party, any (i) reclassification or change of such shares, units or interests that results in a transfer of or an irrevocable commitment to transfer all of such shares, units or interests outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of such Relevant Party with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Relevant Party is the continuing entity and which does not result in a reclassification or change of all of such shares, units or interests outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding shares, units or interests of such Relevant Party that results in a transfer of or an irrevocable commitment to transfer all such shares, units or interests (other than such shares, units or interests owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Fund or Management Company, as applicable, or its subsidiaries with or into another entity in which the Fund or Management Company, as applicable, is the continuing entity and which does not result in a reclassification or change of all such shares, units or interests outstanding but results in the outstanding shares, units or interests (other than shares, units or interests owned or controlled by such other entity) immediately prior to such event collectively representing less than 50 per cent. of the outstanding shares, units or interests immediately following such event.

**Portfolio Guidelines** means the investment guidelines, objectives and restrictions as set out in the Fund Prospectus.

**Potential Trigger Event** means any event or circumstance which would or may (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing), in the determination of the Calculation Agent, constitute or cause a Trigger Event or where the Calculation Agent reasonably believes in good faith that a Trigger Event may have occurred but does not at that time have evidence thereof.

**Relevant Party** means the Fund, its Management Company or any prime broker, custodian or other service provider to the Fund.

**Trigger Event** has the meaning given below.

(1) **Trigger Events**

Each of the following events, as determined by the Calculation Agent and/or the Issuer (as the case may be) (in the sole and absolute discretion of the Issuer or the Calculation Agent (as applicable)), constitutes a **Trigger Event**:

(a) **Global Events:**

- (i) The strategy/investment objective of the Fund has changed so that it is substantially different from that applicable at the Effective Date or, if applicable, the Substitution Date (as the case may be), or any material change in the underlying nature, strategy or risk of the Fund's portfolio, over and above that expected with respect to the trading strategies employed.

- (ii) The Calculation Agent is not satisfied that the Fund is being managed in accordance with its rules or in accordance with the description of the Fund's strategy/investment/portfolio objectives contained in the relevant Fund Prospectus prepared in connection with the marketing of the Fund, and the Management Company, any Fund Service Provider or director of the Fund has failed to take any action satisfactory to the Calculation Agent within five Business Days from the date on which such change occurred with a view towards correcting such change.
- (iii) The currency of denomination of the Fund Shares is amended so that the net asset value of the Fund Shares is no longer calculated in the same currency as at the Effective Date or, if applicable, Substitution Date, as the case may be.
- (iv) The activities of the Fund or the Management Company, or any Fund Service Provider and/or any of their respective directors, officers, employees or agents are placed under review or investigation by any administrative or regulatory authority or court of competent jurisdiction and/or are subject to any charges or actions by any administrative or regulatory authority for reasons of wrongdoing, suspected wrongdoing, alleged engagement in fraudulent activities, breach of any rule or regulation or other similar reason and/or the Fund or the Management Company, or any Fund Service Provider and/or any of their respective directors, officers, employees or agents have any of their respective registrations, authorisations, licences or memberships with any administrative or regulatory authorities revoked, suspended, terminated, limited or qualified.
- (v) Written notification by the Management Company to holders of Fund Shares, or to the administrator of the Fund, that it believes it is not advisable to continue operation of the Fund because it is not economically prudent to do so or the strategy/investment/portfolio objectives of the Fund cannot be met in the foreseeable future, or for similar reasons or the Fund ceasing to trade or a petition is made for the winding-up, dissolution or liquidation of the Fund.
- (vi) The Fund, the Management Company or any Fund Service Provider becomes party to any litigation or dispute which the Calculation Agent considers material.
- (vii) Any security granted by the Fund, the Management Company or any Fund Service Provider over any of their assets is enforced or becomes capable of being enforced or any arrangement which in the determination of the Calculation Agent is comparable to security over any such assets (including without limitation any repo or prime brokerage arrangement) becomes enforceable or capable of early termination or any derivatives, repo, securities lending or other trading or dealing arrangement relating to the assets of the Fund becomes enforceable or terminable early by reason of any event of default (howsoever described) relating to the Fund, the Management Company or any Fund Service Provider.
- (viii) The Calculation Agent determines that the operation or organisation of the Fund or the Management Company (including, without limitation, its organisational structure and its procedures, processes or policies in respect of investment selection, due diligence, asset allocation, risk management or investment monitoring) has changed from that at the Effective Date or, if applicable, the Substitution Date, as the case may be, or that any such procedures, processes or policies are either not being applied or are not being applied consistently with their application on the Effective Date or, if applicable, the Substitution Date, as the case may be.

- (ix) Any event or change affecting any of the structure, ownership, management, reputation or solvency of the Fund and/or any units in the capital of the Fund and/or the Management Company and/or any Fund Service Provider that the Calculation Agent does not pre-approve in writing and which is likely to have a significant impact on the value of the net asset value of the Fund Shares immediately or thereafter which the Calculation Agent determines is material.
- (x) The Fund, the Management Company or any Fund Service Provider has experienced or is experiencing a material adverse change, as determined by the Calculation Agent, in its business, assets, operations or financial condition.
- (xi) Any material amendments, changes, modifications or variations made to any of the material terms and conditions, contents of the Fund Prospectus or investment guidelines of the Fund (including a material change in the liquidity of the Fund) that has not been previously agreed with the Issuer and which could be detrimental to the Issuer.
- (xii) Any event occurs which, in the opinion of the Calculation Agent, causes or will, with the passage of time, cause the failure of the Management Company and/or the Fund and/or any Fund Service Provider to meet or maintain any material obligation or undertaking under the Fund's statutory and operating documents.
- (xiii) There is a reduction in the number of Fund Shares, or there is a reduction in the number of Fund Shares held for the account of any investor in the Fund for reasons beyond the control of that investor which the Calculation Agent considers material.
- (xiv) The Calculation Agent determines that the Issuer, its Affiliates or any Hedge Provider is or may in the future be unable, or that it may be difficult or impractical for any such entity to perform any obligation imposed on any such entity by the law or regulation of any relevant jurisdiction, including, without limitation, any regulatory reporting obligation, any relevant regulatory or administrative body or court of competent jurisdiction by reason of its investment in Fund Shares.
- (xv) Any circumstances affecting the availability of Fund Shares to any actual holder of Fund Shares as a result of which the Calculation Agent determines that if the Issuer, any of its Affiliates or any Hedge Provider were such holder, it would be unable to hedge its position with respect to the Securities on terms comparable to those applicable on the Effective Date.
- (xvi) A cross-contamination or other failure effectively to segregate the portfolio of assets occurs between different series, classes and/or sub-funds in relation to the Fund (if the Fund is part of an umbrella structure with more than one sub-fund).
- (xvii) Significant market, trading or exchange disruption and/or crisis in the major financial markets.

(b) **Net Asset Value and Reporting:**

- (i) The Management Company (a) fails to calculate the net asset value of the Fund Shares for three consecutive days on which it was scheduled, in accordance with the rules of the Fund or the description contained in the Fund Prospectus or (b) makes any change to the methodology used for calculating either the net asset value of the

Fund Shares or any estimate of the net asset value of the Fund Shares or (c) fails to calculate and publish the net asset value of the Fund Shares with the frequency set out in the Fund Prospectus or (d) fails to calculate and deliver any estimate of its net asset value to the Issuer or an Affiliate of the Issuer or a Hedge Provider in accordance with such timing as it has previously provided such information.

- (ii) The Fund, the Management Company or any Fund Service Provider amends the time delay between calculation of the net asset value (or any estimated net asset value) of the Fund Shares and the publication of such net asset value (or estimated net asset value) so that it is no longer the same as set out in the Fund Prospectus, or the Fund, the Management Company or any Fund Service Provider fails to publish any other information relating to the Fund to be published in accordance with its rules or the Fund Prospectus or fails to publish such information in accordance with the timetable therefor set out in its rules or in the Fund Prospectus.
- (iii) The audited net asset value of the Fund Shares is in the determination of the Calculation Agent materially different from the related net asset value previously published by the Fund, or the auditors of the Fund qualify any audit report, or refuse to provide an unqualified audit report, in respect of the Fund or any net asset value published by the Fund, or the Calculation Agent considers that the net asset value of the Fund or of any sub-fund held by the Fund, in respect of any calculation date, does not reflect the net asset value of such fund as it would have been determined by the independent auditors of that fund using generally accepted accounting standards in the appropriate jurisdiction, unless the Calculation Agent receives the net asset value information in satisfactory form within 10 Fund Business Days of the date it was originally due.
- (iv) The decline in assets under management of the Fund since the Effective Date or, if applicable, the Substitution Date, as the case may be, is greater than 50 per cent., as determined by the Calculation Agent.
- (v) The Calculation Agent has not received from the Fund, the Management Company or any Fund Service Provider or director of the Fund, any reports, including but not limited to, risk reporting and/or financial reporting and/or audit reporting, required by the Calculation Agent in connection with the relevant Securities within any agreed time scale or has received, in the opinion of the Calculation Agent, erroneous reporting, unless cured within such period as may be agreed from time to time between the Calculation Agent and the Fund or the Management Company, or any director of the Fund or Fund Service Provider.

(c) **Fund Shares:**

Any of the following events relating to the Fund Shares:

- (i) a subdivision, reclassification or distribution of Fund Shares which has a diluting or concentrative effect on the theoretical value of the Fund Shares;
- (ii) a (A) dividend (including cash and whether ordinary or extraordinary), (B) distribution or (C) issue of Fund Shares, capital, securities, rights or other assets or interests to existing holders of Fund Shares which has or, in the opinion of the Calculation Agent, is likely to have an effect on the value of the Fund Shares;
- (iii) a call by the Fund in respect of Fund Shares that are not fully paid; or

- (iv) any suspension or limitation on the trading of the relevant currencies in which the Fund Shares are denominated.

(d) **Trading:**

- (i) The Issuer, its Affiliates or any Hedge Provider would be required to pay or would otherwise incur (a) a subscription fee in respect of a purchase of Fund Shares or (b) a redemption fee in respect of a sale of Fund Shares (as the case may be) of the Fund in relation to their hedging activities in respect of the relevant Securities.
- (ii) Any material suspension of or limitation imposed on trading of the Fund or on trading in the Fund Shares or any relevant currencies in which the Fund Shares are denominated (for any reason, including, without limitation, by reason of liquidity restrictions) or any dealing request made by any investor or prospective investor in the Fund is deferred in whole or in part or is made at a value other than the related net asset value.
- (iii) The failure of trading to commence, or the permanent discontinuation of trading of the Fund or in the Fund Shares.
- (iv) The Issuer, its Affiliates or any Hedge Provider would be obliged (whether by the Management Company or otherwise) to redeem all or some of the Fund Shares that it is holding in relation to its hedging activities in respect of the relevant Securities.
- (v) If, in the determination of the Calculation Agent, the Issuer would incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense, fee or funding spread to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the price risk relating to the Fund Shares of entering into and performing its obligations with respect to the relevant Securities or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s).
- (vi) The Fund or the Management Company amends the frequency at which Fund Shares can be traded so that it is no longer the same as set out in the Fund Prospectus or amends the timing for subscription or redemption of Fund Shares, including, without limitation, the timetable for payment of redemption proceeds upon redemption.
- (vii) The Calculation Agent determines that if the Issuer or any of its Affiliates were to redeem Fund Shares, such person would not (i) receive full proceeds of such redemption in cash in accordance with the redemption proceeds timing set out in the Fund Prospectus or (ii) receive any in-kind distribution in full or part satisfaction of the redemption proceeds paid or payable to it.
- (viii) The occurrence of any of the following: (i) a devaluation generally of, or decrease in liquidity in respect of, investments in any market in which the Fund is invested; (ii) a lack of availability of interbank funding to the Issuer, any of the Issuer's Affiliates or any Hedge Provider at a commercially reasonable rate for the purposes of acquiring or maintaining a position in the Fund Shares; or (iii) any other market restrictions or events that have an adverse effect on the value of the Fund Shares, or on the ability of the Issuer, any of the Issuer's Affiliates or any Hedge Provider to hedge its exposure in connection with the relevant Securities, as determined by the Calculation Agent in its discretion.

- (ix) Any agreement, whether by way of side letter or otherwise, in respect of any hedging arrangement entered into between the Issuer and the Fund, or the Management Company, any Fund Service Provider or the directors of the Fund, which the Calculation Agent is advised, to its reasonable satisfaction, to be unenforceable.
- (e) **Management Company and Fund Service Provider Failures:**
- (i) The Management Company indicates or acknowledges that in its opinion the strategy/investment/portfolio objectives of the Fund will not be, or are no longer able to be, met or the Management Company proposes or recommends the liquidation, dissolution or discontinuance of the Fund.
  - (ii) Failure by the Management Company or any Fund Service Provider to (a) submit redemption notices, enter into subscription agreements, or take other action, in each case, within five Fund Business Days from the date on which a breach of the Portfolio Guidelines occurred, with a view towards curing such breach or (b) actually cure any breach of the parameters of the Portfolio Guidelines on the date on which the relevant breach of the Portfolio Guidelines occurred.
  - (iii) The Calculation Agent is unable, or it is impracticable for the Calculation Agent, to promptly obtain any information in relation to the business, assets, operations or financial condition of the Fund, the Management Company or any Fund Service Provider which the Calculation Agent deems necessary for any determinations, including, but not be limited to, determinations in respect of the breach of any parameter of the Portfolio Guidelines and the occurrence of any Trigger Event or in the execution of its duties and obligations under the relevant Securities.
  - (iv) Other than in connection with a market disruption, a failure by the Fund, the Management Company or any Fund Service Provider to submit redemption notices to the entities in which the Fund invests as and when required to begin the redemption process.
  - (v) Failure by the Management Company to take action satisfactory to the Calculation Agent and within a prompt timescale satisfactory to the Calculation Agent so as to have cured within such time period as may be agreed to from time to time between the Calculation Agent and the Fund or the Management Company any breach of any representations, covenants and agreements under the investment management agreement relating to the Fund.
  - (vi) Resignation by the Management Company as investment manager of the Fund or any Fund Service Provider, or termination or other change of the Management Company as investment manager or other Fund Service Provider or any change in the personnel of the Management Company or any Fund Service Provider, which the Calculation Agent considers material.
  - (vii) The Management Company increases its management fee or incentive fee charged to the Fund in an amount that the Calculation Agent determines is material.
  - (viii) The Management Company, the Fund or any Fund Service Provider or director of the Fund fails to provide the Calculation Agent with adequate information as may be required to determine the occurrence of a Trigger Event.

- (ix) Failure by the Fund and/or the Management Company or any Fund Service Provider or director of the Fund to notify or disclose to the Issuer, on the Effective Date, any information, event or circumstance that was in existence on such date and which the Calculation Agent determines is material.
- (x) The Management Company ceases to exist or trade or a petition is made for the winding-up, dissolution or liquidation of the Management Company.

(f) **Service Provider Failures:**

Any Fund Service Provider or the Management Company resigns or their relationship with the Fund or the Management Company, as applicable, is otherwise terminated and the Calculation Agent considers that such resignation or termination (as the case may be) is material, or such party is bankrupt, insolvent, wound-up, liquidated, dissolved, ceases to exist or otherwise ceases to continue to perform its duties.

(g) **Regulatory Constraints:**

- (i) There is any change in the regulatory or tax treatment applicable with respect to the Fund, the Management Company or Fund Service Provider which, in the determination of the Calculation Agent, could have an economic impact for the Issuer, its Affiliates or any Hedge Provider as a holder of an interest in the Fund, as the case may be, or could materially adversely affect the carrying out of the strategy/investment objective of the Fund or could result in the Fund, the Management Company or any Fund Service Provider incurring additional costs which, in the determination of the Calculation Agent, would be material.
- (ii) The Issuer deems it necessary or appropriate, in order for it or any of its Affiliates or any Hedge Provider to comply with or remain within any applicable legal and/or regulatory limits on the amounts of Fund Shares that it or they may hold, to redeem all or some of the Fund Shares.
- (iii) The Calculation Agent determines that the Issuer, its Affiliates or any Hedge Provider is or may in the future be unable, or that it may be difficult or impractical for any such entity to perform any obligation imposed on it by the law or regulation of any relevant jurisdiction, including, without limitation, any regulatory or accounting reporting obligation, any relevant regulatory or administrative body or court of competent jurisdiction by reason of its investment in Fund Shares.

(h) **Hedge Provider:**

- (i) A material decline in the creditworthiness of a party with whom the Issuer has entered into any relevant hedging transaction (a **Relevant Hedging Transaction**) in respect of the Issuer's obligations in connection with the Securities.
- (ii) The general unavailability of:
  - (a) market participants who will agree to enter into a Relevant Hedging Transaction; or
  - (b) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

- (i) **General:** Any other event which, in the discretion of the Calculation Agent, has an analogous effect to any of the events specified in this Condition 16(G)(1).

(2) **Consequences of a Trigger Event etc**

Following the determination by the Calculation Agent of the occurrence of any Trigger Event, Potential Trigger Event or Insolvency in respect of the Fund, the Management Company or any Fund Service Provider, or any Merger Event in respect of the Fund or the Management Company, the Calculation Agent shall notify the Issuer who shall notify the Securityholders by no later than five Business Days following the determination of such event. In respect of each Trigger Event, Potential Trigger Event, Insolvency or Merger Event that has not been waived by the Issuer, following the occurrence of such an event (and regardless of whether or not such event is then continuing) the Calculation Agent may in its discretion take any of following actions (each, a **Permitted Action**):

- (i) (a) make such adjustments to any variable, calculation methodology, valuation, settlement, payment terms or any other terms and relating to the relevant Securities as the Calculation Agent determines appropriate to account for the economic effect on the relevant Securities of such Trigger Event, Potential Trigger Event, Insolvency or Merger Event and (b) determine the effective date of the relevant adjustments; or
- (ii) if specified as applicable in the applicable Final Terms, select a replacement fund (the **Replacement Fund**), which in its reasonable opinion has a similar risk profile as the Fund as determined by the Calculation Agent to replace such Fund and the appropriate date (the **Substitution Date**) for the replacement of the Fund by the Replacement Fund;

Following any such selection (i) the Replacement Fund shall replace the Fund on the Substitution Date, (ii) references herein to the name of the Fund shall be deemed to be references to the name of the Replacement Fund with effect from the Substitution Date and (iii) the Calculation Agent shall, in good faith, make such adjustment as it determines to be appropriate, if any, to any variable, calculation methodology, valuation, settlement, payment terms or any other terms and conditions in relation to the relevant Securities to reflect such substitution;

- (iii) terminate all, but not some only, of the relevant Securities, in which case the Issuer will, to the extent permitted by applicable law, pay to each relevant Securityholder in respect of each Security held by such Securityholder an amount (the **Trigger Event Termination Amount**) equal to the amount specified as such in the applicable Final Terms; or
- (iv) if “Suspension Asset” is specified as applicable in the applicable Final Terms, make such adjustments to any variable, calculation methodology, valuation, settlement, payment terms or any other terms and conditions as are necessary to reflect a notional liquidation of all of the Fund Shares (with the timing of such notional liquidations being the same timing as would be the case on an actual liquidation of Fund Shares at the relevant time) and a notional investment of the liquidation proceeds in either (i) a zero coupon bond, or equivalent, such that the amount payable at redemption of such zero coupon bond is at least an amount per Security equal to the Issue Price of the Security, (ii) commercial paper rated at least A1/P1 or above by Moody’s Investors Service, Inc. (any transaction costs that would be incurred in respect of an actual such investment may be deducted from the value of the Security) or (iii) an interest bearing deposit bearing interest at prevailing rates

that would be offered by the Calculation Agent in respect of such a deposit (each a Suspension Asset) as determined by the Calculation Agent in its discretion.

Notwithstanding that the Calculation Agent may have previously determined not to take a Permitted Action or only took one Permitted Action, it shall not be prevented from subsequently or concurrently deciding to adopt an additional or different Permitted Action in respect of the same Trigger Event, Potential Trigger Event, Insolvency or Merger Event. In such respect, the Issuer may make such adjustments to any variable, calculation methodology, valuation, settlement, payment terms or any other terms and conditions of the relevant Securities as the Calculation Agent determines appropriate to account for the fact that the Permitted Action selected has been altered.

Notwithstanding anything in this Condition 16(G)(2), the Calculation Agent is under no obligation to determine that a Trigger Event, Potential Trigger Event, Insolvency or Merger Event has occurred or take any or all of the Permitted Actions.

(3) **Adjustments for Non-Business Days etc**

If a day in respect of which the net asset value of Fund Shares or, as the case may be, the Reference Asset(s) is to be determined is not a Fund Business Day or is otherwise a day on which, in the determination of the Calculation Agent, such net asset value cannot be determined, such day may be deferred, brought forward or omitted in respect of either just the affected Fund(s) or all of the Funds, as determined by the Calculation Agent and/or the Calculation Agent may make its own determination of such net asset value and/or adjust any of the other terms of these Conditions and/or the applicable Final Terms as it may, in its discretion, determine to be appropriate. If it determines that it is unable to make such an adjustment, the Issuer may, having given not more than 30 nor less than 15 days' notice to Securityholders in accordance with the Conditions, redeem the Securities at an amount determined by the Calculation Agent as representing their fair market value on such day as the Calculation Agent shall select in its sole and absolute discretion. The Calculation Agent may also make such adjustments if the Issuer would be entitled to redeem the Securities under the Conditions for reasons of an Illegality.

(H) *Inflation Index Securities*

For the purposes of this Condition 16(H):

**Basket** means, where more than one inflation index is specified in the applicable Final Terms, the basket comprising such inflation indices.

**Index Sponsor** means, in relation to an Inflation Index, the entity that announces (directly or through an agent) the level of such Inflation Index or any successor index sponsor.

**Inflation Fixing Months** means the months specified in the applicable Final Terms for which the level of the Inflation Index was reported, regardless of when this information is published or announced or if the period for which it is reported is a period other than a month then Inflation Fixing Month is the month at the end of such period.

**Inflation Indices and Inflation Index** mean, subject to adjustment in accordance with this Condition 16(H), the Basket of inflation indices, or the inflation index specified in the applicable Final Terms and related expressions shall be construed accordingly.

**Modification or Discontinuation of the Inflation Index**

If the Inflation Index is not published in a timely manner before any calculation is to be made, all

relevant calculations will be determined by the Calculation Agent in its sole and absolute discretion by reference to the most recent value of the Inflation Index published in respect of a month prior to the relevant Inflation Fixing Month, adjusted in accordance with standard market methodologies, as determined by the Calculation Agent.

If the Inflation Index is discontinued or altered in the opinion of the Calculation Agent, the Issuer will use such other inflation index deemed appropriate by it or determine a substitute Inflation Index level in its sole and absolute discretion.

If, at any time, the Inflation Index is revised to a new base, the Calculation Agent, acting in its sole and absolute discretion, will make any necessary adjustments to ensure that the economic equivalent of the Securities is preserved.

In each of the above cases, the Calculation Agent may adjust any of the other terms of these Conditions and/or the applicable Final Terms as it may, in its discretion, determine to be appropriate. If it determines that it is unable to make such an adjustment, the Issuer may, having given not more than 30 nor less than 15 days' notice to Securityholders in accordance with the Conditions, redeem the Securities at an amount determined by the Calculation Agent as representing their fair market value on such day as the Calculation Agent shall select in its sole and absolute discretion. The Calculation Agent may also make such adjustments if the Issuer would be entitled to redeem the Securities under the Conditions for reasons of an Illegality.

Corrections to the level of the Inflation Index before any applicable payment date shall have no effect on the calculation of such payment.

(I) *Index Securities relating to a Contract*

(a) Adjustment to a Contract

If the terms of the Contract are changed or modified by the Related Exchange, the Calculation Agent shall, if necessary, make the appropriate adjustments to the provisions for determining the Settlement Price and/or any of the other terms of these Conditions and/or the applicable Final Terms as the Calculation Agent determines appropriate to account for such change. If it determines that it is unable to make such an adjustment, the Issuer may, having given not more than 30 nor less than 15 days' notice to Securityholders in accordance with the Conditions, redeem the Securities at an amount determined by the Calculation Agent as representing their fair market value on such day as the Calculation Agent shall select in its sole and absolute discretion. The Calculation Agent may also make such adjustments if the Issuer would be entitled to redeem the Securities under the Conditions for reasons of an Illegality.

(b) Adjustment of the Official Settlement Price

Subject to paragraph (a) above, the Calculation Agent shall ignore, for the purposes of determining the Settlement Price, adjustments made by the Related Exchange to the method of calculation of the Official Settlement Price.

(c) Non-Commencement or Discontinuance of a Contract

Subject to paragraph (b) above, if there is no Official Settlement Price as a result of the fact that trading in the Contract never commences or is permanently discontinued at any time on or prior to the Expiry Date, the Official Settlement Price shall be deemed to be (i) in the case of an Index Security relating to a Contract other than where the relevant Index is a Multi-Exchange Index, an amount (which shall be deemed to be a monetary value, in the case of

Warrants, on the same basis as the Exercise Price and, in the case of Redeemable Certificates, in the Index Currency) equal to the official closing level of the relevant Index on the relevant Exchange as determined by the Calculation Agent and (ii) in the case of an Index Security relating to a Contract where the relevant Index is a Multi-Exchange Index, an amount (which shall be deemed to be a monetary value, in the case of Warrants, on the same basis as the Exercise Price and, in the case of Redeemable Certificates, in the Index Currency) equal to the official closing level of the Index as calculated and published by the Index Sponsor, in each case on the Expiry Date which for these purposes shall be the date that, but for the non-commencement or permanent discontinuance of the Contract, would have been the Expiry Date, subject to adjustment in accordance with Condition 16(A)(2).

(d) **Corrections of the Official Settlement Price**

If Correction of Official Settlement Prices is specified as applying in the applicable Final Terms and the Official Settlement Price published by the Related Exchange or its clearing house on the Expiry Date is subsequently corrected and the correction (the **Corrected Official Settlement Price**) is published by the Related Exchange or its clearing house prior to the Correction Cut-Off Date specified in the applicable Final Terms, then such Corrected Official Settlement Price shall be deemed to be the Official Settlement Price for the Contract for the Expiry Date and the Calculation Agent shall in its discretion use such Corrected Official Settlement Price in determining the Cash Settlement Amount.

(J) *Certificate Securities*

For the purposes of this Condition 16(J):

**Basket** means, where more than one underlying certificate is specified in the applicable Final Terms, the basket comprising such underlying certificates.

**Underlyings** and **Underlying** mean, subject to adjustment in accordance with this Condition 16(J), the Basket of underlying certificates or the underlying certificate specified in the applicable Final Terms and related expressions shall be construed accordingly.

(1) **Market Disruption**

Market Disruption Event shall mean the suspension of or limitation imposed on trading either (i) on any exchange on which the Underlying is listed and/or traded or (ii) on any exchange on which Contracts with respect to the Underlying are listed and/or traded if, in the determination of the Calculation Agent, such suspension or limitation is material.

(2) **Adjustments for Non-Business Days and Market Disruption Events**

If a day in respect of which the price of an Underlying is to be determined is not a Business Day or is a day on which a Market Disruption Event has occurred for that Underlying or is otherwise a day on which, in the determination of the Calculation Agent, such price cannot be determined, such day may be deferred, brought forward or omitted in respect of that Underlying, as determined by the Calculation Agent and/or the Calculation Agent may make its own determination of the price of the relevant Underlying and/or adjust any of the other terms of these Conditions and/or the applicable Final Terms as it may, in its discretion, determine to be appropriate. If it determines that it is unable to make such an adjustment, the Issuer may, having given not more than 30 nor less than 15 days' notice to Securityholders in accordance with the Conditions, redeem the Securities at an amount determined by the Calculation Agent as representing their fair market value on such day as the Calculation Agent shall select in its sole and absolute discretion. The Calculation Agent may also make

such adjustments if the Issuer would be entitled to redeem the Securities under the Conditions for reasons of an Illegality.

## 17. Additional Disruption Events

### (A) Definitions

**Additional Disruption Event** means any of Hedging Disruption Event, Increased Cost of Hedging and Increased Cost of Stock Borrow, Change in Law, Insolvency Filing and/or Loss of Stock Borrow, each of which shall apply unless otherwise specified in the applicable Final Terms.

**Change in Law** means that, on or after the trade date specified in the applicable Final Terms (the **Trade Date**) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines in its sole and absolute discretion that (X) any Hedging Position has become illegal or it has become illegal to hold, acquire or dispose of any relevant Hedging Assets or (Y) the Issuer will incur a materially increased cost in performing its obligations in relation to the Securities (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates).

**Hedging Assets** means the number of securities, commodities and/or Contracts that the Issuer deems necessary to hedge the equity, commodity or other price risk of entering into and performing its obligations with respect to the Securities.

**Hedging Disruption Event** shall occur if the Issuer determines that it is or has become not reasonably practicable or has otherwise become undesirable, for any reason for it and/or any of its Affiliates to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the Issuer deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s) (each such transaction or asset a **Relevant Hedging Transaction**).

**Hedging Position** means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, commodities, options, futures, derivatives or foreign exchange, (ii) stock loan transactions or (iii) other instructions or arrangements (howsoever described) by a party in order to hedge, individually or on a portfolio basis, the Securities.

**Increased Cost of Hedging** means that the Issuer and/or any of its Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the Issuer deems necessary to hedge the equity or other price risk of the Issuer issuing and performing its obligations with respect to the Securities, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

**Increased Cost of Stock Borrow** means that the Issuer and/or any of its Affiliates would incur a rate to borrow any relevant Hedging Assets that is greater than the Initial Stock Loan Rate.

**Initial Stock Loan Rate** means, in respect of any Hedging Assets, the rate which the Issuer and/or any of its Affiliates would have incurred to borrow such Hedging Assets, as of the Trade Date, as determined by the Issuer.

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

**Loss of Stock Borrow** means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) any Hedging Assets at a rate equal to or less than the Maximum Stock Loan Rate.

**Maximum Stock Loan Rate** means, in respect of any relevant Hedging Assets, the lowest rate at which the Issuer and/or any of its Affiliates, after using commercially reasonable efforts, would have incurred to borrow (and maintain a borrowing of) such Hedging Assets, as of the Trade Date, as determined by the Issuer.

*(B) Occurrence of Additional Disruption Events*

If any of the Additional Disruption Events is specified in the applicable Final Terms, and any Additional Disruption Event so specified occurs, the Issuer may take the action described in (i) or (ii) below:

- (i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any Relevant Asset(s) and/or the Entitlement and/or the Exercise Price and/or the Multiplier and/or any of the other terms of these Conditions and/or the applicable Final Terms to account for the Additional Disruption Event including, unless "Equity Substitution" is specified as not applying in the applicable Final Terms, the substitution of the Substituted Share the subject of the Additional Disruption Event by a New Share and determine the effective date of that adjustment. The relevant adjustments may include, without limitation, (i) adjustments to account for changes in volatility, expected dividends, stock loan rate or liquidity relevant to the Shares or to the Securities or (ii) the substitution of the relevant Share. The Calculation Agent may (but need not), in the case of Share Securities, determine the appropriate adjustment by reference to the adjustment in respect of the relevant Additional Disruption Event, made by an options exchange to options on the Shares traded on that options exchange;
- (ii) cancel the Securities by giving notice to the Securityholders in accordance with Condition 12. If the Securities are so cancelled, the Issuer will pay an amount to each Securityholder in respect of each Security or, if Units are specified in the applicable Final Terms, each Unit, as the case may be, held by such Securityholder which amount shall be the fair market value of a Security or a Unit, as the case may be, on a day selected by the Issuer in its sole and absolute discretion and taking into account the relevant Additional Disruption Event adjusted to take account fully for any losses, expenses and costs to the Issuer and/or any of its Affiliates of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any options or selling or otherwise realising any Relevant Asset or other instruments of any type whatsoever which the Issuer and/or any of its Affiliates may hold as part of such hedging arrangements) and also taking into account, in the case of Warrants if already paid by or on behalf of the Securityholder, the Exercise Price, all as calculated by the Calculation Agent. Payments will be made in such manner as shall be notified to the Securityholders in accordance with Condition 12.

Upon the occurrence (if applicable) of an Additional Disruption Event, the Issuer shall give notice as soon as practicable to the Securityholders in accordance with Condition 12 stating the occurrence of the Additional Disruption Event, as the case may be, giving details thereof and the action proposed to be taken in relation thereto.

(C) *Hedging Disruption*

(a) Notification

The Issuer shall as soon as reasonably practicable give instructions to the Calculation Agent to notify the Securityholders in accordance with Condition 12 if it determines that (i) a Hedging Disruption Event has occurred; and (ii) of the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to this Condition 17(C).

(b) Hedging Disruption Event

The reasons for the determination by the Issuer of a Hedging Disruption Event may include, but are not limited to, the following:

- (i) any material illiquidity in the market for the relevant instruments (the **Disrupted Instrument**) which from time to time are included in the Reference Item(s) (if any) to which the Securities relate; or
- (ii) a change in any applicable law (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law (including any action taken by a taxing authority); or
- (iii) a material decline in the creditworthiness of a party with whom the Issuer has entered into any Relevant Hedging Transaction; or
- (iv) the general unavailability of: (A) market participants who will agree to enter into a Relevant Hedging Transaction; or (B) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms; or
- (v) it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for the Issuer wholly or partially to establish, substitute or maintain a Relevant Hedging Transaction.

(c) Consequences

The Issuer, in the event of a Hedging Disruption Event, may:

- (i) terminate the Securities. In such circumstances the Issuer will, however, if and to the extent permitted by the applicable law, pay to each Securityholder in respect of each Security held by such Securityholder an amount calculated by it as the fair market value of the Security immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Where the Securities contain provisions which provide a minimum assured return of principal, howsoever expressed, on the Settlement Date or Redemption Date as applicable, or a minimum assured return of interest or coupons, howsoever expressed, on a relevant interest payment date (if applicable), any such amount to be paid under this Condition 17 (C) shall not be less than the present value of such minimum assured return of principal and/or interest or coupons, such present value being determined by the Calculation

Agent. Payment will be made to the Securityholder(s) in such manner as shall be notified to the Securityholder(s) in accordance with Condition 12;

- (ii) make an adjustment to the relevant Reference Item(s) (if any) by removing the Disrupted Instrument from the Security at its fair market value (which may be zero). Upon any such removal the Issuer may: (A) hold any notional proceeds (if any) arising as a consequence thereof and adjust the terms of payment and/or delivery in respect of the Securities; or (B) notionally re-invest such proceeds in other Reference Item(s) if so permitted under the Conditions (including the Reference Item(s) (if any) to which the Securities relate); and/or
- (iii) make any other adjustment to the Conditions as it considers appropriate in order to maintain the theoretical value of the Securities after adjusting for the relevant Hedging Disruption Event. Where the Securities contain provisions which provide a minimum assured return of principal, howsoever expressed, on the Settlement Date or Redemption Date as applicable, or a minimum assured return of interest or coupons, howsoever expressed, on a relevant interest payment date, any such adjustment will in no way affect the Issuer's obligations to make payment to the Securityholders not less than the minimum assured return of principal and/or interest or coupons on the relevant Settlement Date or Reference Date, or interest payment date, as applicable.

#### **18. Determinations by the Calculation Agent**

Determinations and judgements made by the Calculation Agent pursuant to the Conditions shall be made in a commercially reasonable manner having regard to market practices. Such determinations or judgements, or any adjustments, shall, in the absence of manifest error, be conclusive and binding on Securityholders. In making any determination, judgement or adjustment, the Calculation Agent shall not have regard to any interests arising from circumstances particular to individual Securityholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such determination or adjustment for individual Securityholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Calculation Agent shall not be entitled to require, nor shall any Securityholder be entitled to claim, from the Issuer, the Calculation Agent or any other person any indemnification or payment in respect of any tax consequences of any such determination, judgement or adjustment upon individual Securityholders. In exercising its right to make such determinations, judgements and adjustments, the Calculation Agent is entitled to act in its sole and absolute discretion, but must act in good faith.

#### **19. Contracts (Rights of Third Parties) Act 1999**

The Securities do not confer on any person any right under the Contracts (Rights of Third Parties) Act 1999 (the **Act**) to enforce any term of the Securities. This provision does not affect any right or remedy of any person which exists or is available apart from the Act.

#### **20. Governing Law and Jurisdiction**

The Securities, the Global Security (if any) and the Agency Agreement, and any non-contractual obligations arising out of or in connection with them, are governed by English law.

The Issuer irrevocably agrees for the exclusive benefit of the Securityholders that any suit, action or proceeding (**Proceedings**) arising out of or in connection with the Securities (including any Global Security) may be brought in the English Courts and irrevocably submits to the jurisdiction of such Courts to settle any disputes which may arise out of or in connection with the Securities (including

any Global Security) and hereby irrevocably appoints the Issuer's London office (at the date hereof situated at Fifth Floor, 280 Bishopsgate, London EC2M 4RB (for the attention of Capital Raising Director or the Group Treasurer each for the time being) or such other person as the Issuer may from time to time nominate for the purpose to accept service of process on the Issuer's behalf in England in respect of any Proceedings. Nothing herein shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. The Issuer irrevocably waives any objection which it may have to the laying of the venue of any Proceedings in such Courts and any claim that any such Proceedings have been brought in an inconvenient forum and further irrevocably agrees that a final judgment in any Proceedings brought in such Courts shall be conclusive and binding upon the Issuer and may be enforced in the courts of any other jurisdiction.

## **USE OF PROCEEDS**

The Issuer intends to use the net proceeds from each issue of Securities for its general corporate purposes. If in respect of any particular issue of Securities, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## TAXATION

**The following comments are of a general nature, are based on the Issuer's understanding of current law and practice and are included in this document solely for information purposes. These comments are not intended to be, nor should they be regarded as, legal or tax advice. The precise tax treatment of a holder of a Security will depend for each issue on the terms of the Security, as specified in the Conditions as amended and supplemented by the applicable Final Terms under the law and practice at the relevant time. Prospective holders of Securities should consult their own tax advisers in all relevant jurisdictions to obtain advice about their particular tax treatment in relation to such Securities.**

### UNITED KINGDOM TAXATION

The following describes certain general United Kingdom tax consequences arising from acquiring, holding and disposing of Warrants and Redeemable Certificates which fall into certain categories for tax purposes. Prospective purchasers of particular Warrants and Redeemable Certificates should obtain professional advice in order to determine which, if any, of these categories those Warrants or Redeemable Certificates fall into. The following relates only to the position of individuals who are the beneficial owners of Warrants or Redeemable Certificates and who are resident and domiciled in the United Kingdom for tax purposes and is based on current United Kingdom tax law and HM Revenue & Customs (**HMRC**) practice; some aspects do not apply to certain classes of person (such as persons carrying on a trade of dealing in Warrants or Redeemable Certificates and persons connected with the Issuer) to whom special rules may apply. Prospective purchasers who are companies (or unit trusts or open-ended investment companies) and any investor who may be unsure as to their tax position should seek their own professional advice.

#### Warrants

The following summary applies only to Warrants which do not carry a right to the payment of interest. It is anticipated that any Warrants which carry such a right are likely to be treated for United Kingdom tax purposes as Redeemable Certificates and, on this basis, holders of such Warrants should refer to the tax treatment summary in respect of Redeemable Certificates set out below.

#### *Withholding Tax*

No United Kingdom income tax should be required to be deducted or withheld from any payments made on the Warrants.

#### *Taxation of Profits and Gains*

(i) United Kingdom resident individuals

Gains arising to an individual as a result of acquiring then exercising or otherwise disposing of a "qualifying option" are generally, subject to the discussion at (ii) below ("Guaranteed Returns"), charged to tax under the capital gains tax rules in the Taxation of Chargeable Gains Act 1992 (**TCGA 1992**). Options which are listed on a recognised stock exchange are qualifying options and the London Stock Exchange is recognised for these purposes.

Warrants which are admitted to the Official List of the UK Listing Authority and admitted to trading by the London Stock Exchange and which can be regarded as options (in particular, it should be noted that Warrants may not be considered to be options where "Automatic Exercise: No delivery of Exercise Notice" is specified as applying in the applicable Final Terms) should generally be treated as "qualifying options" (**Qualifying Warrants**). Therefore, an individual holding such a Qualifying Warrant should be charged to tax on any gain made on the disposal of the Qualifying Warrant under the capital gains tax rules in TCGA 1992. This means that such a holder should, on the disposal of a Qualifying Warrant, be entitled to make a tax free gain in any tax year equal to the annual exempt

amount (which is £10,100 for the tax year 2010-11), assuming the annual exemption has not been utilised in relation to another gain in the same tax year.

Accordingly, on the disposal of a Qualifying Warrant by sale, the holder should, subject to the availability of the annual exempt amount (see above), be charged to capital gains tax on the gain arising on the disposal, calculated by comparing the amount received on disposal with the base cost.

In the case of a Qualifying Warrant which is settled by physical delivery, the acquisition of the Qualifying Warrant and the acquisition of a new asset on the exercise of such a Qualifying Warrant is treated as a single transaction for capital gains purposes, so that the amount paid for the Qualifying Warrant plus the amount paid for the new asset constitutes the base cost for the new asset. The exercise of such a Qualifying Warrant is not treated as a disposal of the Qualifying Warrant. Accordingly, no charge to capital gains tax will arise on the exercise of such a Qualifying Warrant. However, a disposal of the new asset acquired on the exercise of such a Qualifying Warrant may give rise to a charge to capital gains tax, if a gain arises on that disposal.

In the case of a Qualifying Warrant which is settled by way of a cash payment, the exercise of the Qualifying Warrant will be treated as a disposal. The cash amount received on the exercise will be treated as the consideration for the disposal. The amount paid for a Qualifying Warrant plus any amount paid on exercise will be treated as the base cost for the purposes of calculating any capital gain arising on the exercise of the Qualifying Warrant.

A Warrant that is not a Qualifying Warrant may alternatively be regarded as a "financial future" for the purposes of the capital gains tax rules in TCGA 1992. In this case, on the disposal of such a Warrant, the holder should, subject to the availability of the annual exempt amount (see above), be charged to capital gains tax on the gain arising on the disposal, calculated by comparing the amount received on disposal with the base cost. The amount paid for such a Warrant plus any amount paid on exercise will constitute the base cost for these purposes.

(ii) **Guaranteed Returns**

Any Warrant which is (either alone or taken together with other related transactions) designed to produce a guaranteed return equivalent to money invested at interest will not be taxed in accordance with the rules described above. Any profit or gain arising in relation to such a Warrant will be charged to tax as income under Chapter 12 of Part 4 of the Income Tax (Trading and Other Income) Act 2005 (**ITTOIA 2005**), without the benefit of the annual exempt amount.

(iii) **Individual Savings Account (ISA), Self-invested Personal Pension Scheme (SIPPS) and Small Self-administered Scheme (SSAS).**

Warrants will not qualify for inclusion within the stocks and shares component of an ISA.

Warrants should generally be capable of being held within a SIPPS or SSAS. However Warranholders should obtain independent advice in relation to the tax treatment of any Warrants held within such a SIPPS or SSAS.

*Stamp Duty and Stamp Duty Reserve Tax (SDRT)*

On the basis of the Issuer's understanding of current unpublished HMRC practice, cash settled warrants in a form similar to the Warrants should not generally be stampable on issue. Accordingly, the grant of a Warrant which is a Cash Settled Security (a **Cash Settled Warrant**) should not be stampable.

Although the issue is not free from doubt United Kingdom stamp duty may be payable on an instrument which constitutes certain types of Warrants which are Physical Delivery Securities (each a **Physical**

**Delivery Warrant**). However, if any such instrument is executed and retained outside the United Kingdom, such stamp duty may potentially be indefinitely deferred, although such an unstamped document will not be admissible in evidence in court or arbitration proceedings in the United Kingdom.

No United Kingdom stamp duty should be required to be paid on the sale of any Warrants provided no instrument of transfer is used in order to complete the sale.

No SDRT will be payable on the issue into CREST of any Warrant.

No SDRT will be payable on the issue into Euroclear or Clearstream of any Cash Settled Warrant.

No SDRT will be payable in relation to the issue into Euroclear or Clearstream of a Physical Delivery Warrant which does not give the holder an interest in, rights arising out of, or the right to acquire stock, shares or loan capital.

SDRT will generally be payable in relation to the issue into Euroclear or Clearstream of a Physical Delivery Warrant which gives the holder the right on exercise to acquire stock, shares or loan capital unless such stock, shares or loan capital qualify as "exempt securities". SDRT would be payable at 1.5 per cent. of the issue price. SDRT will generally not be payable in relation to an agreement to transfer such Physical Delivery Warrants within Euroclear or Clearstream provided no election has been made under which the alternative system of charge (as provided for in section 97A Finance Act 1986) applies to the Physical Delivery Warrants.

SDRT will generally be payable in relation to an agreement to transfer a Physical Delivery Warrant held within CREST which gives the holder the right on exercise to acquire stock, shares or loan capital unless such stock, shares or loan capital qualify as "exempt securities". SDRT would be payable at 0.5 per cent. of the consideration given under an agreement to transfer any such Physical Delivery Warrants.

No SDRT will be payable in relation to any agreement to transfer Cash Settled Warrants or Physical Delivery Warrants which do not give the holder an interest in, rights arising out of, or the right to acquire stock, shares or loan capital.

United Kingdom stamp duty or SDRT may be required to be paid in relation to the transfer of an asset (such as stock or marketable securities) following the exercise of a Physical Delivery Warrant. However, any such liability to SDRT will be cancelled (or, if already paid, will be repaid) if an instrument effecting the transfer is chargeable with stamp duty (or is otherwise required to be stamped) and has been duly stamped within six years of the agreement being made or, in the case of a conditional agreement, within six years of all conditions being satisfied.

## **Redeemable Certificates**

### *Withholding Tax*

The following analysis applies to Redeemable Certificates which carry a right to the payment of interest and/or are redeemed at a premium, any amount of which is deemed to constitute a payment of interest.

Redeemable Certificates which are and continue to be listed on a recognised stock exchange, within the meaning of section 1005 of the Income Tax Act 2007 should constitute "quoted Eurobonds" and payments of interest by the Issuer on such Redeemable Certificates may be made without withholding or deduction for or on account of United Kingdom tax. The London Stock Exchange is a recognised stock exchange for these purposes and Redeemable Certificates will be treated as listed on the London Stock Exchange if they are included in the Official List by the UK Listing Authority and are admitted to trading on the London Stock Exchange.

In all other cases, interest will generally be paid by the Issuer under deduction of income tax at the basic rate (currently 20 per cent.) subject to the availability of other reliefs or to any direction to the contrary from HMRC in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty.

### *Taxation of Profits and Gains*

#### (i) United Kingdom resident individuals

Redeemable Certificates may fall to be treated as “qualifying corporate bonds” either because they constitute “deeply discounted securities” for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 or, where they do not constitute deeply discounted securities, because they otherwise fulfil the conditions to be treated as qualifying corporate bonds pursuant to section 117 TCGA 1992.

A Redeemable Certificate will be treated as a deeply discounted security for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 where the issue price is or could be less than the sum payable on redemption and the amount by which it is or could be less (expressing the difference between the issue price and the Cash Settlement Amount as a percentage of the Cash Settlement Amount) is greater than the percentage figure equal to one half the number of years between the issue date and the Redemption Date, where this is less than thirty years, or 15 per cent. in other cases. Where a Redeemable Certificate falls to be treated as a deeply discounted security, profits and gains arising from disposing of the Redeemable Certificate prior to the Redemption Date, or from holding the Redeemable Certificate to the Redemption Date, will be charged to tax as income, without the benefit of the annual exempt amount referred to in respect of Qualifying Warrants above. No relief from income tax is available in respect of any loss suffered on the disposal or redemption of a Redeemable Certificate which is a deeply discounted security.

Where a Redeemable Certificate qualifies as a deeply discounted security for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 and is extinguished by delivery of shares in a company or any other securities, the delivery is deemed to involve a payment on redemption of an amount equal to whatever, at the time of delivery, is the market value of the shares or other securities delivered. In such a situation, the amount by which any such deemed payment exceeded the amount paid by the Redeemable Certificateholder to acquire the Redeemable Certificate would be subject to tax as income, without the benefit of the annual exempt amount. The acquisition cost of the shares or other securities will be their market value at the time of delivery for the purposes of computing any future capital gain or loss.

Where a Redeemable Certificate is not a deeply discounted security or an “excluded indexed security” (as described below) and is expressed in sterling with no provision for conversion into, or redemption in, a currency other than sterling, it may be a qualifying corporate bond if, on the basis of its Final Terms, it satisfies the conditions set out in section 117 TCGA 1992. On a disposal of a Redeemable Certificate which is not a deeply discounted security but which is a qualifying corporate bond, no chargeable gain or allowable loss will arise for the purposes of capital gains tax.

Where a Redeemable Certificate qualifies as an “excluded indexed security” it will not be treated as a deeply discounted security or a qualifying corporate bond and will be subject to capital gains tax as discussed below. An excluded indexed security is, in broad terms, a security which provides that the holder is entitled to receive at redemption an amount equal to the amount subscribed for the security multiplied by any increase or decrease in the value of a specified asset (expressed as a percentage) over the life of the security. The specified asset must be the kind of asset that if held by an individual is generally taxed under the capital gains tax rules, including a Qualifying Warrant. An excluded indexed security can provide for a minimum amount to be payable at redemption provided this does not exceed 10 per cent. of the amount paid on the issue of the security.

A Redeemable Certificate, which is not a deeply discounted security and does not otherwise fall to be treated as a qualifying corporate bond, including a Redeemable Certificate which is treated as an excluded indexed security, should be a chargeable asset for the purposes of capital gains tax such that any gain arising on disposal prior to the Redemption Date, or at the Redemption Date, would be charged to tax as a capital gain under TCGA 1992, with the benefit of the annual exempt amount (to the extent not already utilised).

Where a Redeemable Certificate is a chargeable asset for the purposes of capital gains tax and is denominated in a currency other than sterling, the normal rule is that, in calculating any gain or loss on disposal of that Redeemable Certificate, sterling values are compared at acquisition and transfer. Accordingly, a taxable profit can arise even where the foreign currency amount received on a disposal is less than or the same as the amount paid for the Redeemable Certificate.

Except where a Redeemable Certificate is treated as a deeply discounted security, any accrued interest at the date of disposal will be taxed under the provisions of Chapter 2 of Part 12 of the Income Tax Act 2007 (Accrued Income Profits and Losses).

(ii) ISA, SIPPS and SSAS

A Redeemable Certificate may, depending on its terms, be eligible to be held within the stocks and shares component of an ISA provided it is listed on a recognised stock exchange and at the date when such Redeemable Certificate is first held under the account, the terms on which it was issued do not require the Redeemable Certificate to be re-purchased or redeemed or allow the holder to require it to be re-purchased or redeemed (except in circumstances which are neither certain nor likely to occur) within the period of five years from that date.

UK tax resident Redeemable Certificateholders who acquire their investment in Redeemable Certificates through an ISA and who satisfy the requirements for tax exemption in the ISA Regulations 1998 (UK Statutory Instruments 1998 No. 1870) will not be subject to either UK income tax or UK capital gains tax on income and gains realised from their investment and any losses on their investment will be disregarded for the purposes of UK capital gains tax.

Redeemable Certificates should generally be capable of being held within a SIPPS or SSAS. However holders of Redeemable Certificates should obtain independent advice in relation to the tax treatment of Redeemable Certificates held within any such SIPPS or SSAS.

*Provision of Information*

Holders of Redeemable Certificates who are individuals may wish to note that in certain circumstances, HMRC has power to obtain information from any person in the United Kingdom who pays interest or other amounts payable on the redemption of Redeemable Certificates which are deeply discounted securities for the purposes of Chapter 8 of Part 4 of ITTOIA 2005 to (or receives such amounts for the benefit of) another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on redemption of the Redeemable Certificates where such amounts are paid on or before 5 April 2011. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the holder of the Redeemable Certificate is resident for tax purposes.

*Stamp Duty and SDRT*

No United Kingdom stamp duty will be payable in relation to the issue of Redeemable Certificates which are Cash Settled Securities (**Cash Settled Redeemable Certificates**) or Redeemable Certificates which are Physical Delivery Securities (**Physical Delivery Redeemable Certificates**). No United Kingdom stamp duty

will be payable on transfers of Redeemable Certificates on sale provided no instruments of transfer are used to complete such sales. No United Kingdom stamp duty will be payable in relation to the redemption of a Redeemable Certificate settled by way of a cash payment. United Kingdom stamp duty may be required to be paid in relation to the transfer of an asset on redemption of a Redeemable Certificate settled by way of physical delivery.

No SDRT will be payable in relation to the issue into CREST of Redeemable Certificates or the redemption of Cash Settled Redeemable Certificates.

No SDRT will be payable in relation to the issue into Euroclear or Clearstream of Cash Settled Redeemable Certificates or in relation to agreements to transfer Cash Settled Redeemable Certificates held within CREST where such Cash Settled Redeemable Certificates: (i) qualify as loan capital; (ii) do not carry rights to acquire shares or securities (by way of exchange, conversion or otherwise); (iii) have not carried and do not carry a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the Cash Settled Redeemable Certificates or which falls or has fallen to be determined by reference to the results of, or any part of, a business or to the value of any property; and (iv) are admitted to the Official List of the UK Listing Authority and are admitted to trading by the London Stock Exchange.

SDRT will generally be payable in relation to the issue into Euroclear or Clearstream of Redeemable Certificates which carry rights to acquire other shares or securities (by way of exchange, conversion or otherwise) that are not "exempt securities", carry or have carried a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the Redeemable Certificates or which falls or has fallen to be determined by reference to the results of, or any part of, a business or to the value of any property or (in relation to Redeemable Certificates not listed on the London Stock Exchange) rights to a premium not reasonably comparable with amounts payable on securities listed on the London Stock Exchange. SDRT would be payable at 1.5 per cent. of the consideration given under an agreement to issue such Redeemable Certificates, to a depository for a clearing system.

SDRT will generally not be payable in relation to agreements to transfer Redeemable Certificates held within Euroclear or Clearstream, provided no election has been made under which the alternative system of charge (as provided for in section 97A Finance Act 1986) applies to the Redeemable Certificates.

SDRT will generally be payable in relation to agreements to transfer Redeemable Certificates held within CREST which carry rights to acquire other shares or securities (by way of exchange, conversion or otherwise) that are not "exempt securities", carry or have carried a right to interest the amount of which exceeds a reasonable commercial return on the nominal amount of the Redeemable Certificates or which falls or has fallen to be determined by reference to the results of, or any part of, a business or to the value of any property or (in relation to Redeemable Certificates not listed on the London Stock Exchange) rights to a premium not reasonably comparable with amounts payable on securities listed on the London Stock Exchange. SDRT would be payable at 0.5 per cent. of the consideration given under an agreement to transfer Redeemable Certificates.

In addition, SDRT may be payable (possibly at the time of issue) by a Redeemable Certificateholder in respect of any agreement to transfer an asset pursuant to a Physical Delivery Redeemable Certificate. However, any such liability to SDRT will be cancelled (or if already paid will be repaid) if the instrument effecting the transfer is chargeable with stamp duty (or otherwise required to be stamped) and has been duly stamped within six years of the agreement being made or, in the case of a conditional agreement, within six years of all conditions being satisfied.

## **EU SAVINGS DIRECTIVE**

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), Member States of the European Union (the **EU**) are required to provide to the tax authorities of other Member States details of payments of interest (or similar income) paid by a person to an individual or to certain other persons in

another Member State of the EU. However, for a transitional period, Luxembourg and Austria may instead (unless during that period they elect otherwise) operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories have agreed to adopt similar measures. Investors should note that the European Commission has announced proposals to amend the Directive. If implemented, the proposed amendments would, inter alia, extend the scope of the Directive to (i) payments made through certain intermediate structures (whether or no established in a Member State of the EU) for the ultimate benefit of an EU resident individual, and (ii) a wider range of income similar to interest.

## OFFERING AND SALE

Other than having the Prospectus approved by the UK Listing Authority as a base prospectus in accordance with Article 5.4 of the Prospectus Directive and, in relation to any issue of Securities, as may be specified in the relevant Final Terms, no action has been or will be taken by the Issuer that would permit a public offering of any Securities outside the United Kingdom or possession or distribution of any offering material in relation to any Securities in any jurisdiction where action for that purpose is required. No offers, sales, re-sales or deliveries of any Securities, or distribution of any offering material relating to any Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer.

### United States

No Securities of any Series, and in certain cases none of the underlying assets or Entitlements, have been, or will be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**). No Securities of any Series, or interests therein, may at any time be offered, sold, resold, traded or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. Consequently, any offer, sale, resale, trade or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. As used herein, **United States** means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and **U.S. person** means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; or (vi) any other **U.S. person** as such term may be defined in Regulation S under the Securities Act.

Each Manager and Distributor of an issue of Securities will be required to agree that it will not at any time offer, sell, resell or deliver, directly or indirectly, Securities of such issue in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing Securities of any issue must agree with a Manager or Distributor of such issue or the seller of such Securities that (i) it will not at any time offer, sell, resell or deliver, directly or indirectly, any Securities of such issue so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, (ii) it is not purchasing any Securities of such issue for the account or benefit of any U.S. person and (iii) it will not make offers, sales, re-sales or deliveries of any Securities of such issue (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. Each Manager and Distributor of an issue of Securities will also be required to agree, and any person purchasing Securities of such issue must agree, to send each person who purchases any Securities of such issue from it a written confirmation (which shall include the definitions of **United States** and **U.S. persons** set forth herein) stating that the Securities have not been registered under the Securities Act and stating that such purchaser agrees that it will not at any time offer, sell, resell or deliver Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person.

### 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**), with effect from and including the date on which the

Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) the Securities may not be offered to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, the Securities may be offered to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression **offered to the public** in relation to any Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Securities to be offered so as to enable an investor to decide to purchase or subscribe the Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) may only be communicated or caused to be communicated in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA would not, if it was not an authorised person, apply to the Issuer.

All applicable provisions of the FSMA must be complied with in respect to anything done in relation to any Securities in, from or otherwise involving the United Kingdom.

### **Isle of Man**

This Prospectus does not need to be delivered to the Isle of Man Financial Supervision Commission for registration as a prospectus pursuant to the Isle of Man Companies Act 1931. This Prospectus has not therefore been approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man.

The Securities are not subject to any form of regulation or approval in the Isle of Man, and investors are not protected by any statutory compensation arrangements in the event of the Issuer's failure. The Isle of Man Financial Supervision Commission does not vouch for the financial soundness of the Issuer or for the correctness of any statements made or opinions expressed with regard to it in this Prospectus.

### **Jersey**

Nothing in this Prospectus, nor anything communicated to holders or potential holders of Securities by the Issuer is intended to constitute or should be construed as advice on the merits of the purchase of or

subscription for the Securities or the exercise of any rights attached thereto for the purposes of the Financial Services (Jersey) Law 1998, as amended.

### **Guernsey**

The Securities may only be offered or sold in or from within the Bailiwick of Guernsey either (i) by persons licensed to do so under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) (the **POI Law**); or (ii) to persons licensed under the POI Law; or (iii) to persons licensed under the Insurance Business (Bailiwick of Guernsey) Law, 2002, the Banking Supervision (Bailiwick of Guernsey) Law, 1994, or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc, (Bailiwick of Guernsey) Law, 2000.

Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Issuer or for the correctness of any of the statements made or opinions expressed with regard to it.

### **General**

With regard to each issue of Securities, any Manager and/or Distributor will be required to comply with such other additional restrictions as shall be set out in the applicable Final Terms.

## GENERAL INFORMATION

### Authorisation

The establishment and renewal of the Programme and the issue of Securities have been duly authorised by a resolution of the Board of directors of the Issuer dated 29 March 2006 and a resolution of a Sub-committee of the Group Asset and Liability Management Committee on behalf of the Board of directors of the Issuer dated on or about 22 September 2010.

### Listing of Securities

Application has been made to the UK Listing Authority for Securities issued under the Programme to be admitted to the Official List and to the London Stock Exchange for such Securities to be admitted to trading on the Market. The listing of the Programme in respect of Securities is expected to be granted on or about 27 September 2010.

It is expected that each issue of Securities which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued upon submission to the UK Listing Authority and to the London Stock Exchange of the applicable Final Terms and any other information required by the UK Listing Authority or any other relevant authority, subject only (in the case of Securities other than those cleared through CREST) to the issue of a Global Security representing such Securities. Prior to such listing and admission to trading, however, dealings in Securities will be permitted by the London Stock Exchange in accordance with its rules.

Unlisted Securities may also be issued under the Programme.

### Documents Available

For the period of twelve months from the date of this Prospectus, copies of the following documents will, when published, be available for inspection during normal business hours at the registered office of the Issuer and at the specified offices of each of the Certificate and Warrant Agents for the time being:

- (a) the constitutional documents of the Issuer;
- (b) the audited consolidated annual financial statements of the Issuer for each of the financial years ended 31 December 2009 and 31 December 2008, in each case, together with the audit reports prepared in connection therewith;
- (c) the most recently published audited annual financial statements of the Issuer and the most recently published unaudited interim financial statements (if any) of the Issuer, in each case together with any audit or review reports prepared in connection therewith;
- (d) the Agency Agreement and the form of any Global Security; and
- (e) in the case of a syndicated issue of Securities admitted to trading on the Market, the subscription agreement (or equivalent document).

Copies of this Prospectus, any supplementary prospectuses, any documents incorporated by reference in this Prospectus and each Final Terms relating to Securities which are either admitted to trading on the Market or offered to the public in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive, will be available, free of charge, during normal business hours from the registered office of the Issuer and from the specified offices of each of the Certificate and Warrant Agents for the time being and will be available for viewing on the website of RNS at

<http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

Copies of each Final Terms relating to Securities which are either admitted to trading on any other regulated market in the European Economic Area or offered in any other Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, will be available in accordance with Article 14(2) of the Prospectus Directive and the rules and regulations of the relevant regulated market. Copies of each Final Terms relating to any other Securities will be available to a holder of such Securities from the registered office of the Issuer and from the specified offices of each of the Certificate and Warrant Agents for the time being only upon production of evidence satisfactory to the Issuer and/or the relevant Certificate and Warrant Agent as to the identity of such holder.

### **Clearing Systems**

The applicable Final Terms will specify through which clearing system(s) a Series of Securities may be cleared. The Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg, and CREST (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Series of Securities allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Securities are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank S.A./N.V., 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 Address of CREST is Euroclear UK and Ireland Limited 33 Cannon Street, London EC4M 5SB.

### **Conditions for determining price**

The issue price and amount of Securities to be issued under the Programme will be determined at the time of issue in accordance with then prevailing market conditions.

### **Market making and other fees**

If market making is undertaken, a bid / offer spread may be payable. A fee may also be payable to an electronic trading platform, intermediary or other third party. Details will be available from the Issuer upon request.

### **Post-issuance information**

Unless otherwise stated in the applicable Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Securities.

**THE ISSUER**

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**CERTIFICATE AND WARRANT AGENT**

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*To the Issuer*

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