



THE ROYAL BANK OF SCOTLAND PLC

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

Non-Capital Protected Notes linked to a Global Stocks Basket

(Issue Price: 11 per cent.)

Capital Protected Notes linked to a Global Stocks Basket

(Issue Price: 100 per cent.)

Capital Protected Notes linked to a US Basket

(Issue Price: 100 per cent.)

PROSPECTIVE PURCHASERS OF THE AFOREMENTIONED SECURITIES (THE *SECURITIES*) SHOULD ENSURE THAT THEY UNDERSTAND FULLY THE NATURE OF THE SECURITIES AND THE EXTENT OF THEIR EXPOSURE TO THE RISKS ASSOCIATED WITH THE SECURITIES. THE MARKET PRICE AND/OR VALUE OF THE SECURITIES MAY BE VOLATILE AND HOLDERS OF THE SECURITIES MAY SUSTAIN A TOTAL LOSS IN THE VALUE OF THEIR INVESTMENT (UNLESS, AS IN THE CASE OF THE CAPITAL PROTECTED NOTES LINKED TO A GLOBAL STOCKS BASKET AND THE CAPITAL PROTECTED NOTES LINKED TO A US BASKET, THE SECURITIES ARE OF A TYPE IN WHICH CAPITAL IS PROTECTED). PROSPECTIVE PURCHASERS NEED TO CONSIDER THE SUITABILITY OF AN INVESTMENT IN THE SECURITIES IN LIGHT OF THEIR OWN FINANCIAL, FISCAL, REGULATORY AND OTHER CIRCUMSTANCES. PLEASE REFER, IN PARTICULAR, TO THE SECTIONS "*RISK FACTORS*" IN THIS PROSPECTUS AND IN THE REGISTRATION DOCUMENT FOR A MORE COMPLETE EXPLANATION OF THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE SECURITIES.

THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE *SECURITIES ACT*) OR THE SECURITIES LAWS OF ANY STATE OR POLITICAL SUBDIVISION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE U.S. STATE SECURITIES LAWS. THE SECURITIES ARE BEING OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO PERSONS OTHER THAN U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) IN OFFSHORE TRANSACTIONS THAT MEET THE REQUIREMENTS OF REGULATIONS UNDER THE SECURITIES ACT. FURTHERMORE, TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISSION UNDER THE UNITED STATES COMMODITY EXCHANGE ACT, AS AMENDED.

Dealer

The Royal Bank of Scotland plc

The date of this Prospectus is 24th May, 2013

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**) and for the purposes of the Luxembourg Act dated 10th July, 2005, as amended (the **Luxembourg Act**).

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

The Securities will be issued to The Royal Bank of Scotland plc (the **Dealer**).

Application has been made to the *Commission de Surveillance du Secteur Financier* (the **CSSF**) in its capacity as competent authority under the Luxembourg Act on prospectuses for securities to approve this document as a prospectus and to the Luxembourg Stock Exchange for the listing of the Securities on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market. Pursuant to Article 7(7) of the Luxembourg Act, the CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Prospectus or the quality or solvency of the Issuer. Application has also been made to the Swedish Financial Supervisory Authority (*Finansinspektionen*) in its capacity as competent authority for the Securities to be admitted to trading and listing on the Nordic Derivatives Exchange's regulated market.

Neither the Issuer nor the Dealer has authorised the making or provision of any representation or information regarding the Issuer or any Securities other than those contained in this Prospectus. Neither the delivery of this document nor any information provided in the course of a transaction in Securities shall, in any circumstances, be construed as a recommendation by the Issuer or the Dealer to enter into any transaction with respect to any Securities. Each prospective investor contemplating a purchase of Securities should make its own independent investigation of the risks associated with a transaction involving any Securities.

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

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

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

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

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

The Issuer does not represent that this Prospectus may be lawfully distributed, or that Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to

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

IN CONNECTION WITH THE ISSUE OF EACH SERIES OF SECURITIES, THE ROYAL BANK OF SCOTLAND PLC AS THE STABILISING MANAGER (THE *STABILISING MANAGER*) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT SECURITIES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SECURITIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT SERIES OF SECURITIES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT SERIES OF SECURITIES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT SERIES OF SECURITIES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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

The Securities shall each be sold to non-U.S. persons (within the meaning of Regulation S (**Regulation S**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**)) in an "offshore transaction" within the meaning of Regulation S, and shall each be issued in dematerialised form.

IMPORTANT INFORMATION RELATING TO THE NON-EXEMPT OFFER OF THE SECURITIES

Restrictions on Non-Exempt offers of the Securities in Relevant Member States

The Securities have a denomination of less than the SEK equivalent of €100,000 and will be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (any such offer being, a **Non-Exempt Offer**). This Prospectus has been prepared on a basis that permits Non-Exempt Offers of the Securities. However, any person making or intending to make a Non-Exempt Offer of the Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) may only do so if this Prospectus has been approved by the competent authority in that Relevant Member State (or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State) and published in accordance with the Prospectus Directive, provided that the Issuer has consented to the use of this Prospectus in connection with such offer as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" and the conditions attached to that consent are complied with by the person making the Non-Exempt Offer of the Securities.

Save as provided above, neither the Issuer nor the Dealer have authorised, nor do they authorise, the making of any Non-Exempt Offer of the Securities in circumstances in which an obligation arises for the Issuer or the Dealer to publish or supplement the Prospectus for such offer.

Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)

In the context of any Non-Exempt Offer of the Securities, the Issuer accepts responsibility, in the jurisdictions to which the consent to use the Prospectus extends, for the content of this Prospectus under Article 6 of the Prospectus Directive in relation to any person (an **Investor**) who acquires the Securities in a Non-Exempt Offer made by the Dealer or SIP Nordic Fondkommission AB (the **Authorised Offeror**) (whose address is Hitechbuilding 101, 101 52 Stockholm, Sweden) in that connection, provided that the conditions attached to that consent are complied with by the Authorised Offeror. The consent and conditions attached to it are set out under "*Consent*" and "*Conditions to Consent*" below.

Neither the Issuer nor the Dealer makes any representation as to the compliance by the Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Non-Exempt Offer and neither the Issuer nor the Dealer has any responsibility or liability for the actions of the Authorised Offeror.

Save as provided below, neither the Issuer nor the Dealer has authorised the making of any Non-Exempt Offer by any offeror and the Issuer has not consented to the use of this Prospectus by any other person in connection with any Non-Exempt Offer of the Securities. Any Non-Exempt Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor the Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer. If, in the context of a Non-Exempt Offer, an Investor is offered Securities by a person which is not the Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Prospectus for the purposes of Article 6 of the Prospectus Directive in the context of the Non-Exempt Offer and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Prospectus and/or who is responsible for its contents it should take legal advice.

Consent

In connection with the Securities and subject to the conditions set out below under "*Conditions to Consent*" the Issuer consents to the use of this Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Non-Exempt Offer of the Securities by the Dealer and by the Authorised Offeror.

Conditions to Consent

The conditions to the Issuer's consent are that such consent:

- (i) is only valid from (and including) 28th May, 2013 to (and including) 28th June, 2013;
- (ii) only extends to the use of this Prospectus to make Non-Exempt Offers of the Securities in the Kingdom of Sweden; and
- (iii) is conditional on this Prospectus having been passported into the Kingdom of Sweden for the purposes of a Non-Exempt Offer.

Arrangements between Investors and the Authorised Offeror

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING THE SECURITIES IN A NON-EXEMPT OFFER FROM THE AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF THE SECURITIES TO AN INVESTOR BY THE AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN THE AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS

AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE NON-EXEMPT OFFER OR SALE OF THE SECURITIES CONCERNED AND, ACCORDINGLY, THIS PROSPECTUS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NEITHER THE ISSUER NOR THE DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

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SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a Summary for this type of Securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the Summary because of the type of Securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the Summary with mention of "not applicable".

SECTION A: INTRODUCTION AND WARNINGS

- A1 Introduction and Warnings:** This summary should be read as an introduction to this Prospectus. Any decision to invest in the Securities should be based on consideration of this Prospectus as a whole by the investor.
- Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.
- Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Securities.
- A2 Consent(s):** The Issuer consents to the use of this Prospectus by the Dealer and the financial intermediary (**Authorised Offeror**), during the offer period and subject to the conditions, as provided as follows:
- | | | |
|-----|--|--|
| (a) | Name and address of Authorised Offeror: | SIP Nordic Fondkommission AB
Hitechbuilding 101
101 52 Stockholm
Sweden |
| (b) | Offer period for which use of this Prospectus is authorised by the Authorised Offeror: | From (and including) 28th May, 2013 to (and including) 28th June, 2013 (the Offer Period).

See Element E3 (" <i>Terms and conditions of the offer</i> ") below. |
| (c) | Conditions to the use of this Prospectus by the Authorised Offeror: | The consent of the Issuer to the use of this Prospectus by the Authorised Offeror (i) is only valid during the Offer Period; (ii) only extends to the use of this Prospectus to make Non-Exempt Offers of the Securities in the Kingdom of Sweden; and (iii) is conditional on this Prospectus having been passported into the Kingdom of Sweden for the purposes of a Non-Exempt Offer. |

If you intend to purchase Securities from the Authorised Offeror, you will do so, and such offer and sale will be made, in accordance with any terms and other arrangements in place between the Authorised Offeror and you, including as to price and settlement arrangements. The Issuer will not be a party to any such arrangements and, accordingly, this Prospectus does not contain such information. The terms and conditions of such offer should be provided to you by the Authorised Offeror. Neither the Issuer nor the Dealer has any responsibility or liability for such information.

SECTION B: ISSUER

- B1 Legal and commercial** The Royal Bank of Scotland plc (the **Issuer** or **RBS plc**).

name of the Issuer:

- B2 Domicile and legal form of the Issuer, legislation under which it operates and country of incorporation of Issuer:** The Issuer is a public limited company incorporated in Scotland under Scots law.
- B4b Known trends with respect to the Issuer:** Key broad trends which affect the businesses and performance of the Issuer, the Group and the RBS Group (each as defined in B5 below).
- The RBS Group's businesses, earnings and financial condition have been and will continue to be negatively affected by global economic conditions, the instability in the global financial markets and increased competition and political risks including proposed referenda on Scottish independence and UK membership of the EU. Together with a perceived increased risk of default on the sovereign debt of certain European countries and unprecedented stresses on the financial system within the Eurozone, these factors have resulted in significant changes in market conditions including interest rates, foreign exchange rates, credit spreads, and other market factors and consequent changes in asset valuations and have, in part, contributed to continued pressure on revenues, margins and return on equity across the financial sector. The actual or perceived failure or worsening credit of the RBS Group's counterparties or borrowers and depressed asset valuations resulting from poor market conditions have adversely affected and could continue to adversely affect the Group. The RBS Group's ability to meet its obligations' including its funding commitments depends on the RBS Group's ability to access sources of liquidity and funding. The inability to access liquidity and funding due to market conditions or otherwise could adversely affect the RBS Group's financial condition. Furthermore, the RBS Group's borrowing costs and its access to the debt capital markets and other sources of liquidity depend significantly on its and the UK Government's credit ratings.
- The RBS Group is subject to a number of regulatory initiatives which may adversely affect its business, including the UK Government's implementation of the final recommendations of the Independent Commission on Banking's final report on competition and possible structural reforms in the UK banking industry, the US Federal Reserve's proposal for applying US capital, liquidity and enhanced prudential standards to certain of the RBS Group's US operations. The RBS Group's business performance, financial condition and capital and liquidity ratios could be adversely affected if its capital is not managed effectively or as a result of changes to capital adequacy and liquidity requirements, including those arising out of Basel III implementation (globally or by European or UK authorities). As a result of the UK Government's majority shareholding in RBSG it can, and in the future may decide to, exercise a significant degree of influence over the RBS Group including on dividend policy, modifying or cancelling contracts or limiting the RBS Group's operations. The offer or sale by the UK Government of all or a portion of its shareholding in RBSG could affect the market price of the equity shares and other securities and acquisitions of ordinary shares by the UK Government (including through conversions of other securities or further purchases of shares). RBSG or any of its UK bank subsidiaries may face the risk of full nationalisation or other resolution procedures and various actions could be taken by or on behalf of the UK Government, including actions in relation to any securities issued, new or existing contractual arrangements and transfers of part or all of the RBS Group's businesses.
- The RBS Group is subject to substantial regulation and oversight, and any significant regulatory, accounting or legal developments could have an adverse effect on how the Group conducts its business and on its results of operations and financial condition. The RBS Group, like many other financial institutions, has come under greater regulatory scrutiny in recent years and expects that environment to continue for the foreseeable future, particularly as it relates to compliance with new and existing corporate governance, employee compensation, conduct of business, anti-money laundering and anti-terrorism laws and regulations, as well as the provisions of applicable sanctions programmes and the impact of the increasing focus on conduct risk and customer outcomes. In addition, the RBS Group is, and may be, subject to litigation and regulatory investigations that may impact its business, results of

operations and financial condition.

The RBS Group's ability to implement its strategic plan depends on the success of its efforts to refocus on its core strengths and its balance sheet reduction programme. As part of the RBS Group's strategic plan and implementation of the state aid restructuring plan agreed with the European Commission and HM Treasury, the RBS Group is undertaking an extensive restructuring which may adversely affect the Group's business, results of operations and financial condition and give rise to increased operational risk. The ability to dispose of assets and the price achieved for such disposals will be dependent on prevailing economic and market conditions, which remain challenging, and there is no assurance that the RBS Group will be able to sell or run-down (as applicable) those remaining businesses it is seeking to exit or asset portfolios it is seeking to sell either on favourable economic terms to the RBS Group or at all. Any significant developments in regulatory or tax legislation could have an effect on how the Group conducts its business and on its results of operations and financial condition, and the recoverability of certain deferred tax assets recognised by the RBS Group is subject to uncertainty. The RBS Group may be required to make contributions to its pension schemes and government compensation schemes, either of which may have an adverse impact on the Group's results of operations, cash flow and financial condition.

B5 The Issuer's group: The Issuer (together with its subsidiaries consolidated in accordance with International Financial Reporting Standards, the **Group**) is a wholly owned subsidiary of The Royal Bank of Scotland Group plc (**RBSG**).

RBSG is the holding company of a large global banking and financial services group (RBSG, together with its subsidiaries consolidated in accordance with International Financial Reporting Standards, the **RBS Group**). Headquartered in Edinburgh, the RBS Group operates in the United Kingdom, the United States and internationally through its principal subsidiaries, the Issuer and National Westminster Bank Plc (**NatWest**). Both the Issuer and NatWest are major United Kingdom clearing banks.

B9 Profit forecast or estimate: Not applicable; no profit forecasts or estimates have been made by the Issuer.

B10 Qualifications in the audit report on the historical financial information: Not applicable; there are no qualifications in the audit report of the Issuer on its historical financial information.

B12 Selected historical key financial information of the Issuer:

	<i>Year ended 31st December</i>	
	<i>2012</i>	<i>2011</i>
	<i>£m</i>	<i>£m</i>
	<i>(audited)</i>	<i>(audited)</i>
Operating loss before tax	(3,412)	(864)
Tax charge	(364)	(731)
Loss for the year	<u>(3,776)</u>	<u>(1,595)</u>
	<i>Year ended 31st December</i>	
	<i>2012</i>	<i>2011</i>
	<i>£m</i>	<i>£m</i>
	<i>(audited)</i>	<i>(audited)</i>
Called-up share capital	6,609	6,609

Reserves	52,679	55,117
Owners' equity	59,288	61,726
Non-controlling interests	137	128
Subordinated liabilities	33,851	32,324
Capital resources	<u>93,276</u>	<u>94,178</u>

Year ended 31st December

	2012 £m (audited)	2011 £m (audited)
Deposits	621,457	581,485
Loans and advances to customers and banks	576,904	586,539
Total assets	<u>1,284,274</u>	<u>1,432,781</u>

No material adverse change in prospects:

There has been no material adverse change in the prospects of the Group taken as a whole since 31st December, 2012.

Significant change in financial or trading position:

There has been no significant change in the trading or financial position of the Group taken as a whole since 31st December, 2012.

B13 Recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency:

Not applicable; there are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.

B14 Issuer's position in its corporate group and dependency on other entities within the corporate group:

See Element B5 ("*The Issuer's group*") above.

B15 Issuer's principal activities:

The Group's principal activities are organised in the following segments:

- **Retail and Commercial:**
 - *UK Retail*: a comprehensive range of banking products and related financial services to the personal market in the United Kingdom.
 - *UK Corporate*: banking, finance and risk management services to the corporate and small and medium-size enterprise (SME) sector in the United Kingdom.
 - *Wealth*: private banking and investment services.
 - *International Banking*: financing, transaction services and risk management.
 - *Ulster Bank*: a comprehensive range of financial services through both its retail and corporate banking divisions.

- *US Retail and Commercial*: financial services primarily through the Citizens and Charter One brands.
- **Markets**: an origination, sales and trading business across debt finance, fixed income, currencies and investor products.
- **Central Functions**: comprises Group and corporate functions, such as treasury, finance, risk management, legal, communications and human resources.
- **Non-Core**: manages separately assets that the Group intends to run off or dispose of.
- **Business Services**: supports the customer-facing businesses and provides operational technology, customer support in telephony, account management, lending and money transmission, global purchasing, property and other services.

B16 Ownership and control of the Issuer: See Element B5 ("*The Issuer's group*") above.

SECTION C: SECURITIES

C1 Type and class of securities being offered: The Securities are:

- the Non-Capital Protected Notes linked to a Global Stocks Basket (ISIN: SE0005190774);
- the Capital Protected Notes linked to a Global Stocks Basket (ISIN: SE0005190782); and
- the Capital Protected Notes linked to a US Basket (ISIN: SE0005190766).

The Securities of a Series will be uniquely identified by the ISIN set out above.

C2 Currency: The Securities will be issued in Swedish Krona (**SEK**).

C5 Restrictions on free transferability: Not applicable; however the Securities may not at any time be offered, sold, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person.

No offers, sales or deliveries of the Securities may be made in or from any jurisdiction except in circumstances that will result in compliance with any applicable laws and regulations.

C8 Rights attached to the Securities, including ranking and limitations:

Status and ranking

The Securities will be unsecured and unsubordinated obligations of the Issuer, ranking equally among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by law.

Redemption

Each Security, unless previously redeemed or purchased and cancelled, will be redeemed by the Issuer at the Cash Amount (which, in the case of the Non-Capital Protected Notes linked to a Global Stocks Basket, may be zero) on the Settlement Date.

See Element C18 ("*Return on the Securities*") below.

Unscheduled early termination

The Issuer or Calculation Agent (as applicable) may terminate the Securities early for reasons of illegality or tax or due to certain events impairing the Issuer's hedge positions or affecting the Shares or upon a Force Majeure Event. In addition, the Issuer may terminate the securities early if the aggregate Nominal Amount outstanding with respect to the Securities is less than the SEK equivalent of EUR 500,000 or the percentage of the aggregate Nominal Amount outstanding with respect to the Securities is less than 5 per cent. of the originally issued Nominal Amount. In each such case, the amount payable on such early termination shall be equal to the fair market value of the Security less the cost to the Issuer of unwinding any related hedging arrangements.

Adjustments

The Issuer or Calculation Agent (as applicable) may adjust the terms and conditions of the Securities to account for certain events impairing the Issuer's hedge positions or affecting the Shares.

Payment disruption

The Issuer may delay payment of any amounts owed under the Securities upon the occurrence of certain events that disrupt the Issuer's ability to make such payment in the currency in which such payment is due, and in certain circumstances may reduce such payment to zero or make the outstanding payment in an alternate currency, in each case as determined by the Issuer.

Events of Default

The terms and conditions of the Securities contain the following events of default:

- (a) default by the Issuer in payment of any principal due in respect of the Securities for more than 30 days;
- (b) non-performance or non-observance by the Issuer of any of its other obligations under the Securities continuing for at least 60 days; and
- (c) events relating to the winding-up of the Issuer.

Substitution

The Issuer may at any time, without the consent of the Holders, substitute for itself as Issuer of the Securities, (a) any successor in business to it, (b) its parent holding company or (c) any other entity subject to the grant of a guarantee by the Issuer of its obligations under the Securities.

Governing Law

The Securities are governed by English law.

- C11 Admission to trading:** Application has been made for the Securities to be admitted to trading on the regulated market of the Luxembourg Stock Exchange and on the regulated market of the Nordic Derivatives Exchange with effect from the issue date, or as soon as practicable thereafter.
- C15 Effect of underlying instrument(s) on value of investment:** The value of the Securities will depend on the performance of the relevant basket of Shares to which the Securities relate (the **Underlying**), in each case, as set out in Element C18 ("*Return on the Securities*") below.
- C16 Settlement and Maturity Date:** The Settlement Date is the Maturity Date or, if later, the tenth Business Day following the final Valuation Date.
- The Maturity Date is:
- (a) in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket, 8th August, 2017;
 - (b) in respect of the Capital Protected Notes linked to a Global Stocks Basket, 8th August, 2018; and
 - (c) in respect of the Capital Protected Notes linked to a US Basket, 8th August, 2018.
- C17 Settlement procedure:** The Securities will be delivered on the issue date against payment of the issue price. Settlement procedures will vary depending on the clearing system for the Securities and local practices in the jurisdiction of the investor.
- The Securities are cleared through Euroclear Sweden AB.
- C18 Return on the Securities:** **Cash Amount**
- The Cash Amount payable by the Issuer in respect of each SEK10,000 in Nominal Amount of

Securities on the Settlement Date shall be an amount determined by the Calculation Agent in accordance with the following formulae:

(a) in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket:

$$\text{Nominal Amount} \times \left[\text{Upside Participation} \times \text{Max} (\text{Basket Value} - 1, 0) \times \frac{FX\text{Final}}{FX\text{Initial}} \right];$$

(b) in respect of the Capital Protected Notes linked to a Global Stocks Basket:

$$\text{Nominal Amount} \times \left[1 + \text{Participation} \times \text{Max} (\text{Basket Value} - \text{Strike}, 0) \times \frac{FX\text{Final}}{FX\text{Initial}} \right]; \text{ or}$$

(c) in respect of the Capital Protected Notes linked to a US Basket:

$$\text{Nominal Amount} \times \left[1 + \text{Participation} \times \text{Max} (\text{Basket Value} - \text{Strike}, 0) \times \frac{FX\text{Final}}{FX\text{Initial}} \right],$$

in each case, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

Key related information

Basket: see the table attached;

Basket Value: an amount determined by the Calculation Agent in accordance with the following formula:

$$\left(\sum_{i=1}^n w_i \times \frac{S_{i,T}}{S_{i,0}} \right)$$

where:

n means the number of Shares comprised in each Basket, where n equals 10;

S_{i,0} means, with respect to each Share, the Initial Reference Price;

S_{i,T} means, with respect to each Share, the Final Reference Price; and

w_i means, with respect to each Share, the Weight specified as such in each Basket.

Exchange Rate: the rate of exchange between the Underlying Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

Expenses: all taxes, duties and/or expenses, including all applicable depository or transaction charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes or duties, arising in connection with any payment due in respect of such Security;

Final Exchange Rate: the mid Exchange Rate, quoted as an amount of the Settlement Currency for 1 USD, as determined by the Calculation Agent at or around 16:00 London time on Bloomberg page WMCO, or by reference to any other source as the Calculation Agent may reasonably determine to be appropriate at such time;

FX Final: the Final Exchange Rate on the Trading Day immediately following the final Valuation Date;

FX Initial: the Final Exchange Rate on the Pricing Date;

Initial Reference Price: in respect of each Share, the price of such Share quoted on the Exchange at the Valuation Time on the Pricing Date, as determined by or on behalf of the Calculation Agent, subject to adjustment;

Nominal Amount: in respect of each Security, SEK10,000;

Participation:

- (a) in respect of the Capital Protected Notes linked to a Global Stocks Basket, a participation rate to be determined by the Calculation Agent on or before 11th July, 2013 subject to a minimum of 80 per cent. The indicative participation is 120 per cent.; and
- (b) in respect of the Capital Protected Notes linked to a US Basket, a participation rate to be determined by the Calculation Agent on or before 11th July, 2013 subject to a minimum of 70 per cent. The indicative participation is 110 per cent.;

Pricing Date: 25th July, 2013, subject to adjustment;

Share means each of the shares specified as such in each Basket, subject to adjustment and **Shares** shall be construed accordingly;

Strike: 100 per cent.;

Trading Day: any day that is (or would have been) a trading day on each Exchange or Related Exchange other than a day on which trading on the Exchange or Related Exchange is scheduled to close prior to its regular weekday closing time;

Underlying Currency: means, in relation to each Share, the currency specified as such in each Basket;

Upside Participation: in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket, a participation rate to be determined by the Calculation Agent on or before 11th July, 2013 subject to a minimum of 70 per cent. The indicative participation is 100 per cent.;

Valuation Date is:

- (a) in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket, the 25th day of each month from (and including) 25th September, 2016 to (and including) 25th July, 2017;
- (b) in respect of the Capital Protected Notes linked to a Global Stocks Basket, the 25th day of each month from (and including) 25th July, 2017 to (and including) 25th July, 2018; and
- (c) in respect of the Capital Protected Notes linked to a US Basket, the 25th July day of each month from (and including) 25th July, 2017 to (and including) 25th July, 2018,

in each case, subject to adjustment;

Valuation Time: is the close of trading on the relevant Exchange in relation to a Share or such other time as the Issuer may select in its absolute discretion; and

Weight: in relation to each Share, the fraction specified as such in each Basket, subject to adjustment.

C19 Final reference price: The Final Reference Price of the Securities (by reference to which the Cash Amount is calculated) is, in respect of each Share, an amount equal to the arithmetic mean of the prices of the Share quoted on the Exchange at the Valuation Time on each Valuation Date, as determined by or on behalf of the Calculation Agent.

C20 Description of the type of underlying and where information on it can be found: The relevant baskets (each a **Basket**) of Shares to which the Securities are related are set out in the table attached.
Information on each Share can be found on the Bloomberg page specified under the heading "Share Company" in the table attached.

SECTION D: RISKS

D2 Key risks specific to the The Issuer could fail or otherwise be unable to make the payments owing under the Securities. If that

Issuer:

happens, you will not have the protection of any deposit insurance scheme and your Securities will not be secured, and you may lose some or all of your money.

As part of a leading global financial services group the Issuer is subject to a number of key risks of the RBS Group:

- The RBS Group's businesses and performance can be negatively affected by actual or perceived global economic and financial market conditions.
- The RBS Group has significant exposure to the continuing economic crisis in Europe.
- The RBS Group operates in markets that are highly competitive and its business and results of operations may be adversely affected.
- The RBS Group is subject to political risks.
- The RBS Group and its UK bank subsidiaries may face the risk of full nationalisation.
- HM Treasury (or UK Financial Investments Limited (UKFI) on its behalf) may be able to exercise a significant degree of influence over the RBS Group and any proposed offer or sale of its interests may affect the price of securities issued by the RBS Group.
- The RBS Group is subject to other global risks.
- The RBS Group's earnings and financial condition have been, and its future earnings and financial condition may continue to be, materially affected by depressed asset valuations resulting from poor market conditions.
- The financial performance of the RBS Group has been, and continues to be, materially affected by deteriorations in borrower and counterparty credit quality and further deteriorations could arise due to prevailing economic and market conditions and legal and regulatory developments.
- The value or effectiveness of any credit protection that the RBS Group has purchased depends on the value of the underlying assets and the financial condition of the insurers and counterparties.
- Changes in interest rates, foreign exchange rates, credit spreads, bond, equity and commodity prices, basis, volatility and correlation risks and other market factors have significantly affected and will continue to affect the RBS Group's business and results of operations.
- In the United Kingdom and in other jurisdictions, the RBS Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers.
- The RBS Group may be required to make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations.
- The RBS Group's ability to meet its obligations including its funding commitments depends on the RBS Group's ability to access sources of liquidity and funding.
- The RBS Group's business performance could be adversely affected if its capital is not managed effectively or as a result of changes to capital adequacy and liquidity requirements.
- The RBS Group's borrowing costs, its access to the debt capital markets and its liquidity depend significantly on its and the United Kingdom Government's credit ratings.
- If the RBS Group is unable to issue the Contingent B Shares to HM Treasury, it may have a material adverse impact on the RBS Group's capital position, liquidity, operating results and future prospects.
- The regulatory capital treatment of certain deferred tax assets recognised by the RBS Group depends on there being no adverse changes to regulatory requirements.
- The RBS Group's ability to implement its strategic plan depends on the success of the RBS

Group's refocus on its core strengths and its balance sheet reduction programme.

- The RBS Group is subject to a variety of risks as a result of implementing the State Aid restructuring plan.
- Each of the RBS Group's businesses is subject to substantial regulation and oversight. Significant regulatory developments and changes in the approach of the RBS Group's key regulators could have an adverse effect on how the RBS Group conducts its business and on its results of operations and financial condition.
- The RBS Group is subject to resolution procedures under current and proposed resolution and recovery schemes which may result in various actions being taken in relation to any securities of the RBS Group, including the write off, write-down or conversion of the RBS Group's securities.
- The RBS Group is subject to a number of regulatory initiatives which may adversely affect its business. The Independent Commission on Banking's final report on competition and possible structural reforms in the UK banking industry has been adopted by the UK Government which intends to implement the recommendations substantially as proposed. In addition other proposals to ring fence certain business activities and the US Federal Reserve's proposal for applying U.S. capital, liquidity and enhanced prudential standards to certain of the RBS Group's U.S. operations together with the UK reforms could require structural changes to the RBS Group's business. Any of these changes could have a material adverse effect on the RBS Group.
- The RBS Group is subject to a number of legal and regulatory actions and investigations. Unfavourable outcomes in such actions and investigations could have a material adverse effect on the RBS Group's operating results or reputation.
- The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate.
- The RBS Group's results could be adversely affected in the event of goodwill impairment.
- The recoverability of certain deferred tax assets recognised by the RBS Group depends on the RBS Group's ability to generate sufficient future taxable profits.
- Operational risks are inherent in the RBS Group's businesses.
- The RBS Group's operations are highly dependent on its information technology systems.
- The RBS Group may suffer losses due to employee misconduct.
- The RBS Group's operations have inherent reputational risk.
- The RBS Group could fail to attract or retain senior management, which may include members of the Board, or other key employees, and it may suffer if it does not maintain good employee relations.

D6 Key risks specific to the Securities and risk warning:

The following is key information on the key risks that are specific to the Securities:

- ***The value of the Securities is subject to market risk and other factors, and may be less than the purchase price:*** The value of the Securities may move up and down between their date of purchase and their maturity date. Several factors will influence the value of the Securities, many of which are beyond the Issuer's control. These include (amongst other things) changes in the value of the Shares, the volatility of the Shares, fluctuations in the rates of exchange of currencies relating to the Securities and/or the Shares, interest rates and the creditworthiness of the Issuer.
- ***Holders of Securities will have no rights in relation to the Shares:*** The obligations of the Issuer

are not secured, and the Issuer is under no obligation to hold the Shares. Holders of Securities will not have any legal or beneficial rights or interests in the Shares.

- ***The exercise by the Calculation Agent of its discretionary authority under the Securities may have a material adverse effect on the value of the Securities:*** The Calculation Agent has discretion to potentially make material determinations under the Securities. In exercising such discretion, the Calculation Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Holders. Any such determination may have a material adverse effect on the value of the Securities.
- ***The Securities may be an unsuitable investment depending on the investor's circumstances:*** The Securities may not be a suitable investment for all investors and each potential investor must determine the suitability in light of its own circumstances.
- ***There may be no secondary market for the Securities:*** There may not be a secondary market in the Securities. Therefore, investors may not be able to sell the Securities or may only be able to do so at a substantially reduced price.
- ***The issue size is not an indication of liquidity:*** 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 issue size is therefore not indicative of the depth or liquidity of the market or of the demand for the Securities.
- ***There may be a time lag in relation to settlement:*** There may be a delay between the Maturity Date of the Securities and the determination of the amount payable following such Maturity Date. Such delay may decrease (or increase) the return from the Securities.
- ***The Securities may terminate early or be adjusted for unforeseen events:*** The Issuer or Calculation Agent (as applicable) may elect to terminate the Securities early for reasons of illegality or U.S. withholding tax or where the aggregate Nominal Amount outstanding with respect to the Securities is less than the SEK equivalent of EUR 500,000 or where the percentage of the aggregate Nominal Amount outstanding with respect to the Securities is less than 5 per cent. of the originally issued Nominal Amount or upon a Force Majeure Event. In addition, the Issuer may adjust the terms and conditions or terminate the Securities upon the occurrence of certain events. In such case, Holders may realise a reduced return than had the Securities not been so terminated or adjusted, and may be unable to reinvest the proceeds in an investment providing an equivalent return.
- ***Events in relation to the Issuer's hedge positions could result in early termination or adjustments to the Securities:*** The Issuer's hedge position (if any) could be impacted by foreign exchange control, the insolvency of a hedging counterparty, the unenforceability of an associated hedging transaction or any other event which impairs the Issuer's hedge position. In such event, the Issuer may elect to terminate the Securities or adjust the terms and conditions to account for such impact on its hedge positions. Any such determination could have a material adverse effect on the value of the Securities.
- ***A Payment Disruption Event may lead to a delay in payment and, if it continues, to payment in an alternative currency:*** In the event that the Issuer determines that the Settlement Currency is not (or is not expected to be) available to the Issuer for the making of any payment due or shortly to be due under the Securities, then a Payment Disruption Event shall have occurred and such payment will be postponed until the event is no longer continuing. No interest shall be payable in the event of such postponement. If the Payment Disruption Event is still continuing 180 calendar days after the date on which notice of such Payment Disruption Event was first given, then the Issuer may make the outstanding payment in an alternate currency (at a rate of exchange determined by the Issuer, and after deduction of expenses for resolving the Payment Disruption Event).
- ***The Issuer, Calculation Agent and Dealer are subject to conflicts of interest:***

- In making calculations and determinations with regard to the Securities, there may be a difference of interest between the investors and the Issuer and Calculation Agent. The Issuer and its affiliated entities may have interests in other capacities (such as other business relationships and activities). Any determination made by the Issuer or Calculation Agent may have a negative impact on the value of the Securities.
- The Issuer and/or any of its affiliates may enter into transactions or carry out other activities in relation to the Shares which may affect the market price, liquidity or value of the Underlying or the Securities in a way which could be materially adverse to the interests of the Holders.

IN RESPECT OF THE NON-CAPITAL PROTECTED SECURITIES, INVESTING IN SECURITIES PUTS YOUR CAPITAL AT RISK. YOU MAY LOSE SOME OR UP TO ALL OF YOUR INVESTMENT.

SECTION E: OFFER

E2b	Reasons for the offer and use of proceeds:	The net proceeds from the issue of the Securities will be used by the Issuer for making profit and/or hedging certain risks.
E3	Terms and conditions of the offer:	The Securities are offered subject to the following conditions:
	Total amount of the offer:	The total amount of the offer in respect of each Series of the Securities is up to SEK100,000,000.
	Time period during which the offer will be open:	From (and including) 28th May, 2013 to (and including) 28th June, 2013, the Securities of the relevant Series may be offered by the Issuer for subscription to prospective investors but the Issuer reserves the right to close subscription early.
	Details of the minimum and/or maximum amount of application:	Investors are required to subscribe for a minimum of one (1) Security in number and thereafter in multiples of one (1) Security in number in respect of the relevant Series of the Securities. There is no maximum subscription amount in respect of any Series. The Issuer and/or the Dealer reserves the right, prior to the Issue Date, in its absolute discretion to: <ul style="list-style-type: none"> • decline in whole or in part an application for Securities such that a prospective purchaser for Securities may, in certain circumstances, not be issued the number of (or any) Securities for which it has applied; or • withdraw, cancel or modify the offer of the Securities.
	Method and time limits for paying up the Securities and for delivery of the Securities:	Each prospective purchaser should ascertain from the Dealer or the Authorised Offeror when the Dealer or the Authorised Offeror irrespectively, will require receipt of cleared funds from its clients in respect of applications for Securities and the manner in which payment should be made to the Dealer or the Authorised Offeror.
	Manner and date in which the results of the offer are to be made public:	The Issuer will, as soon as reasonably practicable after the end of the Offer Period, publish a notification on the website of the Luxembourg Stock Exchange (<i>www.bourse.lu</i>) setting out the total amount of the offer in respect of each Series of Securities in accordance with Article 8 of the Prospectus Directive.
	The various categories of potential investors to which the Securities are offered:	The Securities will be offered to both retail and qualified investors.
	Process of notification to applicants of the amount allotted:	A prospective investor submitting an application to purchase Securities will be notified by the Issuer, either directly or indirectly through the Dealer or the Authorised Offer, of the acceptance or otherwise of such application on or prior to the Issue Date.
	Pricing:	The Issuer Price of the Securities is as follows:

- in the case of Non-Capital Protected Notes linked to a Global Stocks Basket, 11 per cent.;
- in the case of Capital Protected Notes linked to a Global Stocks Basket, 100 per cent.; and
- in the case of Capital Protected Notes linked to a US Basket, 100 per cent.

There are no estimated expenses charged to the investor by the Issuer. For further information on taxes, please refer to the section entitled "*Taxation*".

E4	Interests material to the issue/offer including conflicting interests:	Fees shall be payable to the Dealer in respect of the Securities. The Issuer and its subsidiaries are subject to conflicts of interest between their own interests and those of holders of Securities, as described in " <i>Key risks specific to the Securities</i> " above.
E7	Estimated expenses charged to the investor by the Issuer:	Not applicable; there are no estimated expenses charged to the investor by the Issuer.

Table: Basket

The Basket in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket and the Capital Protected Notes linked to a Global Stocks Basket is as follows:

i	Share	Share Company	Exchange	Weight	Underlying Currency
1	The ordinary share of the Share Company (ISIN: GB0009895292)	AstraZeneca PLC (Bloomberg Code: AZN LN <EQUITY>))	London Stock Exchange	1/10	GBP
2	The ordinary share of the Share Company (ISIN: CH0012005267)	Novartis AG (Bloomberg Code: NOVN VX <EQUITY>))	SIX Stock Exchange	1/10	CHF
3	The ordinary share of the Share Company (ISIN: GB0009252882)	GlaxoSmithKline PLC (Bloomberg Code: GSK LN <EQUITY>))	London Stock Exchange	1/10	GBP
4	The ordinary share of the Share Company (ISIN: US00206R1023)	AT&T Inc. (Bloomberg Code: T UN <EQUITY>))	New York Stock Exchange	1/10	USD
5	The ordinary share of the Share Company (ISIN: JP3463000004)	Takeda Pharmaceutical Company Limited (Bloomberg Code: 4502 JT <EQUITY>))	Tokyo Stock Exchange	1/10	JPY
6	The ordinary share of the Share Company (ISIN: FR0000133308)	France Telecom SA (Bloomberg Code: FTE FP <EQUITY>))	Paris Stock Exchange	1/10	EUR
7	The ordinary share of the Share Company (ISIN: CNE1000001Z5)	Bank of China Ltd (Bloomberg Code: 3988 HK <EQUITY>))	Hong Kong Stock Exchange	1/10	HKD
8	The ordinary share of the Share Company (ISIN: US1567001060)	CenturyLink Inc. (Bloomberg Code: CTL UN <EQUITY>))	New York Stock Exchange	1/10	USD
9	The ordinary share of the Share Company (ISIN: IT0003132476)	Eni S.p.A. (Bloomberg Code: ENI IM <EQUITY>))	Borsa Italiana S.p.A.	1/10	EUR
10	The ordinary share of the Share Company (ISIN: SG1L01001701)	DBS Group Holdings Limited (Bloomberg Code: DBS SP <EQUITY>))	Singapore Stock Exchange	1/10	SGD

The Basket in respect of the Capital Protected Notes linked to a US Basket is as follows:

i	Share	Share Company	Exchange	Weight	Underlying Currency
1	The ordinary share of the Share Company (ISIN: US0028241000)	Abbott Laboratories (Bloomberg Code: ABT UN <EQUITY>))	New York Stock Exchange	1/10	USD
2	The ordinary share of the Share Company (ISIN: US1567001060)	CenturyLink Inc. (Bloomberg Code: CTL UN <EQUITY>))	New York Stock Exchange	1/10	USD
3	The ordinary share of the Share Company (ISIN:US1912161007)	The Coca-Cola Company (Bloomberg Code: KO UN <EQUITY>))	New York Stock Exchange	1/10	USD
4	The ordinary share of the Share Company (ISIN: US92343V1044)	Verizon Communications Inc. (Bloomberg Code: VZ UN <EQUITY>))	New York Stock Exchange	1/10	USD
5	The ordinary share of the Share Company (ISIN: US8425871071)	Southern Company (Bloomberg Code: SO US <EQUITY>))	New York Stock Exchange	1/10	USD
6	The ordinary share of the Share Company (ISIN: US00206R1023)	AT & T Inc. (Bloomberg Code: T UN <EQUITY>))	New York Stock Exchange	1/10	USD
7	The ordinary share of the Share Company (ISIN: US0255371017)	American Electric Power Company, Inc. (AEP) (Bloomberg Code: AEP UN <EQUITY>))	New York Stock Exchange	1/10	USD
8	The ordinary share of the Share Company (ISIN: US4781601046)	Johnson & Johnson (Bloomberg Code: JNJ UN <EQUITY>))	New York Stock Exchange	1/10	USD
9	The ordinary shares of the Share Company (ISIN: US30161N1019)	Exelon Corporation (Bloomberg Code: EXC UN <EQUITY>))	New York Stock Exchange	1/10	USD
10	The ordinary shares of the Share Company (ISIN: US4878361082)	Kellogg Company (Bloomberg Code: K UN <EQUITY>))	New York Stock Exchange	1/10	USD

in each case, subject to Product Condition 4;

RISK FACTORS

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

In addition, factors which are material for the purpose of assessing the market risks associated with Securities issued are also described below.

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

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

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

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

Securities are general unsecured obligations of the Issuer. Holders are exposed to the credit risk of the Issuer. The Securities will be adversely affected in the event of a default, reduced credit rating or deterioration in the solvency of the Issuer.

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

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

The Securities are notes which entail particular risks

The notes to be issued are investment instruments which at maturity or earlier termination pay the Cash Amount which may or may not be equal to the nominal amount of the relevant note. As such, each note will entail particular risks. Notes which are not capital protected may result in the Holder losing some or, in certain limited cases, all of his initial investment.

The price at which a Holder will be able to sell notes prior to their redemption may be at a potentially substantial discount to the market value of the notes at the issue date, if, at such time and in addition to any other factors, the value of the basket of Shares to which the Securities are linked (the **Underlying**) is below, equal to or not sufficiently above the value of the Underlying at the issue date.

The Securities may not be a suitable investment for all investors

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

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

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

The value of the Securities may fluctuate

The value of the Securities may move up and down between their date of purchase and their maturity date. Holders may sustain a total loss of their investment (unless the Securities are of a type in which capital is protected). Prospective purchasers should therefore ensure that they understand fully the nature of the Securities before they invest in the Securities.

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

- (a) *Valuation of the Underlying.* The market price of the Securities at any time is expected to be affected primarily by changes in the value of the Underlying. It is impossible to predict how the value of the relevant Underlying will vary over time. Factors which may have an affect on the value of the Underlying include the rate of return of the Shares and the financial position and prospects of the issuer

of the Shares. In addition, the value of the Underlying may depend on a number of interrelated factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. The value of the Underlying will also depend on the supply and demand of the Shares and whether there are any similar alternatives to the Shares. Potential investors should also note that whilst the market value of the Securities is linked to the relevant Underlying and will be influenced (positively or negatively) by it, any change may not be comparable and may be disproportionate. It is possible that while the Underlying is increasing in value, the value of the Securities may fall. Further, where no market value is available for a Share, the Calculation Agent may determine its value to be zero notwithstanding the fact that there may be no Market Disruption Event (including an Emerging Market Disruption Event) and/or no Potential Adjustment Events and/or no De-listing which apply.

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

Prospective purchasers should review the Conditions to ascertain how such provisions apply to the Securities.

- (f) *Creditworthiness.* Any person who purchases the Securities is relying upon the creditworthiness of the Issuer and has no recourse, in that respect, against any other person. The Securities constitute general, unsecured, contractual obligations of the Issuer and of no other person. Investors in Securities may therefore lose the entire value of their investment or part of it. The Securities rank pari passu among themselves.

There may not be a secondary market in the Securities

Potential investors should be willing to hold the Securities through their life. The nature and extent of any secondary market in the Securities cannot be predicted. As a consequence any person intending to hold the Securities should consider liquidity in the Securities as a risk. The Securities will be listed but this does not imply greater or lesser liquidity than if equivalent Securities were not so listed. Liquidity may also be affected by legal restrictions on offers for sale in certain jurisdictions. The Issuer may affect the liquidity of the

Securities by purchasing and holding the Securities for its own account during trading in the secondary market. Any such Securities may be resold at any time into the market.

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

- (a) providing a large bid/offer spread determined by the Issuer in its sole and absolute discretion by reference to the Issuer's own appreciation of the risks involved in providing such secondary market;
- (b) providing the timing that any secondary market quotation will remain actionable, or in any event, not longer than what the Issuer considers a reasonable time;
- (c) normal market conditions prevailing at such date; and
- (d) limiting the number of Securities in respect of which it is prepared to offer such secondary market.

Holders should note that the imposition of any of the above conditions may severely limit the availability of any such secondary market and may result in Holders receiving significantly less than they otherwise would have received if the Securities were redeemed at maturity.

The Issuer may determine a secondary market price in a different manner than other market participants, and prices can vary. Sometimes this variance may be substantial. If the Securities are not traded on any exchange, pricing information may be more difficult to obtain and the liquidity and price of the Securities may be adversely affected. The secondary market price of Securities will depend on a variety of factors including, but not limited to, the creditworthiness of the Issuer, the time to maturity or expiry of the Securities, the then current funding levels of the Issuer taking into consideration market conditions and the cost to replace a funding amount represented by the Securities being repurchased for a tenor equivalent to the time to maturity or expiry, and the value of the Shares. The bid/offer spread will be subject to the Issuer's discretion. Any market making activity commenced may be discontinued at any time.

In the event that a secondary market does not develop, it is unlikely that an investor in the Securities will be able to sell his Securities or at prices that will provide him with a yield comparable to similar investments that have a developed secondary market.

The Securities may be terminated early due to illegality, impracticality of maintaining its hedging arrangement, tax reasons, Force Majeure or certain other reasons

If the Issuer determines that the performance of its obligations under the Securities has become illegal or impractical in whole or in part for any reason or the Issuer determines that it is no longer legal or practical for it to maintain its hedging arrangement with respect to the Securities for any reason, or that it will become subject to U.S. withholding tax on payments made on the Securities, or upon a Force Majeure Event or if the aggregate Nominal Amount outstanding with respect to the Securities is less than the SEK equivalent of EUR 500,000 or the percentage of the aggregate Nominal Amount outstanding with respect to the Securities is less than 5 per cent. of the originally issued Nominal Amount, the Issuer may at its discretion and without obligation terminate early the Securities. If the Issuer terminates the Securities early, the Issuer will, if and to the extent permitted by applicable law, pay the Holder of each such Security the Early Termination Amount, which will be determined based on the fair market value of such Securities immediately prior to such redemption (which may be zero), taking into consideration all information which the Issuer deems relevant (including, without limitation, the circumstances that resulted in the events causing such redemption) less the cost to the Issuer and/or its affiliates of unwinding any related hedging arrangements in relation to such Securities (if applicable). The Early Termination Amount may be less than the Holder's initial investment, and may be zero.

Following any such early termination of the Securities, the purchasers of the Securities may not be able to reinvest the proceeds at any effective interest rate as high as the yield on the Securities being terminated. Purchasers of the Securities should consider reinvestment risk in light of other investments available at that time.

Over-Issuance

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

Purchasing the Securities as a hedge may not be effective

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

Actions taken by the Issuer may affect the value of the Securities

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

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

Disruption of the Issuers Hedge Position may affect the value of the Securities

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

In certain circumstances, including but not limited to, the insolvency of the hedging counterparty or the unenforceability of the associated hedging transaction, an investor may lose some or all of its investment.

Holders have no ownership interest in the Shares

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

Past performance of the Shares is not indicative of future performance

Any information about the past performance of the Shares at the time of the issuance of the Security should not be regarded as indicative of the range of, or trends in, fluctuations in the Shares that may occur in the future. Past performance should not be considered indicative of future performance as markets are unpredictable and subject to change.

A Payment Disruption Event may lead to a delay in payment and, if it continues, to payment in an alternate currency

In the event that the Issuer determines that the Settlement Currency is not (or is not expected to be) available to the Issuer for the making of any payment due or shortly to be due under the Securities, then a Payment Disruption Event shall have occurred and such payment will be postponed until the event is no longer continuing. No interest shall be payable in the event of such postponement. If the Payment Disruption Event is still continuing 180 calendar days after the date on which notice of such Payment Disruption Event was first given, then the Issuer may make the outstanding payment in an alternate currency (at a rate of exchange determined by the Issuer, and after deduction of expenses for resolving the Payment Disruption Event).

Actions taken by the Calculation Agent may affect the Shares

The Calculation Agent is the agent of the Issuer and not the agent of the Holders or any of them. The Issuer may itself act as the Calculation Agent. The Calculation Agent will make such adjustments as it considers appropriate as a consequence of certain corporate or other actions affecting the Shares. In making these adjustments the Calculation Agent is entitled to exercise substantial discretion and may be subject to conflicts of interest in exercising this discretion. The Calculation Agent is not required to make adjustments with respect to each and every corporate action.

Taxes may be payable by investors

Potential purchasers and sellers of the Securities should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Securities are transferred. Holders are subject to the provisions of General Condition 9 and payment and/or delivery of any amount due in respect of the Securities will be conditional upon the payment of any Expenses as provided in the Product Conditions.

Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

No tax gross-up

If payments on the Securities are or become subject to a withholding or deduction required by law on account of any present or future taxes, duties, assessments or governmental charges of whatever nature, the Issuer will make the required withholding or deduction, as the case may be, and neither the Issuer nor the Principal Agent nor any other person shall pay any additional amounts to the Holders in respect of such withholding or deduction. Please refer to section "*General Condition 9 - Taxation*".

Payments on the Securities may be subject to U.S. withholding tax and/or early termination on account of U.S. withholding tax

Due to recently enacted U.S. legislation, payments on any Security that are, in whole or in part, directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity (a **Dividend Equivalent Payment**) may become subject to a 30 per cent. U.S. withholding tax when made to a beneficial owner that is not: (i) a citizen or individual resident of the United States, as defined in Section 7701(b) of the U.S. Internal Revenue Code, (ii) a corporation, including any entity treated as a corporation for U.S. federal income tax purposes, created or organised in or under the laws of the United States, any State thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source; or (iv) a trust if (x) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more United States persons have the authority to control all substantial decisions of the trust, or (y) such trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person (a **Non-U.S. holder**). The imposition of this U.S. withholding tax will reduce the amounts received by Non-U.S. holders. Neither the Issuer nor the Principal Agent nor any other person shall pay any additional amounts to the Non-U.S. holders in respect of such U.S. withholding. Additionally, the Issuer may elect to terminate the Securities, in accordance with General Condition 3(b), should this U.S. withholding tax apply to any current or future payments on the Securities. If a Non-U.S. holder becomes subject to this withholding tax, the Non-U.S. holder may be able to claim any exemptions under its applicable double tax treaty. The application and interpretation of the rules governing U.S. withholding tax on Dividend Equivalent Payments is subject to change. The Securities may be terminated prior to their stated date.

U.S. Foreign Account Tax Compliance Withholding

The Issuer and other non-U.S. financial institutions through which payments on the Securities are made may be required to withhold U.S. tax at a rate of 30 per cent. on all, or a portion of, payments made after 31st December, 2016 in respect of (i) any Securities issued or materially modified on or after 1st January, 2013 (and (ii) any Securities which are treated as equity for U.S. federal tax purposes, whenever issued) pursuant to the foreign account provisions (**FATCA**) of the Hiring Incentives to Restore Employment Act of 2010. This withholding tax may be triggered if (i) the Issuer is a foreign financial institution (**FFI**) (as defined in FATCA) which enters into and complies with an agreement with the U.S. Internal Revenue Service (**IRS**) to provide certain information on its account holders (making the Issuer a **Participating FFI**), (ii) the Issuer has a positive "passthru percentage" (as defined in FATCA), and (iii) (a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA U.S. person or should otherwise be treated as holding a "United States Account" of such Issuer, or (b) any FFI to or through which payment on such Securities is made is not a Participating FFI or otherwise exempt from FATCA withholding.

The application of FATCA to principal or other amounts paid with respect to the Securities is not clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from principal or other payments on the Securities as a result of a holder's failure to comply with these rules or as a result of the presence in the payment chain of a non-Participating FFI, none of the Issuer, any paying agent or any other person would, pursuant to the Conditions, be required to pay additional amounts as a result of the deduction or withholding of such tax other than in respect of payments that the Issuer makes itself to the Agents (as defined in the Conditions). As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less principal than expected. Holders of the Securities should consult their own tax advisers on how these rules may apply to payments they receive under the Securities.

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

Risks associated with Securities held in dematerialised form

Securities which are held by or on behalf of Euroclear Sweden AB will be transferable only in accordance with the rules and procedures for the time being of Euroclear Sweden AB.

Risk associated with nominee arrangements

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

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

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

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

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

The return on an investment in Securities will be affected by any commissions or fees paid or received by the Issuer

An investor's total return on an investment in any Securities will be affected by (i) the level of any fees or commissions paid by the Issuer to any distributor(s), sales agent(s) or other intermediary(ies), or (ii) the level of any management or other fees paid to, or received by the Issuer from, third parties. Potential investors should consider the level of any such fees, the basis on which such fees are paid or received and the impact of such fees on the return on an investment in the Securities.

Capital protected Securities

Securities that are capital protected do not have their principal at risk of loss as a result of any fluctuations in the value of the Underlying. However, Holders still bear the risk that the assets of the Issuer which are intended to provide the source of repayment may default or for some other reason not provide the Issuer with enough funds to repay the principal of the Securities. In addition, capital protected Securities are only expected to provide the return of principal upon their maturity; upon any early termination of such Securities, Holders may receive significantly less than their principal amount. Also, capital protected securities are only expected to pay the principal amount at maturity; the principal amount may be less than (or more than) the price paid for the Securities by the investor. The amount of upside paid on such Securities may be dependent on the performance of the Underlying and is not protected as described in relation to principal.

Non-capital protected Securities

Securities that are not capital protected have their principal at risk of loss as a result of any fluctuations in the value of the Underlying. The principal invested in the Securities is at risk. Consequentially, at maturity of the Securities, Holders may receive significantly less than the principal amount of the Securities and may receive zero.

Risks associated with Securities linked to the Underlying

The Underlying is in each case a basket of Shares and the following are particular risks associated with the Shares:

If the Shares are highly correlated, any move in the performance of the Shares will exaggerate the impact on the value of the Securities

The correlation of Shares indicates the level of interdependence among the individual Shares with respect to their performance. If, for example, all of the Shares originate from the same sector and the same country, a high positive correlation may generally be assumed. Past rates of correlation may not be determinative of future rates of correlation. Investors should be aware that, though Shares may not appear to be correlated based on past performance, they may nevertheless suffer the same negative performance following a general downturn.

The negative performance of a Share may outweigh a positive performance of one or more other Shares

Even in the case of a positive performance by certain Shares, the performance of the Underlying as a whole may be negative if the performance of the other Shares is negative to a greater extent.

Risks associated with Shares

Factors affecting the performance of Shares may adversely affect the value of the Securities

The performance a Share is dependent upon macroeconomic factors, such as interest and price levels on the capital markets, currency developments, political factors as well as company-specific factors such as earnings position, market position, risk situation, ability to innovate, ability to retain key personnel, shareholder structure and dividend distribution policy.

Actions by the issuer of a Share may adversely affect the Securities

The issuer of a Share will have no involvement in the offer and sale of the Securities and will have no obligation to any purchaser of the Securities. The issuer of a Share may take any actions in respect of such Share without regard to the interests of the purchasers of the Securities, and any of these actions could adversely affect the market value of the Securities.

Determinations made by the Issuer in respect of Potential Adjustment Events, De-listing, Merger Event, Nationalisation and Insolvency may have an adverse effect on the value of the Securities

The adjustment events referred to in risk factor entitled "*Actions taken by the Calculation Agent may affect the Shares*" include Potential Adjustment Events, De-listing, Merger Event, Nationalisation and Insolvency. Potential Adjustment Events include (a) a sub-division, consolidation or re-classification of a Share, (b) a distribution or dividend to existing holders of the relevant Shares, (c) an extraordinary dividend, (d) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares, (e) a call of a Share that is not fully paid, (f) a repurchase by the Share Company of a Share and (g) any other similar event having a dilutive or concentrative effect on the theoretical value of the Share. A De-listing includes a Share for any reason ceasing to be listed or being suspended from listing on the Exchange. A Merger Event includes the consolidation of Shares with those of another entity or a take-over offer

or tender offer that results in transfer of the Shares to another entity. A Nationalisation includes all the Shares of a Share Company or all the assets or substantially all the assets of a Share Company being nationalised, expropriated or are otherwise required to be transferred to any governmental entity. A Merger Event includes the consolidation of Shares with those of another entity or a take-over offer or tender offer that results in transfer of the Shares to another entity.

Upon determining that a Potential Adjustment Event, a De-listing, a Merger Event, a Nationalisation or an Insolvency has occurred, the Issuer has discretion to make certain determinations to account for such event including (1) making adjustments to the Conditions of the Securities, and/or (2) (in the case of a De-listing, a Merger Event, a Nationalisation or an Insolvency) cause an early termination of the Securities, any of which determinations may have an adverse effect on the value of the Securities.

Loss of return of dividends in respect of most Securities linked to Shares

Holders of the Securities will not participate in dividends or other distributions paid on the Shares. Therefore, the return on such Securities will not reflect the return a Holder would have realised had it actually owned the Shares and received the dividends on them.

Change of law and jurisdiction

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

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Issuer. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Issuer's credit ratings are an assessment, by each rating agency, of its ability to pay its obligations, including those under the Securities. Credit ratings are subject to revision, suspension or withdrawal at any time by the assigning rating organisation in its sole discretion. However, because the return on the Securities is dependent upon factors in addition to the Issuer's ability to pay its obligations under the Securities, an improvement in its credit ratings will not necessarily increase the market price of the Securities and will not reduce market risk and other investment risks related to the Securities. Credit ratings (a) do not reflect market risk, which is the risk that the value of the Underlying may fall resulting in a loss of some or up to all of a Holder's investment and (b) do not address the price, if any, at which the Securities may be resold prior to exercise (which may be substantially less than the issue price of the Securities).

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Securities are legal investments for it, (ii) Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Securities. Financial

institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

Modification, waivers and substitution

The Issuer may decide to make modifications to the Securities without the consent of the Holders which may affect the Holders' interest either:

- (a) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest error, proven error or other defective provision, as determined by the Issuer; or
- (b) in any other manner which is not materially prejudicial to the interests of the Holders; or
- (c) for the purpose of the substitution of another company as principal debtor under any Securities in place of the Issuer, in the circumstances described in General Condition 8.

Factors relating to potential conflicts of interest of the Issuer

Calculations and determinations by the Issuer and Calculation Agent under the Securities

In making calculations and determinations with regard to the Securities, there may be a difference of interest between the investors and the Issuer and the Calculation Agent. Neither the Issuer nor the Calculation Agent has any obligations of agency or trust for any investors and neither the Issuer nor the Calculation Agent has any fiduciary obligations towards them. In particular, the Issuer and its affiliated entities may have interests in other capacities (such as other business relationships and activities). Prospective purchasers should be aware that any determination made by the Issuer or the Calculation Agent may have a negative impact on the value of the Securities. See also the risk factor entitled "*Actions taken by the Calculation Agent may affect the Shares*".

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 Holders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the terms and conditions that may influence the amount receivable on the Securities. The Calculation Agent is agent for the Issuer and not for the Holders.

Potential conflicts of interest may exist in the structure and operation of the issuance of the Securities and in the course of the normal business activities of the Issuer, the Calculation Agent and any of their respective affiliates or subsidiaries or their respective directors, officers, employees, representatives, delegates or agents (each a **person**). The Issuer or the Calculation Agent may make certain determinations with respect to the Securities (in accordance with the terms and conditions of the Securities) which can affect (positively or negatively) the value of the Securities.

During the course of their normal business, each person may enter into or promote, offer or sell transactions or investments (structured or otherwise) linked to one or more Shares. In addition, any person may have, or may have had, interests or positions, or may buy, sell or otherwise trade positions in or relating to one or more Shares, or may invest or engage in transactions with other entities, or on behalf of such entities relating to one or more Shares. Such activity may or may not have an impact on the value of the Securities but all investors should be aware that a conflict of interest could arise where anyone is acting in more than one capacity, and such conflict may have an impact, positive or negative on the value of the Securities. None of the Issuer, the Calculation Agent or any other person has any duty to consider the circumstances of any entities when participating in such transactions or to conduct themselves in a manner that is favourable to any investor in the Securities.

Further, each person may:

- (a) act as adviser and/or manager to clients in investment banking, financial advisory, asset management and other capacities notwithstanding that any such client may also be an obligor of any Shares or may be related to such an entity;
- (b) act in a proprietary capacity and to hold long or short positions in instruments of the same class or type as any Shares;
- (c) serve as directors (whether supervisory or managing), officers, employees, agents, nominees or signatories of any Share Company;
- (d) receive fees for services of any nature rendered to issuers or obligors of any Shares;
- (e) be a secured or unsecured creditor of any issuer or obligor of any Shares;
- (f) underwrite, act as a distributor of, or make a market in obligations of any issuer or obligor of any Shares and to enter into derivative contracts with any such entity or that relate to any such entity or to obligations of any such entity;
- (g) serve as a member of any "creditors' committee" or informal workout group with respect to the issuer or obligor of any Shares; and
- (h) have multiple advisory, transactional, financial and other interests in the issuers or obligors of any Shares.

Hedging and dealing activities may adversely affect the value of the Securities

The Issuer and/or any of its affiliates may carry out activities that minimise its and/or their risks related to the Securities, including effecting transactions for their own account or for the account of their customers and hold long or short positions in the Shares whether for risk reduction purposes or otherwise. In addition, in connection with the offering of any Securities, the Issuer and/or any of its affiliates may enter into one or more hedging transactions with respect to the Shares. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by the Issuer and/or any of its affiliates, the Issuer and/or any of its affiliates may enter into transactions in the Shares which may affect the market price, liquidity or value of the Shares and/or the Securities and which could be deemed to be adverse to the interests of the Holders. The Issuer and/or its affiliates are likely to modify their hedging positions throughout the life of the Securities whether by effecting transactions in the Shares or in derivatives linked to the Shares. Any such activities may adversely affect the value of the Securities and/or may delay settlement in respect of the Securities.

The Issuer may have confidential information relating to the Securities and the Shares

The Issuer and its affiliates (and any of their employees) may from time to time, by virtue of their status as underwriter, advisor or otherwise, possess or have access to information relating to the Securities, the Shares and any derivative instruments referencing them. None of the Issuer or its affiliates will be obliged (and may be subject to legal prohibition) to disclose any such information to a purchaser of the Securities, even where such information may be material to the decision by an investor as to whether or not to purchase the Securities.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. The registration document of the Issuer dated 12th March, 2013 (the **Registration Document**), which was published via the Regulatory News Service of the London Stock Exchange plc (**RNS**) on 13th March, 2013, excluding:

- (i) the sub-section headed "*Assets, owners' equity and capital ratios*" in the section headed "*Description of The Royal Bank of Scotland plc*";
- (ii) the sub-section headed "*No Significant Change and No Material Adverse Change*" under the section headed "*General Information*"; and
- (iii) the sub-section headed "*Large exposure regime*" under the section headed "*Description of The Royal Bank of Scotland plc*",

but including the information set out at the following pages in particular:

- (i) all persons responsible for the information given in the Registration Document; Page 1
- (ii) a declaration by those responsible for the Registration Document that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import; Page 1
- (iii) prominent disclosure of risk factors that may affect the Issuer's ability to fulfil its obligations under the Securities to investors; Pages 3 to 24
- (iv) the legal and commercial name of the Issuer; Pages 1 and 25
- (v) the place of registration of the Issuer and its registration number; Page 25
- (vi) the date of incorporation; Page 25
- (vii) the domicile and legal form of the Issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its principal place of business; Pages 25 and 66
- (viii) a brief description of the Issuer's principal activities stating the main categories of products sold and/or services performed; Pages 25 and 26 to 28
- (ix) an indication of any significant new products and/or activities; Page 28
- (x) a brief description of the principal markets in which the Issuer competes; Pages 26 to 27
- (xi) a brief description of the RBS Group and of the Issuer's position within it; Pages 25 to 26
- (xii) information on any known trends, uncertainties, demands, Pages 3 to 10 and

	commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year;	26
(xiii)	names, business addresses and functions in the Issuer of the following persons, and an indication of the principal activities performed by them outside the Issuer where these are significant with respect to the Issuer: (a) members of the administrative, management or supervisory bodies; and (b) partners with unlimited liability, in the case of a limited partnership with a share capital;	Pages 42 to 45
(xiv)	administrative, management, and supervisory bodies conflicts of interests;	Page 45
(xv)	statement as to whether the Issuer is directly or indirectly owned or controlled and by whom, and the nature of such control, and describe the measures in place to ensure that such control is not abused;	Pages 28 to 30
(xvi)	a description of any arrangements, known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer;	Page 29
(xvii)	information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer and/or Group's financial position or profitability;	Pages 30 to 34
(xviii)	a brief summary of all material contracts that are not entered into in the ordinary course of the Issuer's business, which could result in any group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to security holders in respect of the Securities;	Page 60
(xix)	a confirmation that information sourced from a third party has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading and the source(s) of the information; and	Page 2
(xx)	a statement that for the life of the Registration Document the following documents (or copies thereof), where applicable, may be inspected: (a) the memorandum and articles of association of the Issuer, (b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's request any part of which is included or referred to in the Registration Document; (c) the historical financial information of the Issuer or, in the case of the group, the historical financial information of the Issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the Registration Document, and an indication of where the documents on display may be inspected, by physical or electronic means.	Page 59

The information incorporated by reference that is not included in the cross-reference list above, is considered as additional information and is not required by the relevant schedules of the Commission Regulation (EC) No 809/2004, as amended (the **Prospectus Regulation**).

2. The annual report and accounts of the Issuer for the year ended 31st December, 2012, published via RNS on 5th April, 2013, excluding:

- (i) the section headed "*Financial Review – Risk Factors*" on page 7; and
- (ii) the section headed "*Additional Information – Risk Factors*" on pages 323-335,

but including the information set out at the following pages in particular:

- (i) Independent auditor's report on page 203;
- (ii) Consolidated income statement on page 204;
- (iii) Consolidated statement of comprehensive income on page 205;
- (iv) Balance Sheets on page 206;
- (v) Statements of changes in equity on pages 207 to 208;
- (vi) Cash flow statements on page 209;
- (vii) Accounting policies on pages 210 to 221;
- (viii) Notes on the accounts on pages 222 to 319;
- (ix) Additional Information on pages to 320-322;
- (x) Board of directors and secretary on page 2;
- (xi) Presentation of information on page 3;
- (xii) Financial Review on pages 4 to 6 and pages 8 to 24;
- (xiii) Risk and balance sheet management on pages 25 to 196;
- (xiv) Report of the Directors on pages 197 to 201;
- (xv) Statement of directors' responsibilities on page 202; and
- (xvi) Glossary of terms on pages 336 to 343.

The information incorporated by reference that is not included in the cross-reference list above, is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.

3. The annual report and accounts of the Issuer (including the audited consolidated annual financial statements of the Issuer, together with the audit report thereon) for the year ended 31st December, 2011, published via RNS on 26th March, 2012, excluding:

- (i) the section headed "*Financial Review – Risk Factors*" on page 6; and

(ii) the section headed "*Additional Information – Risk Factors*" on pages 283-296,

but including the information set out at the following pages in particular:

- (i) Independent auditor's report on page 168;
- (ii) Consolidated income statement on page 169;
- (iii) Consolidated statement of comprehensive income on page 170;
- (iv) Balance sheets on page 171;
- (v) Statements of changes in equity on pages 172 to 173;
- (vi) Cash flow statements on page 174;
- (vii) Accounting policies on pages 175 to 186;
- (viii) Notes on the accounts on pages 187 to 280;
- (ix) Additional Information on pages 281-282;
- (x) Board of directors and secretary on page 2;
- (xi) Financial Review on pages 3 to 5 and pages 7 to 162;
- (xii) Report of the Directors on pages 163 to 166;
- (xiii) Statement of directors' responsibilities on page 167; and
- (xiv) Glossary of terms on pages 297 to 304.

The information incorporated by reference that is not included in the cross-reference list above, is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.

- 4. The unaudited interim management statement Q1 2013 of RBSG, which was published via RNS on 3rd May, 2013.
- 5. The following sections of the annual report and accounts of RBSG for the year ended 31st December, 2012, which were published via RNS on 27th March, 2013:
 - (i) Independent auditor's report on page 352;
 - (ii) Consolidated income statement on page 353;
 - (iii) Consolidated statement of comprehensive income on page 354;
 - (iv) Consolidated balance sheet on page 355;
 - (v) Consolidated statement of changes in equity on pages 356 to 358;
 - (vi) Consolidated cash flow statement on page 359;
 - (vii) Accounting policies on pages 360 to 372;

- (viii) Notes on the consolidated accounts on pages 373 to 474;
- (ix) Parent company financial statements and notes on pages 475 to 486;
- (x) Essential reading – Highlights on pages 2 to 3;
- (xi) Chairman's statement on pages 10 to 11;
- (xii) Group Chief Executive's review on pages 12 to 13;
- (xiii) Our key targets on page 15;
- (xiv) Our business and our strategy on pages 16 to 20;
- (xv) Divisional review on pages 21 to 32;
- (xvi) Business review on pages 36 to 293;
- (xvii) Corporate governance on pages 303 to 308;
- (xviii) Letter from the Chair of the Group Performance and Remuneration Committee on pages 320 to 321;
- (xix) Directors' remuneration report on pages 322 to 342;
- (xx) Compliance report on pages 343 to 344;
- (xxi) Report of the Directors on pages 345 to 349;
- (xxii) Statement of directors' responsibilities on page 350;
- (xxiii) Financial Summary on pages 488 to 497;
- (xxiv) Exchange rates on page 498;
- (xxv) Economic and monetary environment on page 499;
- (xxvi) Supervision on page 500;
- (xxvii) Description of property and equipment on page 501;
- (xxviii) Major shareholders on page 501;
- (xxix) Material contracts on pages 501 to 502; and
- (xxx) Glossary of terms on pages 528 to 535.

The information incorporated by reference that is not included in the cross-reference list above, is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.

6. The following sections of the annual report and accounts of RBSG for the year ended 31st December, 2011, which were published via RNS on 9th March, 2012:
 - (i) Independent auditor's report on page 306;

- (ii) Consolidated income statement on page 307;
- (iii) Consolidated statement of comprehensive income on page 308;
- (iv) Consolidated balance sheet as at 31st December, 2011 on page 309;
- (v) Consolidated statement of changes in equity on pages 310 to 312;
- (vi) Consolidated cash flow statement on page 313;
- (vii) Accounting policies on pages 314 to 326;
- (viii) Notes on the consolidated accounts on pages 327 to 419;
- (ix) Parent company financial statements and notes on pages 420 to 431;
- (x) Essential reading – Highlights on page 1;
- (xi) Chairman's statement on page 9;
- (xii) Group Chief Executive's review on pages 10 to 11;
- (xiii) Our key targets on page 13;
- (xiv) Our business and our strategy on pages 14 to 18;
- (xv) Divisional review on pages 19 to 29;
- (xvi) Business review on pages 32 to 249;
- (xvii) Corporate governance on pages 258 to 262;
- (xviii) Letter from the Chair of the Group Remuneration Committee on pages 272 to 273;
- (xix) Directors' remuneration report on pages 274 to 295;
- (xx) Report of the Directors on pages 298 to 302;
- (xxi) Directors' interests in shares on page 303;
- (xxii) Financial Summary on pages 433 to 441;
- (xxiii) Exchange rates on page 441;
- (xxiv) Economic and monetary environment on page 442;
- (xxv) Supervision on page 443;
- (xxvi) Regulatory developments and reviews on page 444;
- (xxvii) Description of property and equipment on page 445;
- (xxviii) Major shareholders on page 445;
- (xxix) Material contracts on pages 445 to 450; and

(xxx) Glossary of terms on pages 476 to 483.

The information incorporated by reference that is not included in the cross-reference list above, is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.

7. The entire press release entitled "*RBS announces planned management changes*", which was published via the RNS on 9th May, 2013.

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

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

Copies of the above documents can be obtained from the registered office of the Issuer at 36 St Andrew Square, Edinburgh, EH2 2YB, Scotland and on <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad>; Tel. 00 44 (0)131 523 3636. This Prospectus and the documents incorporated by reference herein are also available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

The Issuer will in the event of any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of any Securities, prepare a supplement to this Prospectus.

Material Changes

Material changes of the Issuer's financial between the date of this Prospectus and the date the Securities are admitted to trading on the Luxembourg Stock Exchange's regulated market and listed on the Official List of the Luxembourg Stock Exchange will trigger the need for a supplement to this Prospectus under Article 16 of Directive 2003/71/EC. Any supplements to this Prospectus are accessible at <http://markets.rbs.com/bparchive> or <http://markets.rbs.com/launchpad> and can be obtained, on request, free of charge, by writing or telephoning, The Royal Bank of Scotland Group Investor Relations, 280 Bishopsgate, London EC2M 4RB, United Kingdom, telephone +44 207 672 1758, email investor.relations@rbs.com or at the registered office of the Issuer at 250 Bishopsgate, London EC2M 4AA, United Kingdom. Any supplements to this Prospectus will also be available for viewing on the website of the Luxembourg Stock Exchange (www.bourse.lu).

CONDITIONS: GENERAL CONDITIONS

The General Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the Product Conditions. The Product Conditions and the General Conditions together constitute the Conditions of the Securities.

1. DEFINITIONS

Terms in capitals which are not defined in these General Conditions shall have the meanings ascribed to them in the Product Conditions. References in these General Conditions to the Conditions shall mean these General Conditions and, in relation to any Securities, the Product Conditions applicable to those Securities.

2. STATUS

The Securities constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* among themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory provisions of law.

3. EARLY TERMINATION

- (a) The Issuer shall have the right to terminate the Securities if it shall have determined in its absolute discretion that its performance thereunder shall have become unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present or future law, rule, regulation, judgement, order or directive of any governmental, administrative, legislative or judicial authority or power (**Applicable Law**). In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination (ignoring such illegality) less the cost to the Issuer of unwinding any related hedging arrangements (the **Early Termination Amount**). Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4.
- (b) The Issuer shall have the right to terminate the Securities if it shall have determined, acting in good faith and in a commercially reasonable manner, that (i) payments made on the Securities are, in whole or in part, directly or indirectly contingent upon, or determined by reference to, the payment of a dividend from a U.S. entity and that these payments have or will become subject to U.S. withholding tax or (ii) following a change in any Applicable Law, or in the interpretation thereof, the performance of its obligations under the Securities (A) has resulted in or (B) will result in, the Issuer or any affiliate not being entitled to tax relief in respect of any losses, costs or expenses incurred in relation to such Securities, in each case where any such amounts are material to the Issuer. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder the Early Termination Amount, which payment will constitute full and final settlement of all its payment obligations under the Securities. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4.
- (c) The Issuer shall have the right to terminate the Securities, in whole but not in part, if it shall have determined, acting in good faith and in a commercially reasonable manner, that (i) the aggregate Nominal Amount outstanding with respect to the Securities is less than the SEK equivalent of EUR 500,000 or (ii) the percentage of aggregate Nominal Amount outstanding with respect to the Securities is less than 5 per cent. of the originally issued Nominal Amount.

In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder the Early Termination Amount, which payment will constitute full and final settlement of all its payment obligations under the Securities. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4.

- (d) The Issuer shall be deemed to be not in breach of any of its obligations under the Securities or otherwise liable to a Holder for any delay in performance, or any non-performance, of any of its obligations (including as regards any payments due) under the Securities where and for so long as the delay or non-performance is, in the determination of the Issuer (acting in good faith and in a commercially reasonable manner), arising out of or due to the occurrence of a Force Majeure Event, provided that:
- (i) the Issuer could not have avoided the effect of the Force Majeure Event by taking precautions which, having regard to all matters known to it before the occurrence of the Force Majeure Event and relevant factors, it ought reasonably to have taken but did not take; and
 - (ii) the Issuer has used reasonable endeavours to mitigate the effect of the Force Majeure Event and to carry out its obligations under the Securities in any other way that is practicable (excluding any endeavours which would result in a material loss or expense to the Issuer).

The Issuer shall notify Holders of the nature and extent of the circumstances giving rise to the Force Majeure Event in accordance with General Condition 4.

If the relevant Force Majeure Event prevails for a continuous period in excess of three months after the date on which it began, then any Holder may, by written notice to the Issuer at the specified office of the Principal Agent, effective upon the date of receipt thereof by the Principal Agent, declare any Security held by such Holder to be immediately due and payable whereupon the same shall become immediately due and payable at the Early Termination Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

A **Force Majeure Event** means any event due to any cause (including an act of God, fire, epidemic, explosion, flood, earthquake, typhoon; riot, civil commotion or unrest, insurrection, terrorism, sabotage, war; strike, lockout or industrial action of any kind; nationalisation, expropriation or other related governmental actions; any law, order or regulation of a governmental, supranational or regulatory body (whether lawful or unlawful), including any requisition or involuntary transfer; regulation of the banking or securities industry including changes in market rules, currency restrictions, devaluations, fluctuations, or restrictions on convertibility or transferability; market conditions affecting the execution or settlement of transactions or the value of assets; any securities exchange or other data source ceasing to provide data to the Issuer necessary for the creation, compilation, composition, maintenance, calculation and publication of the Securities, or materially restricting the Issuer's right to redistribute data received from exchange or data source; and unavailability, breakdown, failure or malfunction of any telecommunications or other communications, computer services or systems, or other cause) beyond the reasonable control of the Issuer which restricts, prevents, prohibits or renders impossible or impracticable the performance of the obligations of the Issuer contemplated by the Securities and which could not, after using all reasonable efforts (which will not require the Issuer to incur extraordinary expenses), overcome such restriction, prevention, prohibition, impossibility or impracticability.

4. NOTICES

- (a) Notices to Holders shall be given by the delivery of the relevant notice to the Clearing Agent with an instruction from the Issuer to the Clearing Agent to communicate such notice to the Holders. The Issuer shall also ensure that notices are duly published, to the extent required, in a manner which complies (i) with the rules of any stock exchange or other relevant authority on which the Securities are for the time being listed or in the country in which such Securities have been admitted to trading and (ii) with any relevant legislation. For so long as the Securities are admitted to trading on, and listed on the Official List of, the Luxembourg Stock Exchange, any such notice will be published on the website of the Luxembourg Stock Exchange (*www.bourse.lu*).
- (b) Any such notice issued pursuant to General Condition 4(a) by being delivered to the Clearing Agent(s) for communication to the Holders, as applicable, will be deemed to have been given on the date of the delivery of such notice to the Clearing Agent. Any such notice issued pursuant to General Condition 4(a) by being published will be deemed to have been given on the date of the first publication (for the avoidance of doubt, such notice having been published by any valid means) or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

5. HEDGING DISRUPTION

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

- (iv) a material decline in the creditworthiness of a party with whom the Issuer has entered into any such Relevant Hedging Transaction; or
- (v) the general unavailability of: (A) market participants who will agree to enter into a Relevant Hedging Transaction; or (B) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

In the Conditions:

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

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

- (c) Consequences. The Issuer, in the event of a Hedging Disruption Event, may determine to:
 - (i) terminate the Securities. In such circumstances the Issuer will, however, if and to the extent permitted by the Applicable Law, pay to each Holder in respect of each Security held by such Holder an amount calculated by it as the fair market value of the Security immediately prior to such termination less the cost to the Issuer of unwinding any related hedging arrangements. Where the Securities contain provisions which provide a minimum assured return of principal, howsoever expressed, on the Settlement Date or Maturity Date (as defined in the relevant Product Conditions, or otherwise, a date that is the Settlement Date) as applicable, any such amount to be paid under this General Condition shall not be less than the present value of such minimum assured return of principal having regard to prevailing market rates, credit spreads and market liquidity, such present value being determined by the Calculation Agent. Payment will be made to the Holder in such manner as shall be notified to the Holder in accordance with General Condition 4;
 - (ii) make an adjustment in good faith to the relevant reference asset by removing the Disrupted Instrument at its fair market value (which may be zero). Upon any such removal the Issuer may: (A) hold any notional proceeds (if any) arising as a consequence thereof and adjust the terms of payment and/or delivery in respect of the Securities; or (B) notionally reinvest such proceeds in other reference asset(s) if so permitted under the Conditions (including the reference asset(s) to which the Securities relate);
 - (iii) make any other adjustment to the Conditions as it considers appropriate in order to maintain the theoretical value of the Securities after adjusting for the relevant Hedging Disruption Event. Where the Securities contain provisions which provide a minimum assured return of principal, howsoever expressed, on the Settlement Date or Maturity Date, as applicable, any such adjustment will in no way affect the Issuer's obligations to make payment to the Holders not less than the minimum assured return of principal on the relevant Settlement Date or Maturity Date, as applicable.
- (d) The Issuer may also make adjustments to the Conditions if it determines that an event has occurred which, whilst not a Hedging Disruption Event or other disruption event as specified

in Product Condition 4, is likely to have a material adverse effect on the Issuer's Hedge Position. Where the Issuer makes adjustments to the Conditions pursuant to this General Condition 5(d), the Issuer shall notify the Holders thereof and shall offer to purchase from Holders for a period of not less than 10 days any Securities held by them at their fair market value (as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner and taking into account the proposed adjustment) less the cost to the Issuer of unwinding any Relevant Hedging Transaction.

6. PURCHASES, FURTHER ISSUES BY THE ISSUER AND PRESCRIPTION

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

7. DETERMINATIONS AND MODIFICATIONS

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

- (b) Modifications. The Issuer may, without the consent of the Holders or any of them, modify any provision of the Conditions which is: (i) of a formal, minor or technical nature; (ii) made to correct a manifest error, proven error or defective provision, as determined by the Issuer; or (iii) in its absolute discretion, not materially prejudicial to the interests of the Holders. Notice of any such modification will be given to the Holders in accordance with General Condition 4 but failure to give, or non-receipt of, such notice will not affect the validity of any such modification.

8. SUBSTITUTION

- (a) Substitution of Issuer. The Issuer may at any time without the consent of the Holders substitute for itself as issuer of the Securities with regard to any and all rights, obligations and liabilities under and in connection with the Securities:
- (A) any entity (i) which acquires all or substantially all of the undertaking and/or assets of the Issuer or (ii) which acquires the beneficial ownership of the whole of the issued voting stock and/or share capital of the Issuer or (iii) into which the Issuer is amalgamated, merged or reconstructed and where the Issuer is not the continuing company (such entity, a **Successor in Business** or the **Substitute**) subject to the Issuer having given at least 30 days' prior notice of the date of such substitution to the Holders in accordance with General Condition 4; or
- (B) the holding company of the Issuer (the holding company currently being The Royal Bank of Scotland Group plc, company number SC045551) (the **Holding Company** or the **Substitute**) subject to the Issuer having given at least 30 days' prior notice of the date of such substitution to the Holders in accordance with General Condition 4; or
- (C) any entity other than a Successor in Business or the Holding Company (also, the **Substitute**), subject to the Issuer having given at least 30 days' prior notice of the date of such substitution to the Holders in accordance with General Condition 4; and the Issuer having issued a legal, valid and binding guarantee of the obligations and liabilities of the Substitute under the Securities for the benefit of each and any of the Holders,

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

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

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

9. TAXATION

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other similar payment which may arise as a result of the ownership or transfer of any Securities. In relation to each Security the relevant Holder shall pay all Expenses as provided in the Product Conditions. All payments or, as the case may be, deliveries in respect of the Securities will be subject in all cases to all applicable fiscal and other laws and regulations (including, where applicable, laws or agreements with

any governmental authority requiring the deduction or withholding for, or on account of, any tax duty or other charge whatsoever). The Holder shall be liable for and/or pay any tax, duty or charge in connection with the ownership of and/or any transfer, payment or delivery in respect of the Securities held by such Holder. The Issuer shall have the right, but shall not be obliged, to withhold or deduct from any amount payable such amount, as shall be necessary to account for or to pay any such tax, duty, charge, withholding or other payment.

10. ADJUSTMENTS FOR EUROPEAN MONETARY UNION

- (a) Redenomination. The Issuer may, without the consent of any Holder, on giving notice to the Holders in accordance with General Condition 4 elect that, with effect from the Adjustment Date specified in such notice, certain terms of the Securities shall be redenominated in euro. The election will have effect as follows:
- (i) where the Settlement Currency is the National Currency Unit of a country which is participating in the third stage of European Economic and Monetary Union pursuant to the Treaty, such Settlement Currency shall be deemed to be an amount of euro converted from the original Settlement Currency into euro at the Established Rate, subject to such provisions (if any) as to rounding as the Issuer may decide and as may be specified in the notice, and after the Adjustment Date, all payments in respect of the Securities will be made solely in euro as though references in the Securities to the Settlement Currency were to euro;
 - (ii) where the Conditions contain a rate of exchange or any of the Conditions are expressed in a National Currency Unit (the **Original Currency**) of a country which is participating in the third stage of European Economic and Monetary Union pursuant to the Treaty, such rate of exchange and/or any other terms of the Conditions shall be deemed to be expressed in or, in the case of a rate of exchange, converted for or, as the case may be into, euro at the Established Rate; and
 - (iii) such other changes shall be made to the Conditions as the Issuer may decide to conform them to conventions then applicable to instruments expressed in euro.
- (b) Adjustment to Conditions. The Issuer may, without the consent of the Holders, on giving notice to the Holders in accordance with General Condition 4 make such adjustments to the Conditions as the Issuer may determine to be appropriate to account for the effect of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Conditions.
- (c) Euro Conversion Costs. Notwithstanding General Condition 10(a) and/or General Condition 10(b), none of the Issuer, the Calculation Agent nor any Agent shall be liable to any Holder or other person for any commissions, costs, losses or expenses in relation to or resulting from the transfer of euro or any currency conversion or rounding effected in connection therewith.
- (d) Definitions Relating to European Economic and Monetary Union. In this General Condition, the following expressions have the meanings set out below.

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

Established Rate means the rate for the conversion of the Original Currency or, as the case may be, the Settlement Currency (including compliance with rules relating to rounding in

accordance with applicable European community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

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

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

11. AGENTS

- (a) Principal Agent and Agents. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint further or additional Agents, provided that no termination of appointment of the Principal Agent shall become effective until a replacement Principal Agent shall have been appointed and provided that, if and to the extent that any of the Securities are listed on any stock exchange or publicly offered in any jurisdiction, there shall be an Agent having a specified office in each country required by the rules and regulation of each such stock exchange and each such jurisdiction. Notice of any appointment, or termination of appointment, or any change in the specified office, of any Agent will be given to Holders in accordance with General Condition 4. Each Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Holders or any of them. Any calculations or determinations in respect of the Securities made by an Agent shall (save in the case of manifest error) be final, conclusive and binding on the Holders.
- (b) Calculation Agent. The Issuer shall undertake the duties of calculation agent (the **Calculation Agent** which expression shall include any successor calculation agent or assignee as approved by the Issuer) in respect of the Securities unless the Issuer decides to appoint a successor Calculation Agent in accordance with the provisions below.

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

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

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

12. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

13. GOVERNING LAW AND JURISDICTION

- (a) The Securities and any non-contractual obligations arising out of or in connection with the Securities, are governed by and shall be construed in accordance with English law.
- (b) The courts of England have exclusive jurisdiction to settle any dispute (including any dispute relating to any non-contractual obligations) that may arise from or in connection with any Securities and accordingly any legal action or proceedings arising out of or in connection with them shall be brought in such courts.
- (c) The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any dispute and, accordingly, that it will not argue to the contrary.

14. METHOD OF PAYMENT AND PAYMENT DISRUPTION

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

Payments in respect of the Securities will be made subject to and in accordance with the Rules (as defined in the Product Condition 2).

In the event that the Issuer (acting in good faith and in a commercially reasonable manner) determines that a Payment Disruption Event (as defined below) has occurred in relation to any payment due (or shortly to be due) under the Securities (the **Relevant Payment**) the Issuer shall as soon as reasonably practicable notify the Holders of such determination in accordance with General Condition 4.

Upon the occurrence of a Payment Disruption Event the relevant payment date (and the Issuer's obligation to make the Relevant Payment) shall be postponed to a date falling on the earlier of:

- (a) the date falling as soon as reasonably practicable after the date on which the Issuer (acting in good faith and in a commercially reasonable manner) has determined that the Payment Disruption Event is no longer continuing; and
- (b) the date falling 180 calendar days after the date on which the notice of the Payment Disruption Event was given by the Issuer under General Condition 4 (the **Cut-Off Date**).

Notwithstanding anything else:

- (i) any payments made in accordance with this General Condition 14 shall be made after deduction of any costs, expenses or liabilities incurred or to be incurred by or on behalf of the Issuer (as determined by the Issuer, acting in good faith and in a commercially reasonable manner) in connection with or arising from the resolution of the relevant Payment Disruption Event(s); and
- (ii) no interest shall be payable by the Issuer in respect of any delay which may occur in the payment of any amounts due and payable under the Securities as a result of the operation of this General Condition 14.

In the event that a Payment Disruption Event is still occurring on the Cut-Off Date and (the relevant payment date for payment of the Relevant Payment is postponed to the Cut-Off Date, then the Issuer may satisfy its obligation to pay the Relevant Payment by making a payment of an equivalent amount

in another currency (at a relevant rate of exchange as determined by the Issuer acting in good faith and in a commercially reasonable manner).

A **Payment Disruption Event** shall have occurred in relation to a Relevant Payment where, in the determination of the Issuer (acting in good faith and in a commercially reasonable manner), the Settlement Currency is not (or is not expected to be) available to the Issuer for the making of the Relevant Payment on the relevant payment date. Circumstances where a Payment Disruption Event shall have occurred may include (without limitation) (x) the imposition (or announcement of the impending imposition) of exchange controls in the jurisdiction of the Settlement Currency, (y) the Settlement Currency no longer being used by the government of the country (or countries of the currency block) issuing that currency or by public institutions within the international banking community for the settlement of transactions, or (z) any other event beyond the control of the Issuer which could make it impracticable or impossible for the Issuer to obtain the Settlement Currency in order to make the Relevant Payment under the Securities.

This General Condition 14 shall be without prejudice to the Issuer's ability to make elections under General Condition 10.

15. COMMISSIONS, FEES AND REBATES

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

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

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

16. EVENTS OF DEFAULT

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

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

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

Event of Default Early Termination Amount means an amount calculated by the Calculation Agent as the fair market value of the Security immediately prior to such Event of Default. Where the Securities contain provisions which provide a minimum assured return of principal, howsoever expressed, on the Settlement Date or Maturity Date, as applicable, any such amount to be paid under this General Condition shall not be less than the present value of such minimum assured return of principal, such present value being determined by the Calculation Agent.

CONDITIONS: PRODUCT CONDITIONS

relating to

Non-Capital Protected Notes linked to a Global Stocks Basket

Capital Protected Notes linked to a Global Stocks Basket

Capital Protected Notes linked to a US Basket

The Product Conditions which follow relate to the Securities (as defined below) and must be read in conjunction with, and are subject to, the General Conditions. The Product Conditions and the General Conditions together constitute the Conditions of the Securities.

1. DEFINITIONS

Agent means each of the Principal Agent and Skandinaviska Enskilda Banken AB (publ) Merchant Banking of Rissneleden 110, 106 40 Stockholm, Sweden, each acting through its specified office and, together, the **Agents** which expression shall include any other Agent appointed pursuant to the provisions of General Condition 12;

Basket means:

- (a) in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket and the Capital Protected Notes linked to a Global Stocks Basket:

i	Share	Share Company	Exchange	Weight	Underlying Currency
1	The ordinary share of the Share Company (ISIN: GB0009895292)	AstraZeneca PLC (Bloomberg Code: AZN LN <EQUITY>))	London Stock Exchange	1/10	GBp
2	The ordinary share of the Share Company (ISIN: CH0012005267)	Novartis AG (Bloomberg Code: NOVNVX <EQUITY>))	SIX Stock Exchange	1/10	CHF
3	The ordinary share of the Share Company (ISIN: GB0009252882)	GlaxoSmithKline PLC (Bloomberg Code: GSK LN <EQUITY>))	London Stock Exchange	1/10	GBp
4	The ordinary share of the Share Company (ISIN: US00206R1023)	AT&T Inc. (Bloomberg Code: TUN <EQUITY>))	New York Stock Exchange	1/10	USD

i	Share	Share Company	Exchange	Weight	Underlying Currency
5	The ordinary share of the Share Company (ISIN: JP3463000004)	Takeda Pharmaceutical Company Limited (Bloomberg Code: 4502 JT <EQUITY>)	Tokyo Stock Exchange	1/10	JPY
6	The ordinary share of the Share Company (ISIN: FR0000133308)	France Telecom SA (Bloomberg Code: FTE FP <EQUITY>)	Paris Stock Exchange	1/10	EUR
7	The ordinary share of the Share Company (ISIN: CNE1000001Z5)	Bank of China Ltd (Bloomberg Code: 3988 HK <EQUITY>)	Hong Kong Stock Exchange	1/10	HKD
8	The ordinary share of the Share Company (ISIN: US1567001060)	CenturyLink Inc. (Bloomberg Code: CTL UN <EQUITY>)	New York Stock Exchange	1/10	USD
9	The ordinary share of the Share Company (ISIN: IT0003132476)	Eni S.p.A. (Bloomberg Code: ENI IM <EQUITY>)	Borsa Italiana S.p.A.	1/10	EUR
10	The ordinary share of the Share Company (ISIN: SG1L01001701)	DBS Group Holdings Limited (Bloomberg Code: DBS SP <EQUITY>)	Singapore Stock Exchange	1/10	SGD

(b) in respect of the Capital Protected Notes linked to a US Basket:

i	Share	Share Company	Exchange	Weight	Underlying Currency
1	The ordinary share of the Share Company (ISIN: US0028241000)	Abbott Laboratories (Bloomberg Code: ABT UN <EQUITY>)	New York Stock Exchange	1/10	USD
2	The ordinary share of the Share Company (ISIN: US1567001060)	CenturyLink Inc. (Bloomberg Code: CTL UN <EQUITY>)	New York Stock Exchange	1/10	USD

i	Share	Share Company	Exchange	Weight	Underlying Currency
3	The ordinary share of the Share Company (ISIN:US1912161007)	The Coca-Cola Company (Bloomberg Code: KO UN <EQUITY>)	New York Stock Exchange	1/10	USD
4	The ordinary share of the Share Company (ISIN: US92343V1044)	Verizon Communications Inc. (Bloomberg Code: VZ UN <EQUITY>)	New York Stock Exchange	1/10	USD
5	The ordinary share of the Share Company (ISIN: US8425871071)	Southern Company (Bloomberg Code: SO US <EQUITY>)	New York Stock Exchange	1/10	USD
6	The ordinary share of the Share Company (ISIN: US00206R1023)	AT & T Inc. (Bloomberg Code: T UN <EQUITY>)	New York Stock Exchange	1/10	USD
7	The ordinary share of the Share Company (ISIN: US0255371017)	American Electric Power Company, Inc. (AEP) (Bloomberg Code: AEP UN <EQUITY>)	New York Stock Exchange	1/10	USD
8	The ordinary share of the Share Company (ISIN: US4781601046)	Johnson & Johnson (Bloomberg Code: JNJ UN <EQUITY>)	New York Stock Exchange	1/10	USD
9	The ordinary shares of the Share Company (ISIN: US30161N1019)	Exelon Corporation (Bloomberg Code: EXC UN <EQUITY>)	New York Stock Exchange	1/10	USD
10	The ordinary shares of the Share Company (ISIN: US4878361082)	Kellogg Company (Bloomberg Code: K UN <EQUITY>)	New York Stock Exchange	1/10	USD

subject to Product Condition 4;

Basket Value means an amount determined by the Calculation Agent in accordance with the following formula:

$$\left(\sum_{i=1}^n w_i \times \frac{S_{i,T}}{S_{i,0}} \right)$$

where:

n means the number of Shares comprised in the Basket, where n equals 10;

Si,0 means, with respect to each Share, the Initial Reference Price;

Si,T means, with respect to each Share, the Final Reference Price; and

w_i means, with respect to each Share, the Weight specified as such in the definition of Basket;

Business Day means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which each Clearing Agent is open for business;

Cash Amount means, in respect of SEK10,000 in Nominal Amount of Securities:

(a) in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket:

$$\text{Nominal Amount} \times \left[\text{Upside Participation} \times \text{Max} (\text{Basket Value} - 1, 0) \times \frac{\text{FXFinal}}{\text{FXInitial}} \right];$$

(b) in respect of the Capital Protected Notes linked to a Global Stocks Basket:

$$\text{Nominal Amount} \times \left[1 + \text{Participation} \times \text{Max} (\text{Basket Value} - \text{Strike}, 0) \times \frac{\text{FXFinal}}{\text{FXInitial}} \right]; \text{ and}$$

(c) in respect of the Capital Protected Notes linked to a US Basket:

$$\text{Nominal Amount} \times \left[1 + \text{Participation} \times \text{Max} (\text{Basket Value} - \text{Strike}, 0) \times \frac{\text{FXFinal}}{\text{FXInitial}} \right],$$

in each case, less Expenses. The Cash Amount shall be rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards;

Clearing Agent means Euroclear Sweden AB and such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (each a **Clearing Agent** and together the **Clearing Agents**);

Emerging Market Disruption Event means each of the following events:

(i) Moratorium. A general moratorium is declared in respect of banking activities in the country in which the Exchange or any Related Exchange is located or in the principal financial centre of the Relevant Currency; or

- (ii) Price Source Disruption. It becomes impossible to obtain the Relevant Currency Exchange Rate on any relevant date, in the inter-bank market; or
- (iii) Governmental Default. With respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
- (iv) Inconvertibility/non-transferability. The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Relevant Currency Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Relevant Currency or (B) generally makes it impossible to deliver the Relevant Currency from accounts in the country of the principal financial centre of the Relevant Currency to accounts outside such jurisdiction or the Relevant Currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- (v) Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any of its affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Relevant Currency; or
- (vi) Illiquidity. It is impossible to obtain a firm quote for the Relevant Currency Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- (vii) Change in Law. A change in law in the country of the principal financial centre of the Relevant Currency which may affect the ownership in and/or the transferability of the Relevant Currency; or
- (viii) Imposition of Tax/Levy. The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Relevant Currency; or
- (ix) Unavailability of Settlement Currency. The unavailability of the Settlement Currency in the country of the principal financial centre of the Relevant Currency, or where the Settlement Currency is the Relevant Currency, the unavailability of the Relevant Currency in the principal financial centre of any other applicable currency; or
- (x) Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Securities;

Exchange means, with respect to each Share, the exchange or quotation system specified as such in the definition of Basket or any successor to such exchange or quotation system;

Exchange Rate means the rate of exchange between the Underlying Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time;

Expenses means all taxes, duties and/or expenses, including all applicable depository or transaction charges, stamp duties, stamp duty reserve tax, issue, registration, securities transfer and/or other taxes (including any financial transaction tax imposed by a government authority) or duties arising in connection with any payment due in respect of such Security;

Final Exchange Rate means the mid Exchange Rate, quoted as an amount of the Settlement Currency for 1 USD, as determined by the Calculation Agent at or around 16:00 London time on Bloomberg page WMCO, or by reference to any other source as the Calculation Agent may reasonably determine to be appropriate at such time;

Final Reference Price means, in respect of each Share, an amount equal to the arithmetic mean of the prices of the Share quoted on the Exchange at the Valuation Time on each Valuation Date, as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction or (if, in the determination of the Calculation Agent, no such price can be determined and no Market Disruption Event has occurred and is continuing) an amount determined by the Calculation Agent as its good faith estimate of the price of the Share, on such date having regard to the then prevailing market conditions, the last reported trading price of the Share on the Exchange and such other factors as the Calculation Agent determines relevant, subject to adjustment in accordance with Product Condition 4;

FX Final means the Final Exchange Rate on the Trading Day immediately following the final Valuation Date;

FX Initial means the Final Exchange Rate on the Pricing Date;

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

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

Issue Date means 25th July, 2013;

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

Market Disruption Event means each event specified as such in Product Condition 4 and any Emerging Market Disruption Event;

Maturity Date means:

- (a) in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket, 8th August, 2017;
- (b) in respect of the Capital Protected Notes linked to a Global Stocks Basket, 8th August, 2018; and
- (c) in respect of the Capital Protected Notes linked to a US Basket, 8th August, 2018;

Nominal Amount means, in respect of each Security, SEK10,000;

Participation means:

- (a) in respect of the Capital Protected Notes linked to a Global Stocks Basket, a participation rate to be determined by the Calculation Agent on or before 11th July, 2013 subject to a minimum of 80 per cent. The indicative participation is 120 per cent.; and
- (b) in respect of the Capital Protected Notes linked to a US Basket, a participation rate to be determined by the Calculation Agent on or before 11th July, 2013 subject to a minimum of 70 per cent. The indicative participation is 110 per cent.

Payment Day means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in Stockholm;

Pricing Date means 25th July, 2013, subject to adjustment by the Issuer in adverse market conditions if, in the opinion of the Issuer, circumstances so require;

Principal Agent means The Royal Bank of Scotland plc;

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

Relevant Currency means the Settlement Currency, the lawful currency in which the underlying of the Security or any constituent of such underlying is denominated, from time to time, or the lawful currency of the country in which the Exchange or the primary exchange on which an underlying or any constituent of such underlying, is located provided that Relevant Currency shall not include any lawful currency that is a Standard Currency;

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

Securities means:

- (a) the Non-Capital Protected Notes linked to a Global Stocks Basket;
- (b) the Capital Protected Notes linked to a Global Stocks Basket; and
- (c) the Capital Protected Notes linked to a US Basket,

and each such note a **Security**. References to the terms **Securities** and **Security** shall be construed severally with respect to each such Series;

Series means each series of Securities;

Settlement Currency means Swedish Krona (**SEK**);

Settlement Date means the Maturity Date or, if later, the tenth Business Day following the final Valuation Date;

Share means each of the shares specified as such in the definition of Basket, subject to Product Condition 4 and **Shares** shall be construed accordingly;

Share Company means, in relation to each Share, the share company specified as such in the definition of Basket, subject to Product Condition 4;

Specified Trading Days means 8 or, in respect of an Emerging Market Disruption Event only, 180;

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

Strike means 100 per cent.;

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

Underlying Currency means, in relation to each Share, the currency specified as such in the definition of Basket;

Upside Participation means, in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket, a participation rate to be determined by the Calculation Agent on or before 11th July, 2013 subject to a minimum of 70 per cent. The indicative participation is 100 per cent.;

Valuation Date means:

- (a) in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket, the 25th day of each month from (and including) 25th September, 2016 to (and including) 25th July, 2017;
- (b) in respect of the Capital Protected Notes linked to a Global Stocks Basket, the 25th day of each month from (and including) 25th July, 2017 to (and including) 25th July, 2018; and
- (c) in respect of the Capital Protected Notes linked to a US Basket, the 25th July day of each month from (and including) 25th July, 2017 to (and including) 25th July, 2018,

or, if such day is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the Specified Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Valuation Date. In that case the last Specified Trading Day shall be deemed to be the Valuation Date (regardless of the Market Disruption Event);

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

Weight means, in relation to each Share, the fraction specified as such in the definition of Basket, subject to adjustment in accordance with Product Condition 4.

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

2. FORM

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

The Issuer has agreed with Euroclear Sweden that, so long as the Securities are accepted for clearance through Euroclear Sweden, any substitution of the Issuer in accordance General Condition 8 will comply with the requirements of Euroclear Sweden and, in particular, any Substitute will be acceptable to Euroclear Sweden.

3. RIGHTS AND PROCEDURES

- (a) Redemption on the Settlement Date. Unless previously redeemed or purchased and cancelled and subject as provided by the Conditions, each Security will be redeemed by the Issuer at the Cash Amount, such redemption to occur, subject as provided below, on the Settlement Date.
- (b) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until the next following Payment Day and, in either case, the Holder shall not be entitled to any interest or other payment in respect of such delay or acceleration of payment.
- (c) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent or any Agent shall have any responsibility for any errors or omissions in the calculation of the Cash Amount. The purchase of Securities does not confer on any holder of such Securities any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.
- (d) Settlement Risk. Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated as a result of any such laws, regulations or practices. Neither the Issuer nor any Agent shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (e) Method of Payment. Subject as provided below, payments will be made by an Agent on behalf of the Issuer in the Settlement Currency to an account specified by the payee with, or by a cheque in such Settlement Currency drawn on, a bank in the principal financial centre of Sweden. Payments will be made via the Clearing Agent(s) and will be made in accordance

with the Rules (if applicable). All payments will be subject to applicable fiscal and legal requirements applicable thereto.

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

4. ADJUSTMENTS

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

Market Disruption Event means:

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

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

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

The Calculation Agent may, but need not, determine the adjustment by reference to the adjustment in respect of such Potential Adjustment Event made by an options exchange to

options on the Shares traded on that options exchange. Upon making any such adjustment, the Calculation Agent shall notify the Holders in accordance with General Condition 4, stating the adjustment to be made to the Conditions and giving brief details of the Potential Adjustment Event.

Potential Adjustment Event means any of the following: (A) a subdivision, consolidation or reclassification of relevant Shares (unless a Merger Event) or a free distribution or dividend of such Shares to existing holders by way of bonus, capitalisation, recapitalisation or similar issue; (B) a distribution or dividend to existing holders of the relevant Shares of the relevant Shares of (aa) such Shares, or (bb) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares, or (cc) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other) at less than the prevailing market price as determined by the Calculation Agent; (C) an extraordinary dividend; (D) a distribution of cash dividends on the Shares equal to or greater than 8 per cent. per annum of the then current market value of the Shares; (E) a call by the Share Company in respect of relevant Shares that are not fully paid; (F) a repurchase by the Share Company of relevant Shares whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise; or (G) any other similar event that may have a diluting or concentrative effect on the theoretical value of the relevant Shares.

- (c) De-listing, Merger Event, Nationalisation and Insolvency. If a De-listing, Merger Event, Nationalisation or Insolvency occurs in relation to the Share Company, the Issuer in its sole and absolute discretion may take the action described in (1), (2) or (3) below:
- (1) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any of the other terms of these Conditions to account for the De-listing, Merger Event, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but is under no obligation to) determine the appropriate adjustment by reference to the adjustment in respect of the De-listing, Merger Event, Nationalisation or Insolvency made by any Related Exchange to options contracts or futures contracts or other derivatives contracts on the Shares traded on such Related Exchange; or
 - (2) cancel the Securities by giving notice to Holders in accordance with General Condition 4. If the Securities are to be cancelled the Issuer will pay an amount to each Holder in respect of each Security held by him which amount shall be the fair market value of a Security (taking into account the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be)) on the day selected for cancellation as shall be selected by the Issuer in its sole and absolute discretion adjusted to account fully for any losses, expenses and costs to the Issuer and/or any affiliate of the Issuer of unwinding or adjusting any underlying or related hedging arrangements (including but not limited to any equity options or selling or otherwise realising any Shares or other instruments of any type whatsoever which the Issuer and/or any of its affiliates may hold as part of such hedging arrangements), all as determined by the Calculation Agent in its sole and absolute discretion. Payment will be made in such manner as shall be notified to the Holders in accordance with General Condition 4; or
 - (3) following any adjustment to the settlement of terms of options contracts or futures contracts or any other derivatives contracts on the Shares traded on any Related Exchange, require the Calculation Agent to make a corresponding adjustment to any of the other terms of these Conditions, which adjustment will be effective as of the

date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If options contracts or futures contracts or other derivatives contracts on the Shares are not traded on the Related Exchange, the Calculation Agent will make such adjustment, if any, to any of the other terms of these Conditions as the Calculation Agent in its sole and absolute discretion determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the De-listing, Merger Event, Nationalisation or Insolvency (as the case may be) that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such options contracts or futures contracts or other derivatives contracts were so traded.

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

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

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

Merger Event means any (1) reclassification or change to the Shares that results in a transfer of or an irrevocable commitment to transfer all or a majority of the outstanding Shares; (2) consolidation, amalgamation, merger or binding share exchange of a Share Company with or into another entity (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in any such reclassification or change to all the outstanding Shares); or (3) take-over offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100 per cent. of the outstanding Shares that results in a transfer of, or an irrevocable commitment to transfer a majority of the voting power of the Share Company to the offeror, in each case if the Merger Date is on or before the Valuation Date.

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

Insolvency means that by reason of the voluntary or involuntary liquidation, bankruptcy or insolvency of or any analogous proceeding affecting a Share Company, (1) all the Shares are required to be transferred to a receiver, trustee, liquidator or other similar official or (2) holders of the Shares of that Share Company become legally prohibited from transferring them.

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

USE OF PROCEEDS

The net proceeds from the issue of the Securities will be used by the Issuer for making profit and/or hedging certain risks.

INFORMATION RELATING TO THE UNDERLYING

The Underlying is:

- (a) in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket and the Capital Protected Notes linked to a Global Stocks Basket:

i	Share	Share Company	Exchange	Weight	Underlying Currency
1	The ordinary share of the Share Company (ISIN: GB0009895292)	AstraZeneca PLC (Bloomberg Code: AZN LN <EQUITY>))	London Stock Exchange	1/10	GBP
2	The ordinary share of the Share Company (ISIN: CH0012005267)	Novartis AG (Bloomberg Code: NOVN VX <EQUITY>))	SIX Stock Exchange	1/10	CHF
3	The ordinary share of the Share Company (ISIN: GB0009252882)	GlaxoSmithKline PLC (Bloomberg Code: GSK LN <EQUITY>)	London Stock Exchange	1/10	GBP
4	The ordinary share of the Share Company (ISIN: US00206R1023)	AT&T Inc. (Bloomberg Code: T UN <EQUITY>)	New York Stock Exchange	1/10	USD
5	The ordinary share of the Share Company (ISIN: JP3463000004)	Takeda Pharmaceutical Company Limited (Bloomberg Code: 4502 JT <EQUITY>)	Tokyo Stock Exchange	1/10	JPY
6	The ordinary share of the Share Company (ISIN: FR0000133308)	France Telecom SA (Bloomberg Code: FTE FP <EQUITY>)	Paris Stock Exchange	1/10	EUR
7	The ordinary share of the Share Company (ISIN: CNE1000001Z5)	Bank of China Ltd (Bloomberg Code: 3988 HK <EQUITY>)	Hong Kong Stock Exchange	1/10	HKD
8	The ordinary share of the Share Company (ISIN: US1567001060)	CenturyLink Inc. (Bloomberg Code: CTL UN <EQUITY>)	New York Stock Exchange	1/10	USD
9	The ordinary share of the Share Company (ISIN: IT0003132476)	Eni S.p.A. (Bloomberg Code: ENI IM <EQUITY>)	Borsa Italiana S.p.A.	1/10	EUR
10	The ordinary share of the Share Company (ISIN: SG1L01001701)	DBS Group Holdings Limited (Bloomberg Code: DBS SP <EQUITY>)	Singapore Stock Exchange	1/10	SGD

(b) in respect of the Capital Protected Notes linked to a US Basket:

i	Share	Share Company	Exchange	Weight	Underlying Currency
1	The ordinary share of the Share Company (ISIN: US0028241000)	Abbott Laboratories (Bloomberg Code: ABT UN <EQUITY>)	New York Stock Exchange	1/10	USD
2	The ordinary share of the Share Company (ISIN: US1567001060)	CenturyLink Inc. (Bloomberg Code: CTL UN <EQUITY>)	New York Stock Exchange	1/10	USD
3	The ordinary share of the Share Company (ISIN: US1912161007)	The Coca-Cola Company (Bloomberg Code: KO UN <EQUITY>)	New York Stock Exchange	1/10	USD
4	The ordinary share of the Share Company (ISIN: US92343V1044)	Verizon Communications Inc. (Bloomberg Code: VZ UN <EQUITY>)	New York Stock Exchange	1/10	USD
5	The ordinary share of the Share Company (ISIN: US8425871071)	Southern Company (Bloomberg Code: SO US <EQUITY>)	New York Stock Exchange	1/10	USD
6	The ordinary share of the Share Company (ISIN: US00206R1023)	AT & T Inc. (Bloomberg Code: T UN <EQUITY>)	New York Stock Exchange	1/10	USD
7	The ordinary share of the Share Company (ISIN: US0255371017)	American Electric Power Company, Inc. (AEP) (Bloomberg Code: AEP UN <EQUITY>)	New York Stock Exchange	1/10	USD
8	The ordinary share of the Share Company (ISIN: US4781601046)	Johnson & Johnson (Bloomberg Code: JNJ UN <EQUITY>)	New York Stock Exchange	1/10	USD
9	The ordinary shares of the Share Company (ISIN: US30161N1019)	Exelon Corporation (Bloomberg Code: EXC UN <EQUITY>)	New York Stock Exchange	1/10	USD
10	The ordinary shares of the Share Company (ISIN: US4878361082)	Kellogg Company (Bloomberg Code: K UN <EQUITY>)	New York Stock Exchange	1/10	USD

Performance of Underlying, explanation of effect on value of investment and associated risks and other information concerning the Underlying:

(a) in respect of the Securities:

General: Fluctuations in the value of the Underlying will have an effect on the value of the Securities throughout the life of the Securities and at maturity/expiration. The value of the Underlying may go down or up throughout the life of the Securities.

Positive Correlation: All other things being equal, positive performance of the Underlying will have a positive effect on the value of the Securities at maturity/expiration, and negative performance of the Underlying will have a negative effect on the value of the Securities at maturity/expiration.

Equal Weighting in Basket: Equal weighting of each constituent in the basket means that the value or performance of each constituent will have an equal influence on the value of the Securities at maturity/expiration.

FX Adjustment: The value of the Securities at maturity/expiration will be affected both by the value or performance of the Underlying and by the performance of the relevant FX rate between the currency of the Underlying and the currency of the Securities.

- (b) in respect of the Non-Capital Protected Notes linked to a Global Stocks Basket:

No Capital Protection: All other things being equal, the value or performance of the Underlying will affect the value of the Securities at maturity/expiration, to such an extent that the value of the Securities at maturity/expiration may be zero.

In case Upside Participation (UP) is fixed below 100 per cent.

Less than 100 per cent. Participation: Any increase in the value or performance of the Underlying will have a lesser effect on the value of the Securities at maturity/expiration than would have been the case if the Securities had been exposed to 100 per cent. of the value or performance of the Underlying.

In case Upside Participation (UP) is fixed above 100 per cent.

Greater than 100 per cent. Participation: Any increase in the value or performance of the Underlying will have a greater effect on the value of the Securities at maturity/expiration than would have been the case if the Securities had been exposed to 100 per cent. of the value or performance of the Underlying.

- (c) in respect of the Capital Protected Notes linked to a Global Stocks Basket and Capital Protected Notes linked to a US Basket:

Capital Protection: The minimum value of the Securities at maturity/expiration will equal 100 per cent., irrespective of the value or performance of the Underlying.

If Participation is fixed above 100 per cent.

Greater than 100 per cent. Participation: Any increase in the value or performance of the Underlying will have a greater effect on the value of the Securities at maturity/expiration than would have been the case if the Securities had been exposed to 100 per cent. of the value or performance of the Underlying.

If Participation is fixed below 100 per cent.

Less than 100 per cent. Participation: Any increase in the value or performance of the Underlying will have a lesser effect on the value of the Securities at maturity/expiration than would have been the case if the Securities had been exposed to 100 per cent. of the value or performance of the Underlying.

General information about the Shares

The name of the issuer of each Share is specified under the columns headed "Share Company" in the tables above.

The ISIN of each Share is specified under the columns headed "Shares" in the tables above.

The weight of each Share is specified under the columns headed "Weight" in the tables above.

Page where information about the past and future performance of the Shares and their volatility can be obtained

Information in respect of each Share can be obtained from the relevant Bloomberg page specified under the columns headed "Share Company" in the tables above.

TAXATION

Potential purchasers who are in any doubt about their tax position on purchase, ownership or transfer of any Security should consult their professional tax advisers.

1. GENERAL

Purchasers of Securities may be required to pay stamp taxes and/or other charges in accordance with the laws and practices of the country of purchase in addition to the issue or purchase price of each Security.

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty or other payment which may arise as a result of the ownership or transfer of any Securities.

Prospective purchasers should be aware that tax treatment depends on the individual circumstances of each purchaser and may be subject to change in the future.

2. EU SAVINGS DIRECTIVE

Under EC Council Directive 2003/48/EC on the taxation of savings income (the **Directive**), EU member states, subject to the following exceptions, are required to provide to the tax authorities of another EU member state details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other EU member state or to certain limited types of entities established in that other EU member state. However, for a transitional period Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

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

Furthermore, the Luxembourg Government has announced its intention to introduce, as of 1st January, 2015, automatic exchange of information with respect to the Directive.

3. UNITED KINGDOM

The following applies only to persons who are the beneficial owners of Securities and is a summary of the Issuer's understanding of current United Kingdom tax law and United Kingdom HM Revenue & Customs (HMRC) practice relating only to certain aspects of United Kingdom taxation. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Securities and should not be relied upon by Holders or prospective Holders of Securities. Some aspects do not apply to certain classes of person (such as persons carrying on a trade of dealing in Securities and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Holders of Securities depends on their individual circumstances and may be subject to change in the future. The precise tax treatment of a Holder of Securities will depend on the terms of the Securities, as specified in the Conditions of the Securities. For United Kingdom tax purposes, the term "Security" or "Securities" refers to instruments of the type described in this Prospectus and is not intended to be determinative (or indicative) of the nature of the instrument for the purposes of United Kingdom taxation. Prospective Holders of Securities who may be subject to tax in a

jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

Withholding on account of United Kingdom tax

Payments made in respect of the Securities may be made without deduction or withholding for or on account of United Kingdom income tax.

Holders of Securities may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner) from any person in the United Kingdom who either pays or credits interest (or amounts treated as interest) to or receives interest (or amounts treated as interest) for the benefit of a Holder of Securities. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Securities which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5th April, 2014. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Holder of Securities is resident for tax purposes.

Stamp Duty

Stamp duty on the issue of Securities

No stamp duty will be payable on the issue of Securities.

Stamp duty on the transfer of Securities

No United Kingdom stamp duty should be required to be paid on transfers of Securities on sale provided no instrument of transfer is used to complete such sales.

An instrument transferring Securities on sale may be subject to stamp duty at a rate of 0.5 per cent. (or 1.5 per cent. in the case of a transfer to a Clearance Service (as defined below) or to a person issuing depositary receipts) of the consideration paid for the Securities if the Securities are not Exempt Loan Capital.

Stamp duty on the redemption of Securities

No United Kingdom stamp duty should be payable in relation to the redemption of a Security which is cash settled.

Stamp Duty Reserve Tax (SDRT)

SDRT on the issue of Securities to a Clearance Service

Following the ECJ decision in C-569/07 HSBC Holdings plc and Vidacos Nominees Ltd v The Commissioners of Her Majesty's Revenue & Customs (Case C-569/07) and the First-tier Tax Tribunal decision in HSBC Holdings Plc and the Bank of New York Mellon Corporation v The Commissioners of Her Majesty's Revenue & Customs, HMRC has indicated that it will not seek to collect 1.5 per cent. SDRT where new shares or securities are first issued to an EU or non-EU clearance service or EU or non-EU depositary receipt system. Accordingly, no SDRT should be payable on the issue of the Securities into such a clearing service.

SDRT on the transfer of Securities held within a Clearance Service where no s97A Election has been made

SDRT should generally not be payable in relation to an agreement to transfer a Security held within a Clearance Service provided that no election under s97A applies in respect of the Security.

4. LUXEMBOURG

The following description is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Securities should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Withholding Tax

Non-resident holders of Securities

Under Luxembourg general tax laws currently in force and subject to the laws of 21st June, 2005 as amended (the **Laws**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of the Securities, nor on accrued but unpaid interest in respect of the Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Securities held by non-resident holders of Securities.

Under the Laws implementing the EC Council Directive 2003/48/EC of 3rd June, 2003 on taxation of savings income in the form of interest payments and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the **Territories**), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which is a resident of, or established in, an EU Member State (other than Luxembourg) or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the competent fiscal authority of Luxembourg or, in the case of an individual beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Securities coming within the scope of the Laws would at present be subject to withholding tax of 35 per cent.

Resident holders of Securities

Under Luxembourg general tax laws currently in force and subject to the law of 23rd December, 2005 as amended (the **Law**) mentioned below, there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of the Securities, nor on accrued but unpaid interest in respect of the Securities, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Securities held by Luxembourg resident holders of the Securities.

Under the Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Securities coming within the scope of the Law would be subject to withholding tax of 10 per cent.

5. SWEDEN

There is no Swedish withholding tax (*källskatt*) applicable on payments made by the Issuer in respect of the Securities. Sweden operates a system of preliminary tax (*preliminärskatt*) to secure payment of taxes. In the context of the Securities a preliminary tax of 30 per cent. will be deducted from all payments treated as interest in respect of the Securities made to any individuals or estates that are resident in Sweden for tax purposes provided the paying entity is tax resident in Sweden and subject to reporting obligations. A preliminary tax of 30 per cent. will also be deducted from any other payments in respect of the Securities not treated as capital gains, if such payments are paid out together with payments treated as interest. Depending on the relevant holder's overall tax liability for the relevant fiscal year the preliminary tax may contribute towards, equal or exceed the holder's overall tax liability with any balance subsequently to be paid by or to the relevant holder, as applicable.

SELLING RESTRICTIONS

The Dealer and/or the distributor, by entering into a purchase agreement, each agreed with the Issuer the basis upon which it agrees to purchase Securities. Such agreement extends to those matters stated under "*Form of the Securities*" and the Conditions.

In the case of the Non-Capital Protected Notes linked to a Global Stocks Basket, fees of up to 4.0 per cent. of the aggregate Nominal Amount of the Securities may be payable by the Issuer to the Dealer and/or distributor and, in the case of the Capital Protected Notes linked to a Global Stocks Basket and the Capital Protected Notes linked to a US Basket, fees of up to 5.0 per cent. of the aggregate Nominal Amount of the Securities may be payable by the Issuer to the Dealer and/or distributor.

The statements which follow are of a general nature. Potential purchasers in each jurisdiction must ensure that they are able validly to take delivery of the Securities. Additional certifications may be required by the Issuer and/or any clearance system at the time of settlement.

1. GENERAL

No action has been or will be taken by the Issuer or the Dealer that would permit a public offering of the Securities or possession or distribution of any offering material in relation to the Securities in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Securities, or distribution of any offering material relating to the Securities, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligation on the Issuer.

2. PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), the Dealer represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Securities which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than the offers contemplated by this Prospectus in the Kingdom of Sweden from the time that the Prospectus has been approved by the competent authority in Luxembourg and published and notified to the relevant competent authority in accordance with the Prospectus Directive as implemented in the Kingdom of Sweden until the Issue Date except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Securities to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Securities referred to in (a) to (c) above shall require the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

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

3. UNITED STATES OF AMERICA

The Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and trading in the Securities has not been approved by the United States Commodity Futures Trading Commission (the **CFTC**) under the United States Commodity Exchange Act, as amended (the **CEA**). The Securities, and interests therein, may not at any time be offered, sold, resold or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person.

Offers, sales, resales or deliveries of the Securities, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons would constitute a violation of United States securities laws unless made in compliance with the registration requirements of the Securities Act or pursuant to an exemption therefrom. In addition, in the absence of relief from the CFTC, offers, sales, resales, trades or deliveries of Securities, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading.

The Securities will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the **C Rules**).

The Securities may not be offered, sold or delivered within the United States, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (the **Code**) and the U.S. Treasury regulations thereunder.

The Issuer has required the Dealer to agree that it will not at any time offer, sell, resell or deliver, directly or indirectly, the Securities in the United States or to others for offer, sale, resale or delivery, directly or indirectly, in the United States. Further, the Issuer and the Dealer each represent and agree that in connection with the original issuance of the Securities that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such purchaser is within the United States and will not otherwise involve its U.S. office in the offer or sale of the Securities. The terms used in the preceding sentence (and not otherwise defined below) have the meanings given to them by the Code and the U.S. Treasury regulations thereunder, including the C Rules.

As used herein, **United States** means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and **U.S. person** means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, a partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for

passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC's regulations by virtue of its participants being non-U.S. persons; or (vii) any other "U.S. Person" as such term may be defined in Regulation S under the Securities Act or in regulations adopted under the CEA.

Notice to purchasers and holders of the Securities and transfer restrictions

Each purchaser of the Securities will, by its purchase of the Securities, be deemed to acknowledge, represent and agree as follows:

- (a) that trading in the Securities has not been and will not be approved by the CFTC under the CEA;
- (b) that it will not at any time offer, sell, resell or deliver, directly or indirectly, any Securities so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (c) that it is not a U.S. person, and it is not purchasing any Securities for the account or benefit of any U.S. person;
- (d) that it will not make offers, sales, resales or deliveries of any Securities of such Series (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (e) that it will send each person who purchases any Securities of such issue from it a written confirmation (which shall include the definitions of **United States** and **U.S. person** set forth herein) stating that the Securities have not been registered under the Securities Act, that trading in the Securities has not been approved by the CFTC under the CEA and stating that such purchaser agrees that it is not a U.S. person and will not at any time offer, sell, resell or deliver any of such Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (f) that no U.S. person or person in the United States may at any time trade or maintain a position in the instruments and that a person entitled to receive an interim payment or exercising (or entitled to receive any amount at maturity or exercise under) the instrument will be required to certify that neither it nor the beneficial owner of the instrument is a U.S. person or is located in the United States;
- (g) that any person exercising a Security will be required to represent that it is not a U.S. person; and
- (h) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Securities at any time after the closing of the offer of the relevant Securities, it will do so only (a) outside the United States in compliance with Rule 903 or 904 under the Securities Act and (b) in accordance with all applicable United States state securities laws; and it acknowledges that the Global Securities will bear a legend to the following effect unless otherwise agreed to by the Issuer:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) AND THE SECURITIES MAY NOT AT ANY TIME BE

EXERCISED, OFFERED, SOLD, TRANSFERRED OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT. FURTHERMORE, TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISSION UNDER THE UNITED STATES COMMODITY EXCHANGE ACT, AS AMENDED AND NO U.S. PERSON MAY AT ANY TIME TRADE OR MAINTAIN A POSITION IN THE SECURITIES.

4. UNITED KINGDOM

The Dealer represents, warrants and agrees that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the **FSMA**)) received by it in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer and it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Securities in, from or otherwise involving the United Kingdom.

FORM OF THE SECURITIES

The Securities will be issued in dematerialised form and will be registered in the book-entry system of Euroclear Sweden AB (**Euroclear Sweden**). Title to the Securities will pass by transfer between accountholders at Euroclear Sweden perfected in accordance with the legislation (including the Swedish Financial Instruments Accounts Act (SFS 1998:1479)), rules and regulations applicable to and/or issued by Euroclear Sweden that are in force and effect from time to time (the **Rules**). Accordingly, in the Conditions and this Prospectus, the term **Holder** means a person in whose name a Security is registered in an account in the book entry settlement system of Euroclear Sweden or any other person recognised as a holder of Securities pursuant to the Rules and, accordingly, where Securities are held through a registered nominee, the nominee shall be deemed to be the Holder.

The Issuer shall be entitled to obtain from Euroclear Sweden extracts from the book entry registers of Euroclear Sweden (Sw. skuldbok) relating to the Securities.

The Issuer has agreed with Euroclear Sweden that, so long as the Securities are accepted for clearance through Euroclear Sweden, any substitution of the Issuer in accordance General Condition 8 will comply with the requirements of Euroclear Sweden and, in particular, any Substitute will be acceptable to Euroclear Sweden.

The address of Euroclear Sweden is Box 191, 101 23 Stockholm, Sweden, subject as may change from time to time.

GENERAL INFORMATION

Authorisation

The issue of Securities has been duly authorised by resolutions of (i) the Issuer's board of directors dated 18th November, 2009 and 15th December, 2009; (ii) resolutions of the Group Asset and Liability Management Committee dated 18th April, 2013 and a sub-committee of the Group Asset and Liability Management Committee dated 24th May, 2013.

Listing

Application has been made to the CSSF in its capacity as competent authority under the Luxembourg Act on prospectuses for securities to approve this document as a prospectus and to the Luxembourg Stock Exchange for the listing of the Securities on the Official List of the Luxembourg Stock Exchange and admission to trading on the Luxembourg Stock Exchange's regulated market. Application has also been made to the Swedish Financial Supervisory Authority (*Finansinspektionen*) for the Securities to be admitted to trading and listed on the Nordic Derivatives Exchange.

Recent Developments

Assets, Owners' Equity and Capital Ratios

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

The Group had total assets of £1,284 billion and owners' equity of £59 billion as at 31st December, 2012. The Group's capital ratios as at 31st December, 2012 were a total capital ratio of 15.4 per cent., a Core Tier 1 capital ratio of 9.5 per cent. and a Tier 1 capital ratio of 11.0 per cent.

Direct Line Group – Further Share Sale

On 13th March, 2013, the RBS Group announced a further sale of Direct Line Group (**DLG**) ordinary shares held by the RBS Group, reducing the RBS Group's ownership of DLG below the 50 per cent. level. As a result, DLG has ceased to be a principal subsidiary undertaking of RBSG.

Large Exposure Regime

RBS plc is subject to the Prudential Regulation Authority's (**PRA**) large exposure regime and specific application to intra-group exposures. Following the grant of a direction by the PRA, RBS plc is no longer in breach of current rules relevant to intra-group exposures and no longer operating within the scope of a PRA-agreed remediation plan.

Changes to the UK regulatory framework

On 1st April, 2013, the Financial Services Authority (**FSA**) was replaced by the PRA and the Financial Conduct Authority (**FCA**). With effect from this date, the Issuer (which was previously supervised by the FSA) is authorised by the PRA and regulated by the FCA and the PRA.

No Significant Change and No Material Adverse Change

There has been no significant change in the trading or financial position of the Group taken as a whole since 31st December, 2012 (the end of the last financial period for which audited financial information of the Group has been published).

There has been no material adverse change in the prospects of the Group taken as a whole since 31st December, 2012 (the date of the last published audited financial information of the Group).

Litigation

Save as disclosed in the sections entitled "*Litigation*" and "*Investigations and reviews*" on pages 31 to 41 of the Registration Document, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

Conflicts of Interest

There are no potential conflicts of interest between any duties to the Issuer of the directors of the Issuer and their private interests and/or other duties as at the date of this Prospectus.

Auditors and Financial Statements

The consolidated financial statements of RBS plc for the years ended 31st December, 2011 and 2012 have been audited by Deloitte LLP, Chartered Accountants (authorised and regulated by the Financial Services Authority for designated investment business), whose address is 2 New Street Square, London EC4A 3BZ. Deloitte LLP is affiliated to the Institute of Chartered Accountants of England and Wales (the **ICAEW**) and all partners of Deloitte LLP have a practising certificate with the ICAEW.

The financial information contained in this Prospectus in relation to the Issuer does not constitute the Issuer's statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the years ended 31st December, 2011 and 2012 to which the financial information in this Prospectus relates have been delivered to the Registrar of Companies in Scotland.

Deloitte LLP has reported on such statutory accounts and such reports were unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Documents available

For the period of 12 months following the date of this Prospectus, copies of the following documents will, when published, be available, free of charge, from the registered office of the Issuer:

- (a) the incorporation documents of the Issuer;
- (b) all future consolidated financial statements of the Issuer;
- (c) a copy of this Prospectus; and
- (d) all documents incorporated herein by reference.

Clearing and settlement systems

The Securities have been accepted for clearance through Euroclear Sweden AB.

The address of Euroclear Sweden AB is Box 191, 101 23 Stockholm, Sweden, subject as may change from time to time.

The International Securities Identification Number (**ISIN**) for the Securities is as follows:

- (a) in the case of Non-Capital Protected Notes linked to a Global Stocks Basket, SE0005190774;
- (b) in the case of Capital Protected Notes linked to a Global Stocks Basket, SE0005190782;
- (c) in the case of Capital Protected Notes linked to a US Basket, SE0005190766.

Fees

In the case of the Non-Capital Protected Notes linked to a Global Stocks Basket, fees of up to 4.0 per cent. of the aggregate Nominal Amount of the Securities may be payable by the Issuer to the Dealer and, in the case of the Capital Protected Notes linked to a Global Stocks Basket and the Capital Protected Notes linked to a US Basket, fees of up to 5.0 per cent. of the aggregate Nominal Amount of the Securities may be payable by the Issuer to the Dealer.

Information on the Offering of the Securities

- (a) Offer Process

From (and including) 28th May, 2013 to (and including) 28th June, 2013 (the **Offer Period**), the Securities of the relevant Series may be offered by the Issuer for subscription to prospective investors but the Issuer reserves the right to close subscription early.

The Securities will be issued in dematerialised form and will be registered in the book-entry system of Euroclear Sweden AB. Other than the issue price of the Securities of the relevant Series, each prospective investor shall not be required to pay any expenses to the Issuer in order to subscribe for the relevant Securities.

Securities may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as the Issuer may decide.

- (b) **Description of the Application and Payment Process for a Prospective Purchaser**

Applications for Securities may be made by a prospective purchaser through the Dealer or the Authorised Offerer (each a **Selling Agent**) which has a relationship with the Issuer governing the sale of the Securities. Pursuant to anti-money laundering regulations, prospective purchasers who are not an existing client of a Selling Agent may be required by their Selling Agent of choice to complete an anti-money laundering form and to provide further evidence of identification in advance of applying for any Securities.

Each prospective purchaser should ascertain from its Selling Agent of choice when that Selling Agent will require receipt of cleared funds from its clients in respect of applications for Securities and the manner in which payment should be made to the Selling Agent. Each Selling Agent may impose different arrangements relating to the purchase of Securities and prospective investors should contact the Selling Agents directly for information concerning such arrangements. Applicants for Securities who arrange to purchase the Securities through a Selling Agent should note that in doing so they are assuming the credit risk of the relevant Selling Agent and that such arrangements will be subject to the applicable conditions of the relevant Selling Agent.

- (c) **Conditions to Which the Offer is Subject**

The offer, in respect of a particular Series of Securities, is subject to the Conditions as set out in this Prospectus.

(d) **Minimum/Maximum Application Amount**

Investors are required to subscribe for a minimum of one (1) Security in number and thereafter in multiples of one (1) Security in number in respect of the relevant Series of the Securities. There is no maximum subscription amount in respect of any Series.

(e) **Scale-back and Cancellation**

The Issuer and/or the Dealer reserves the right, prior to the Issue Date, in its absolute discretion to:

1. decline in whole or in part an application for Securities such that a prospective purchaser for Securities may, in certain circumstances, not be issued the number of (or any) Securities for which it has applied (**Scale-back**); or
2. withdraw, cancel or modify the offer of the Securities (**Cancellation**).

The Issuer may Scale-back or effect a Cancellation of the Securities without notice and will notify prospective investors, either directly or indirectly through a relevant Selling Agent, of such Scale-back or Cancellation after such Scale-back or Cancellation has occurred. In the event that the Securities are not issued, no subscription monies shall be payable by prospective purchasers to the Issuer (either directly or indirectly through a Selling Agent (as defined above)) in respect of the Securities. Prospective purchasers should contact their Selling Agent of choice for details of the arrangements for the return of application monies in such circumstances. The Issuer shall have no responsibility for, or liability arising out of, the relationship between prospective purchasers and their respective Selling Agents and clearing system operators, including, without limitation, in respect of arrangements concerning the return of monies by such persons to their clients.

(f) **Details of the Manner in Which the Results of the Initial Offer are to be Made Public**

The total amount of the offer in respect of each Series of the Securities is up to SEK100,000,000. As the total amount of the offer in respect of each Series of the Securities is not fixed, the Issuer will, as soon as reasonably practicable after the end of the Offer Period, publish a notification on the website of the Luxembourg Stock Exchange (www.bourse.lu) setting out the total amount of the offer in respect of each Series of Securities in accordance with Article 8 of the Prospectus Directive. Except in the case of for a Scale-back or a Cancellation, in which case the Issuer will notify prospective investors of such Scale-back or Cancellation as described in subparagraph (e) above, the Issuer will issue all of the Securities that are the subject of the offer on the Issue Date. A prospective investor submitting an application to purchase Securities will be notified by the Issuer, either directly or indirectly through a relevant Selling Agent, of the acceptance or otherwise of such application on or prior to the Issue Date. Dealing may begin before such notification is made.

(g) **Categories of Investors to which Securities are Offered**

The Securities will be offered to both retail and qualified investors.

(h) **Expenses and Taxes**

There are no estimated expenses charged to the investor by the Issuer. For further information on taxes, please refer to the section entitled "*Taxation*".

(i) **Responsibility Statement**

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

(j) **Post-issuance information**

The Issuer does not intend to provide any post-issuance information.

(k) **Description of the Securities**

The notes are investment instruments which do not bear interest and which, at maturity or earlier termination, pay a cash amount which may or may not be equal to the nominal amount of the relevant note, less certain expenses (the **Cash Amount**). The Cash Amount is dependent upon the performance of the Underlying, as provided in the Conditions of the relevant note. As such, each note will entail particular risks. Notes which are not capital protected may result in the Holder losing some or, in certain limited cases, all of his initial investment.

The price at which a Holder will be able to sell notes prior to their redemption may potentially be at a substantial discount to the market value of the notes at the issue date, if, at such time and in addition to any other factors, the value of the Underlying is below, equal to or not sufficiently above the value of the Underlying at the issue date.

Issued Financial Instruments on the Issuer's securities

At the date of this Prospectus, there are no convertible bonds or options on the Issuer's securities (including employee options) outstanding which have been issued by the Issuer or by the group companies of the Issuer.

Equity Securities

All of the Issuer's ordinary shares are held by The Royal Bank of Scotland Group plc and are not listed or traded.

Third Party Information

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

ISSUER, DEALER AND PRINCIPAL AGENT

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