

PROSPECTUS



The Royal Bank of Scotland plc

(Incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980, registered number 90312)

£7,000,000,000

Euro Medium Term Note Programme

On 22nd February, 1994 the Issuer (as defined below) entered into a £1,500,000,000 (since increased to £2,500,000,000, to £4,000,000,000, to £5,000,000,000 and as of the date hereof to £7,000,000,000) Euro Medium Term Note Programme (the "Programme") and issued a prospectus on that date describing the Programme. Further prospectuses describing the Programme were issued by the Issuer on 14th February, 1995, 14th February, 1996, 19th February, 1997, 16th February, 1998, 11th February, 1999 and 28th February, 2000. A supplementary prospectus, supplemental to the prospectus dated 28th February, 2000 was issued on 28th March, 2000. This Prospectus supersedes any previous prospectus and supplemental prospectus. Any Notes (as defined below) issued under the Programme on or after the date of this Prospectus are issued subject to the provisions described herein. This does not affect any Notes issued before the date of this Prospectus.

Under this Programme The Royal Bank of Scotland plc (the "Issuer" or "RBS") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes (the "Notes") denominated in any currency agreed by the Issuer and the relevant Dealer(s) (as defined below). The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed £7,000,000,000 (or its equivalent in other currencies, subject to increase as provided herein). Notes to be issued under the Programme may comprise (i) unsubordinated Notes ("Ordinary Notes"), (ii) Notes which are subordinated as described herein with a maturity date ("Dated Subordinated Notes") and (iii) Notes which are subordinated as described herein with no maturity date ("Undated Subordinated Notes").

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

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services Act 1986 (the "Financial Services Act"), as amended (the "UK Listing Authority") for Notes issued under the Programme during the period of twelve months from the date of this Prospectus to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange. Application has been made to the Luxembourg Stock Exchange for Notes to be issued under the Programme during the period of twelve months from the date of this Prospectus to be listed on the Luxembourg Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each issue of Notes will be set forth in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be admitted to the Official List and admitted to trading on the London Stock Exchange and/or the Luxembourg Stock Exchange (the "Listed Notes") will be delivered to the UK Listing Authority and the London Stock Exchange and/or the Luxembourg Stock Exchange on or before the date of issue of such Notes. Copies of this Prospectus, which comprises listing particulars (the "Listing Particulars") in relation to Notes issued under the Programme during the period of twelve months from the date of this Prospectus, approved as such by the UK Listing Authority pursuant to the Financial Services Act, have been delivered for registration to the Registrar of Companies in Scotland. Copies of each Pricing Supplement (in the case of Listed Notes) will be available from FT Business Research Centre, operated by FT Electronic Publishing at Fitzroy House, 13-17 Epworth Street, London EC2A 4DL, and in the circumstances described below from the specified office of each of the Paying Agents (as defined herein). The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s). The Issuer may also issue unlisted Notes.

The Notes of each Tranche (as defined herein) will initially be represented by a temporary global Note which will be deposited on the issue date thereof with a common depository on behalf of Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and/or any other agreed clearance system. Such temporary global Note will be exchangeable as specified in the applicable Pricing Supplement for either a permanent global Note or Notes in definitive form, in each case as specified in the applicable Pricing Supplement, and in each case upon certification as to non-US beneficial ownership as required by US Treasury regulations. A permanent global Note will be exchangeable for definitive Notes, in limited circumstances, as further described in the section of this Prospectus headed "Form of the Notes".

The Programme will be rated by Moody's Investor Service Limited, by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc and by Fitch Ratings Limited. Notes issued under the Programme may be rated or unrated (in each case as specified in the applicable Pricing Supplement). Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the terms and conditions of the Notes herein, in which event (in the case of Listed Notes only), if appropriate, supplementary listing particulars will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

The Royal Bank of Scotland, Financial Markets

Dealers

The Royal Bank of Scotland, Financial Markets

Credit Suisse First Boston

HSBC

Mizuho International plc

UBS Warburg

Goldman Sachs International

Merrill Lynch International

Morgan Stanley Dean Witter

28th March, 2001

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

In connection with the listing of the Notes on the Official List and the admission of the Notes to trading on the London Stock Exchange, the Issuer confirms that, if at any time after the publication of the Listing Particulars:–

- (a) there is a significant change affecting any matter contained in the Listing Particulars whose inclusion was required by Section 146(1) of the Financial Services Act or by the listing rules made under Section 142 of the Financial Services Act by the UK Listing Authority or by the UK Listing Authority; or
- (b) a significant new matter arises, the inclusion in the Listing Particulars of information in respect of which would have been so required if it had arisen when the Listing Particulars were prepared,

the Issuer shall give to The Royal Bank of Scotland plc in its capacity as listing agent (the “Listing Agent”) for the Listed Notes, each Dealer and The Law Debenture Trust Corporation p.l.c. in its capacity as trustee for the holder of the Notes (the “Trustee”) full information about such change or matter and shall publish such supplementary listing particulars as may be required by the UK Listing Authority, and shall otherwise comply with Sections 147 and 149 of the Financial Services Act and the Listing Rules in that regard.

The Issuer undertakes, in connection with the listing of the Notes on the Luxembourg Stock Exchange that if, while any of the Notes are outstanding under the Programme, there shall occur any material adverse change affecting the Issuer which is not reflected in the Prospectus or if the terms of the Programme are modified or amended in such a manner which would make the Prospectus, as supplemented, inaccurate or misleading in any material respect, the Issuer will prepare an amendment or supplement to the Prospectus or prepare a new Prospectus.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”), and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see “Subscription and Sale” on page 59).

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” on page 4). This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus (but do not form part of the Listing Particulars).

Neither the Dealers nor the Trustee have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by any of the Dealers or the Trustee as to the accuracy or completeness of the information contained in this Prospectus or any financial statements or any other information provided by the Issuer in connection with the Programme or the Notes.

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

Neither this Prospectus nor any financial statements or any other information supplied in connection with the Programme or the Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Prospectus or any financial statements or any other information supplied in connection with the Programme or the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Prospectus nor any financial statements or any other information supplied in connection with the Programme or the Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

The delivery of this Prospectus does not at any time imply that the information contained in this Prospectus concerning the Issuer is correct at any time subsequent to the date of this Prospectus or that any other information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or any of its subsidiaries during the life of the Programme. Investors should review, *inter alia*, the most recently published annual report and accounts of the Issuer when deciding whether or not to purchase any Notes.

The Issuer, the Dealers and the Trustee do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the

Trustee (save for the approval of this Prospectus as Listing Particulars by the UK Listing Authority, the delivery of copies of this document to the Registrar of Companies in Scotland and the submission of this Prospectus to the Luxembourg Stock Exchange) which would permit a public offering of the Notes or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented accordingly.

The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Prospectus or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Prospectus and/or the offer or sale of Notes in the United States of America, the United Kingdom, Japan, Germany, The Netherlands, France and Switzerland (see “Subscription and Sale” on page 59).

All references in this Prospectus to “euro” refer to the single currency of participating member states which was introduced on 1st January, 1999 at the commencement of the third stage of European Economic and Monetary Union pursuant to the Treaty on European Union, those to “Japanese Yen”, “Yen” and “¥” refer to the currency of Japan, those to “Sterling”, “£” and “pounds” refer to the currency of the United Kingdom and those to “United States dollars” and “U.S.\$” refer to the currency of the United States of America.

In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement may over-allot or effect transactions which stabilise or maintain the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level which might not otherwise prevail in the open market, but in doing so such stabilising manager shall be acting as principal and not agent of the Issuer. Such stabilising shall be carried out in accordance with all applicable laws and regulations and, if commenced, may be discontinued at any time.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus (provided, however, that such incorporated documents do not form part of the Listing Particulars):–

- (a) the most recently published annual report and accounts of the Issuer from time to time; and
- (b) all supplements to this Prospectus circulated by the Issuer from time to time in accordance with the undertakings given by the Issuer in the Programme Agreement described in “Subscription and Sale” on page 59 (the “Programme Agreement”),

save that any statement contained herein or in a document which is incorporated in whole or in part by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus (but not the Listing Particulars) to the extent that a statement contained in any subsequent document which is deemed to be incorporated in whole or in part by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated in whole or in part herein by reference. Written or oral requests for such documents should be directed to the Issuer at its principal office set out at the end of this Prospectus. In addition, such documents will be available, free of charge, from the principal office in London of the Listing Agent and from the principal office in Luxembourg of Chase Manhattan Bank Luxembourg S.A. in its capacity as paying agent (the “Luxembourg Paying Agent”).

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may, subject to compliance with all applicable laws, regulations and directives, from time to time issue Notes denominated in any currency as may be agreed with the relevant Dealer(s), subject as set out herein. A summary of the Terms and Conditions of the Notes and of the Programme appears on pages 18 to 40. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement with respect to each Tranche of Notes attached to, or endorsed on, such Notes, as more fully described under “Form of the Notes” on pages 11 to 17. Each such Pricing Supplement will, in the case of a Tranche of Notes which are to be listed on the Official List and admitted to trading on the London Stock Exchange or the Luxembourg Stock Exchange, be delivered to the UK Listing Authority and London Stock Exchange or the Luxembourg Stock Exchange, where appropriate, on or before the date of issue of such Tranche.

Subject as set out herein, this Prospectus and any supplement hereto will only be valid for issuing and, if applicable, listing Notes on the Official List and admitting them to trading on the London Stock Exchange and the Luxembourg Stock Exchange in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme (excluding for this purpose Notes due to be redeemed on the relevant day of calculation), does not exceed £7,000,000,000 or its equivalent in other currencies. For the purpose of calculating the Sterling equivalent of the aggregate nominal amount of Notes outstanding at any one time under the Programme:–

- (a) subject to paragraph (b) below, the Sterling equivalent of Notes denominated in another Specified Currency shall be calculated, at the discretion of the Issuer, either as of the date of agreement to issue such Notes or on the preceding day on which commercial banks and foreign exchange markets settle payments in London, on the basis of the spot rate for the sale of Sterling against the purchase of such Specified Currency in the London foreign exchange market quoted by the Issuer or any leading bank selected by the Issuer on the relevant day of calculation; and
- (b) the Sterling equivalent of Dual Currency Notes, Index Linked Notes, Zero Coupon Notes, Partly Paid Notes (each as described under “Summary of the Programme and Terms and Conditions of the Notes” on pages 6 to 10) or any other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the original nominal amount of such Notes (in the case of Partly Paid Notes regardless of the amount paid up on such Notes).

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

SUMMARY OF THE PROGRAMME AND TERMS AND CONDITIONS OF THE NOTES

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Prospectus and, in relation to the Terms and Conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in “Form of the Notes” and “Terms and Conditions of the Notes” below shall have the same meanings in this summary, and references to a numbered “Condition” shall be to the relevant Condition under “Terms and Conditions of the Notes” below.

Issuer:	The Royal Bank of Scotland plc
Description:	Euro Medium Term Note Programme
Arranger:	The Royal Bank of Scotland plc
Dealers:	The Royal Bank of Scotland plc Credit Suisse First Boston (Europe) Limited Goldman Sachs International HSBC Bank plc Merrill Lynch International Mizuho International plc Morgan Stanley & Co. International Limited UBS AG, acting through its business group UBS Warburg

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale” on page 59).

Trustee:	The Law Debenture Trust Corporation p.l.c.
Agent:	The Chase Manhattan Bank, London office.
Size:	Up to £7,000,000,000 (or its equivalent in other currencies calculated as described herein) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the Issuer and the relevant Dealer(s), including, without limitation, euro, Japanese Yen, Sterling and United States dollars (as indicated in the applicable Pricing Supplement).
Maturities:	Any maturity (including undated Notes with no fixed redemption date) as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. Notwithstanding the foregoing, at the date of this Prospectus, in the case of Dated Subordinated Notes (as described in Condition 2(b)) which qualify as Tier 2 or Tier 3 capital in accordance with the requirements of the Financial Services Authority, the minimum maturity will be five years and one day (Tier 2 capital) or two years (Tier 3 capital).

Issue Price:	Notes may be issued on a fully paid or a partly paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	<p>Each Tranche of Notes will initially be represented by a temporary global Note which will be deposited on the relevant Issue Date with a common depository for Euroclear and Clearstream, Luxembourg and/or any other agreed clearance system and which will be exchangeable, upon request as described therein, either for a permanent global Note or definitive Notes (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations.</p> <p>A permanent global Note may be exchanged, unless otherwise specified in the applicable Pricing Supplement, in limited circumstances as described therein, in whole or, in the circumstances described in “Form of the Notes” below, in part for definitive Notes upon not less than 60 days’ written notice to the Agent as described in “Form of the Notes” below. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg and/or any other agreed clearance system, as applicable.</p>
Fixed Rate Notes:	<p>Interest on Notes bearing interest on a fixed rate basis (“Fixed Rate Notes”) will be payable in arrear (unless otherwise specified in the applicable Pricing Supplement) on such date or dates as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Pricing Supplement) and on redemption.</p> <p>Interest on Fixed Rate Notes will be calculated on the basis of the Fixed Coupon Amount specified in the applicable Pricing Supplement, or in the case of interest required to be calculated for a period of other than a full year, on the basis of the Day Count Fraction specified in the applicable Pricing Supplement.</p>
Floating Rate Notes:	<p>Notes bearing interest on a floating rate basis (“Floating Rate Notes”) will bear interest at a rate determined on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series), or on the basis of a reference rate appearing on an agreed screen page of a commercial quotation service or on such other basis as may be agreed between the Issuer and the relevant Dealer(s) (as indicated in the applicable Pricing Supplement).</p> <p>The margin (the “Margin”) (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each issue of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum rate of interest (the “Maximum Rate of Interest”), a minimum rate of interest (the “Minimum Rate of Interest”) or both.</p> <p>Interest on Floating Rate Notes in respect of each Interest Period (as defined in Condition 3(b)(i)), as selected prior to issue by the Issuer and the relevant Dealer(s), will be payable on the first day of the next Interest Period and will be calculated on the basis of the Day Count Fraction specified in the applicable Pricing Supplement.</p>

Specified Periods for Floating Rate Notes:	Such period(s) as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Pricing Supplement).
Change of Interest/Payment Basis:	Notes may be converted from one interest and/or payment basis (the “Interest/Payment Basis”) to another if so provided in the applicable Pricing Supplement.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Notes, the principal and/or interest in respect of which is or may be payable in one or more Specified Currencies other than the Specified Currency in which they are denominated (“Dual Currency Notes”) will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Pricing Supplement).
Index Linked Notes:	Payments (whether in respect of principal and/or interest and whether at maturity or otherwise) in respect of Notes on which principal and/or interest is calculated by reference to an index (the “Index”) and/or a formula (the “Formula”) (such Notes referred to as “Index Linked Notes”) will be calculated by reference to such Index and/or Formula as the Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Pricing Supplement).
Zero Coupon Notes:	Notes issued on a non-interest bearing basis (the “Zero Coupon Notes”) will be offered and sold at a discount to their nominal amount and will not bear interest (other than interest due after the Maturity Date in the case of late payment).
Partly Paid Notes:	Notes may be issued on a partly paid basis in which case interest will accrue on the paid-up amount of such Notes (or as otherwise indicated in the applicable Pricing Supplement).
Redemption:	<p>The Pricing Supplement relating to each Tranche of Notes will indicate either that the Notes of that Tranche cannot be redeemed prior to their stated maturity (other than in the case of Instalment Notes or for taxation reasons or following an Event of Default) or that such Notes will be redeemable prior to such stated maturity at the option of the Issuer and/or the holders of such Notes upon giving not less than 45 nor more than 60 days’ irrevocable notice (or such other notice period (if any) as is indicated in the applicable Pricing Supplement) to the holders of such Notes or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the applicable Pricing Supplement.</p> <p>No redemption of Dated Subordinated Notes or Undated Subordinated Notes for taxation reasons or otherwise at the option of the Issuer, or any purchase of such Notes by the Issuer, may be made without the prior consent of the Financial Services Authority.</p> <p>There is no fixed redemption date for Undated Subordinated Notes, and the Issuer may only redeem them in accordance with the terms indicated in the applicable Pricing Supplement.</p> <p>The applicable Pricing Supplement may provide that Notes may be redeemed in two or more instalments of such amounts, on such dates and on such other terms as are indicated in such Pricing Supplement.</p>

Denomination of Notes:	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as indicated in the applicable Pricing Supplement save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body, however called) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Redenomination, Renominalisation and/or Reconventioning:	The applicable Pricing Supplement may provide that certain Notes may be redenominated into euro. The relevant provisions applicable to such redenomination, renominalisation and/or reconventioning will be set out in full in the applicable Pricing Supplement.
Variation of Terms and Conditions:	The Issuer may agree with any Dealer(s) that Notes may be issued in a form not contemplated under “Terms and Conditions of the Notes”. The applicable Pricing Supplement will describe the effect of the agreement reached in relation to such Notes.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed within the United Kingdom, subject as provided in Condition 6.
Status of the Ordinary Notes:	The Ordinary Notes (as described in Condition 2(a)) will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer and will rank <i>pari passu</i> and without any preference among themselves and (save to the extent that laws affecting creditors’ rights generally in a bankruptcy or winding up may give preference to any of such other obligations) equally with all other present and future unsecured and unsubordinated obligations of the Issuer.
Status of the Dated Subordinated Notes:	<p>The Dated Subordinated Notes will constitute unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves, and the rights of holders of Dated Subordinated Notes will, in the event of the winding up of the Issuer, be subordinated and postponed in right of payment in the manner provided in the Trust Deed and as specified in Condition 2(b).</p> <p>In certain circumstances payment of principal and interest due in respect of Dated Subordinated Notes qualifying as Tier 3 capital in accordance with Financial Services Authority requirements may be deferred.</p>
Status of the Undated Subordinated Notes:	The Undated Subordinated Notes will constitute unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> without any preference among themselves, and the rights of holders of Undated Subordinated Notes will, in the event of the winding up of the Issuer, be subordinated and postponed in right of payment in the manner provided in the Trust Deed and as specified in Condition 2(c).
Compliance with the Banking Act 1987 of the United Kingdom:	The Issuer is an authorised institution. As used herein, “authorised institution” means an institution authorised under the Banking Act 1987 of the United Kingdom. The Issuer may issue Notes under the Programme in respect of which the issue proceeds are accepted by it in the United Kingdom without the need to comply with the regulations made under Section 4 of the Banking Act 1987.
Rating:	The Programme will be rated by Moody’s Investor Service Limited, by Standard & Poor’s Ratings Services, a division of the McGraw-Hill Companies, Inc and by Fitch Ratings Limited. Notes issued under the Programme may be rated or unrated (in each case as specified in the applicable Pricing Supplement). Where an issue of Notes is rated, its rating will not necessarily be the same as the rating applicable to the

Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to change, suspension or withdrawal at any time by the assigning rating agency.

Listing: Application has been made to list Notes to be issued under the Programme on the Official List and to admit the Notes to trading on the London Stock Exchange and/or the Luxembourg Stock Exchange. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s) in relation to each issue. Unlisted Notes may also be issued. The Pricing Supplement relating to each issue will state whether or not, and, if so, on what stock exchange(s), the Notes are to be listed.

Governing Law: The Notes will be governed by, and construed in accordance with, English law.

Selling Restrictions: There are restrictions in relation to the offering and sale of Notes and the distribution of offering materials in certain jurisdictions. See “Subscription and Sale” on page 59.

Neither the Trust Deed nor any of the Ordinary Notes, the Dated Subordinated Notes or the Undated Subordinated Notes contain any negative pledge covenant by the Issuer or any Events of Default other than those set out in Condition 8 (which does not include, inter alia, a cross default provision).

FORM OF THE NOTES

Each Tranche of Notes will be initially represented by a temporary global Note in bearer form, without Receipts, Coupons or Talons (each as defined in “Terms and Conditions of the Notes” below), which will be delivered on the issue date for such Tranche to a common depository for Euroclear and Clearstream, Luxembourg. Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made against presentation of the temporary global Note outside the United States and its possessions only to the extent that certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations (in the form referred to in the temporary global Note) has been received by Euroclear and/or Clearstream, Luxembourg. On and after the date (the “Exchange Date”) which is 40 days after the date on which the temporary global Note is issued, interests in the temporary global Note will be exchangeable (provided that, if it is a Partly Paid Note (as described below), all instalments of the subscription moneys due before the date of such exchange have been paid) either for interests in a permanent global Note without Receipts, Coupons or Talons or for definitive Notes (where the applicable Pricing Supplement so permits) in each case against certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations in accordance with the terms set out in the temporary global Note, unless such certification has already been given as described in the second sentence of this paragraph. The holder of a temporary global Note will not be entitled to receive any payment of interest or principal due on or after the Exchange Date. Pursuant to the Agency Agreement (as defined under “Terms and Conditions of the Notes” below) the Agent (as so defined) shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and an ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series and shall remain different until at least 40 days after the completion of the distribution of the Notes of such further Tranche as certified by the Agent to the relevant Dealer(s).

Payments of principal and interest (if any) on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the permanent global Note outside the United States and its possessions without any requirement for certification. Where the applicable Pricing Supplement so permits, a permanent global Note will (provided that, if it is a Partly Paid Note, all instalments of the subscription moneys due before the date of such exchange have been paid) be exchangeable (at the request of the Noteholder (as defined below)) in whole or (subject to the Notes which continue to be represented by the permanent global Note being regarded by Euroclear and Clearstream, Luxembourg as fungible with the definitive Notes issued in partial exchange for such permanent global Note) in part, for security printed definitive Notes with, where applicable, Receipts, Coupons and Talons attached, upon not less than 60 days’ written notice expiring at least 90 days after the Exchange Date from the Noteholder to the Agent as described therein, at the cost and expense of the Issuer and only in the following circumstances: (i) the permanent global Note is held on behalf of Euroclear or Clearstream, Luxembourg and either of such clearing systems is closed for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) an Event of Default (as defined in the Trust Deed) occurs in relation to the Notes represented by the permanent global Note, or (iii) the Issuer is notified that the Trustee is satisfied that the Issuer or any Paying Agent has or will become obliged to pay additional amounts as provided or referred to in Condition 6 (Taxation) which would not be required were the Notes represented by the permanent global Note to be in definitive form. Global Notes and definitive Notes will be issued pursuant to the Agency Agreement. No definitive Note delivered in exchange for a permanent global Note will be mailed or otherwise delivered to any location in the United States in connection with such exchange. At the date hereof, neither Euroclear nor Clearstream, Luxembourg regard Notes in global form as fungible with Notes in definitive form. Temporary global Notes, permanent global Notes and definitive Notes will be authenticated and delivered by the Agent on behalf of the Issuer.

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

“Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

For so long as any of the Notes are represented by a global Note, each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the

Issuer, the Trustee, the Agent and any Paying Agent (as defined in “Terms and Conditions of the Notes” below) as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal (including premium (if any)) and interest on such Notes, the right to which shall be vested, as against the Issuer, the Trustee and any Paying Agent, solely in the bearer of the global Note in accordance with and subject to its terms (or the Trustee in accordance with the Trust Deed) and the expressions “Noteholder”, “holder of Notes” and related expressions shall be construed accordingly. Notes which are represented by a global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear and/ or Clearstream, Luxembourg, as the case may be.

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

Form of Pricing Supplement

Set out below is the form of Pricing Supplement for each Tranche of Notes which will contain such of the following information (which may be modified in relation to any particular issue of Notes by agreement between the Issuer, the Agent and the relevant Dealer(s)) as is applicable in respect of such Notes:–

Pricing Supplement dated []

The Royal Bank of Scotland plc

(Incorporated in Scotland with limited liability under the Companies Acts 1948 to 1980 with registered number 90312)

[Description of Notes]

Issue Price: [] per cent.

£7,000,000,000

Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Prospectus dated 28th March, 2001 [and the supplemental Prospectus dated []]. This Pricing Supplement must be read in conjunction with such Prospectus [as so supplemented].

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

- 1. Issuer: []
- 2. [(i)] Series Number: []
 [(ii)] Tranche Number: []
 (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)
- 3. Specified Currency or Currencies: []
- 4. Aggregate Nominal Amount:
 [(i)] Series: []
 [(ii)] Tranche: []
- 5. [(i)] Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from *[insert date]* (in the case of fungible issues only, if applicable)]
 [(ii)] Net proceeds: [] (*Required only for listed issues*)
- 6. Specified Denominations: []

7. [(i)] Issue Date: []
 [(ii)] Interest Commencement Date (if different from the Issue Date): []
8. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]*
9. Interest/Payment Basis: [[]% Fixed Rate]
 [[specify reference rate] +/- []% Floating Rate]
 [Zero Coupon]
 [Index Linked]
 [Other (specify)]
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
 [Index Linked]
 [Dual Currency]
 [Partly Paid]
 [Instalment]
 [Other (specify)]
11. Change of Interest or Redemption/Payment Basis: *[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]*
12. Put/Call Options: [Investor Put]
 [Issuer Call]
 [(further particulars specified below)]
13. Status of the Notes: [Ordinary] [Dated Subordinated Notes]
 [Undated Subordinated]
(If Dated Subordinated Notes consider if Condition 2(b)(iv) should be specified as applying)
14. Listing: [London/Luxembourg/other (specify)/None]
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year
- (iii) Fixed Coupon Amount[(s)]: [] per [] in Nominal Amount
- (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
- (v) Day Count Fraction: []
- (vi) Determination Date(s): [] in each year *[Insert interest payment dates except where there are long or short periods. In these cases, insert regular interest payment dates] NB: Only relevant where Day Count Fraction is Actual/Actual (ISMA))*

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
17. **Floating Rate Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate)
- (i) Specified Period(s)/Specified Interest Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
- (iii) Additional Business Centre(s): []
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): []
- (vi) Screen Rate Determination:
- Reference Rate: []
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
- (vii) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (viii) Margin(s): [+/-][] per cent. per annum
- (ix) Minimum Rate of Interest: [] per cent. per annum
- (x) Maximum Rate of Interest: [] per cent. per annum
- (xi) Day Count Fraction: []
- (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) [Amortisation/Accrual] Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining amount payable: []
19. **Index Linked Note Interest Provisions** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: []

- (iii) Provisions for determining Coupons where calculation by reference to Index and/or Formula is impossible or impracticable: []
- (iv) Specified Period(s)/Specified Interest Payment Dates: []
- (v) Business Day Convention: [Floating Rate Convention/
Following Business Day Convention/Modified
Following Business Day Convention/Preceding
Business Day Convention/other (*give details*)]
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate of Interest: [] per cent. per annum
- (viii) Maximum Rate of Interest: [] per cent. per annum
- (ix) Day Count Fraction: []
20. **Dual Currency Note Provisions** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []
- PROVISIONS RELATING TO REDEMPTION**
21. **Call Option** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): []
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: []
- (b) Maximum Redemption Amount: []
- (iv) Notice period (if other than as set out in the Conditions): []
22. **Put Option** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): []
- (iii) Notice period (if other than as set out in the Conditions): []
23. **Final Redemption Amount** [Par/other/see Appendix]

24. Early Redemption Amount

Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25. Form of Notes: Bearer Notes:
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]
[Permanent Global Note exchangeable for Definitive Notes on [] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].
26. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 17(iii) relates]
27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
29. Details relating to Instalment Notes: Instalment Amounts, Instalment Dates: [Not Applicable/give details]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions annexed to this Pricing Supplement apply]
31. Consolidation provisions: [Not Applicable/The provisions [in Condition 15] [annexed to this Pricing Supplement] apply]
32. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

33. (i) If syndicated, names of Managers: [Not Applicable/give names]
(ii) Stabilising Manager (if any): [Not Applicable/give names]
34. If non-syndicated, name of Dealer: [Not Applicable/give name]
35. Additional selling restrictions: [Not Applicable/give details]

OPERATIONAL INFORMATION

36. ISIN Code: []
37. Common Code: []

- 38. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- 39. Delivery: Delivery [against/free of] payment
- 40. Additional Paying Agent(s) (if any): []

[LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the £7,000,000,000 Euro Medium Term Note Programme of The Royal Bank of Scotland plc.]

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By:
 Duly authorised

If the applicable Pricing Supplement in relation to a specific Tranche of Notes specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modifications (not being significant for the purposes of Section 147 of the Financial Services Act 1986 and the Listing Rules) relate only to Conditions 1, 3, 4, 5 (except Condition 5(b)), 9, 10, 11, 12 (insofar as Notes are not listed on any stock exchange) and 15, they will not necessitate the preparation and issue of supplementary listing particulars. If the Terms and Conditions of the Notes are to be modified in any other respect, supplementary listing particulars or further listing particulars describing the modification will be prepared, if appropriate.

TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series of Euro Medium Term Notes (the “Notes”, which expression shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency (each as defined in the applicable Pricing Supplement (as defined below)) of the relevant Notes, (ii) definitive Notes issued in exchange for a temporary global Note or a permanent global Note and (iii) any global Note). The Notes are constituted by a Trust Deed (the “Principal Trust Deed”) dated 22nd February, 1994 as modified and restated by a First Supplemental Trust Deed (the “First Supplemental Trust Deed”) dated 14th February, 1995, a Second Supplemental Trust Deed (the “Second Supplemental Trust Deed”) dated 14th February, 1996, a Third Supplemental Trust Deed (the Third Supplemental Trust Deed) dated 19th February, 1997, a Fourth Supplemental Trust Deed (the “Fourth Supplemental Trust Deed”) dated 16th February, 1998, a Fifth Supplemental Trust Deed dated 11th February, 1999 (the “Fifth Supplemental Trust Deed”), a Sixth Supplemental Trust Deed dated 28th February, 2000 (the “Sixth Supplemental Trust Deed”) and a Seventh Supplemental Trust Deed dated 28th March, 2001 (the “Seventh Supplemental Trust Deed”) and each made between The Royal Bank of Scotland plc (the “Issuer”) and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include any successor as trustee) as Trustee for the holders for the time being of the Notes (the “Noteholders”, which expression shall, in relation to any Notes represented by a global Note, be construed as provided in Condition 1 below) (the Principal Trust Deed, the First Supplemental Trust Deed, the Second Supplemental Trust Deed, the Third Supplemental Trust Deed, the Fourth Supplemental Trust Deed, the Fifth Supplemental Trust Deed, the Sixth Supplemental Trust Deed and the Seventh Supplemental Trust Deed together, as further amended and/or supplemented from time to time, the “Trust Deed”).

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

Payments in respect of the Notes will be made under an amended and restated Agency Agreement dated 28th March, 2001 and made between the Issuer, The Chase Manhattan Bank as agent (the “Agent”, which expression shall include any successor as agent), the paying agent named therein (together with the Agent, the “Paying Agents”) and the Trustee (such Agreement as further amended, supplemented or restated from time to time, the “Agency Agreement”).

Notes may be issued at such times as shall be agreed between the Issuer and the relevant Dealer(s) pursuant to an amended and restated Programme Agreement dated 28th March, 2001 between the Issuer and the Dealers named therein. The Issuer and the relevant Dealer(s) shall, prior to the time of issue of any Notes, agree upon the relevant provisions of the Notes to be issued pursuant to the terms set out below, such provisions to be indicated in the applicable Pricing Supplement, which may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify them for the purposes of this Note. References herein to the “applicable Pricing Supplement” are to the Pricing Supplement attached hereto or endorsed hereon and expressions defined or used in the applicable Pricing Supplement shall have the same meanings in these Terms and Conditions, unless the context otherwise requires or unless otherwise stated.

The following statements are summaries of the detailed provisions of the Trust Deed and the applicable Pricing Supplement. Copies of the Trust Deed (which contains the forms of the Notes, Receipts, Coupons and Talons), together with copies of the Agency Agreement which contains the form of the Pricing Supplement for each issue of Notes, will be available for inspection at the registered office of the Trustee being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX and at the specified office of each of the Paying Agents. A copy of the Pricing Supplement may be obtained from the specified office of each of the Paying Agents. The Noteholders, the holders of the Receipts (the “Receiptholders”), the holders

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

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

The obligations of the Issuer in respect of payments of principal and interest on the Undated Subordinated Notes are conditional upon the Issuer being solvent at the time of payment by the Issuer and immediately thereafter. Neither these Conditions nor the Trust Deed provide any remedy for non-payment of interest in respect of the Undated Subordinated Notes so long as no dividend has been paid or declared in respect of any class of share capital of (1) RBSG (as defined below) (if at the relevant time RBSG is the Holding Company (as defined below)), or (2) the Holding Company (if at the relevant time the Holding Company is a company other than RBSG), or (3) the Issuer to any person who is not a member of the Group (as defined below), or (4) RBSG (if at the relevant time the Holding Company is a company other than RBSG) to any person who is not a member of the Group, in the twelve months immediately preceding the applicable Interest Payment Date. In the event of a winding up of the Issuer, the right to claim for interest (including Arrears of Interest (as defined in Condition 3(f))) may be limited by applicable insolvency laws.

1. Form, Denomination and Title

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

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, or any combination of the foregoing depending upon the Interest/Payment Basis shown in the applicable Pricing Supplement. It is also an Index Linked Note (where payment in respect of principal and/or interest is linked to an Index and/or Formula) and/or a Dual Currency Note and/or a Partly Paid Note and/or an Instalment Note if in each case the applicable Pricing Supplement so indicates and the appropriate provisions of these Terms and Conditions will apply accordingly.

In addition, the Notes will provide that the rights of Noteholders with regard to payments of principal will either be (i) unsubordinated (“Ordinary Notes”), (ii) subordinated in the manner described under Condition 2(b) below with a fixed redemption date (“Dated Subordinated Notes”) or (iii) subordinated in the manner described under Condition 2(c) below with no fixed redemption date (“Undated Subordinated Notes”).

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

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

subject to its terms (or the Trustee in accordance with the Trust Deed) (and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly). Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or of Clearstream, Luxembourg, as the case may be.

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

2. Status of the Notes

(a) Status of the Ordinary Notes

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

(b) Status of the Dated Subordinated Notes

(i) Status

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

(ii) Subordination

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

A report in writing as to the solvency of the Issuer by its liquidator shall, unless the contrary is proved, be treated and accepted by the Issuer, the Trustee and the holders of the Dated Subordinated Notes (the “Dated Subordinated Noteholders”), the Receipts (if any) relating thereto (the “Dated Subordinated Receipts” and “Dated Subordinated Receiptholders” will be construed accordingly) and the Coupons (if any) relating thereto (the “Dated Subordinated Coupons” and “Dated Subordinated Couponholders” will be construed accordingly) as correct and sufficient evidence thereof.

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

(iii) Set-Off

Subject to applicable law, neither any Dated Subordinated Noteholder, Dated Subordinated Receiptholder or Dated Subordinated Couponholder nor the Trustee may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Dated Subordinated Notes, the Dated Subordinated Receipts or the Dated Subordinated Coupons and each Dated Subordinated Noteholder, Dated Subordinated Receiptholder and Dated Subordinated Couponholder shall, by virtue of his subscription, purchase or holding of any Dated Subordinated Note, Dated Subordinated Receipt or Dated Subordinated Coupon, be deemed to have waived all such rights of set-off.

(iv) Dated Subordinated Notes: Deferral of Payments

In the case of Dated Subordinated Notes in relation to which this Condition 2(b)(iv) is specified in the relevant Pricing Supplement as applying, the Issuer shall be entitled, by notice in writing to the Trustee (a “Deferral Notice”), to defer the due date for payment of any principal or interest in respect of such Dated Subordinated Notes, and, accordingly, on the giving of such Deferral Notice the due date for payment of such principal or interest (the “Deferred Payment”) shall be so deferred and the Issuer shall not be obliged to make payment thereof on the date the same would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Issuer for any purpose. Accordingly the applicable provisions of these Terms and Conditions in relation to such Dated Subordinated Notes shall in all respects have effect subject to this Condition 2(b)(iv). The Issuer may not give a Deferral Notice except in circumstances where the Financial Services Authority has required or requested the Issuer to defer payment of the relevant Deferred Payment. Interest will accrue on principal deferred as aforesaid in accordance with the provisions of these Terms and Conditions and the Trust Deed, save that such interest shall only become due and payable at such time as the principal in respect of which it has accrued becomes due and payable under the following sentence. Promptly upon being satisfied that the Financial Services Authority will not object to the payment of the whole or any part of any Deferred Payment, the Issuer shall give to the Trustee written notice thereof (the “Payment Notice”) and the relevant Deferred Payment (or the appropriate part of it) and any accrued interest as aforesaid shall become due and payable on the seventh day after the date of such Payment Notice. In addition, all Deferred Payments which remain unpaid shall become due and payable in full on the commencement (as defined in the Trust Deed) of a winding up of the Issuer. Where more than one Deferred Payment remains unpaid, payment of part thereof shall be made pro rata according to the amounts of such Deferred Payments remaining unpaid and of any accrued interest as aforesaid remaining unpaid. The Issuer shall promptly give notice to the Dated Subordinated Noteholders of the relevant Series in accordance with Condition 12 of any Deferral Notice or Payment Notice.

NB: In the case of Dated Subordinated Notes which constitute Tier 3 capital, the Financial Services Authority requires to be notified by a bank if its allowable capital falls below its target capital requirement and the Financial Services Authority may require deferral of payments of principal and interest in respect of such Dated Subordinated Notes in such circumstances.

(c) Status of the Undated Subordinated Notes

(i) Status

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

(ii) Subordination

- (x) The rights of the Trustee and the holders of the Undated Subordinated Notes (the “Undated Subordinated Noteholders”) and the Coupons relating thereto (the “Undated Subordinated Coupons”, and “Undated Subordinated Couponholders” will be construed accordingly) in respect of the principal of and interest on the Undated Subordinated Notes are subordinated to the claims of Senior Creditors (as defined below) and, accordingly, payments in respect of the principal of and interest on the Undated Subordinated Notes are conditional upon the Issuer being solvent at the time of payment by the Issuer, and no amount shall be payable in respect of the principal of and interest on the Undated Subordinated Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 2(c)(ii)(x) the Issuer shall be solvent if (1) it is able to pay its debts as they fall due and (2) its Assets (as defined below) exceed its Liabilities (as defined below) to Senior Creditors. The Trust Deed contains provisions requiring a report as to the solvency of the Issuer to be made by two directors of the Issuer or, in certain circumstances as provided in the Trust Deed, the Auditors (as defined in the Trust Deed) or, if the Issuer is in winding up, its liquidator prior to any payment in respect of the principal of and interest on the Undated Subordinated Notes and also prior to the purchase of any Undated Subordinated Notes beneficially by or for the account of the Issuer. Any such report shall, in the absence of proven error, be treated and accepted by the Issuer, the Trustee and the Undated Subordinated Noteholders and Undated Subordinated Couponholders as correct and sufficient evidence of such solvency.
- (y) If, at any time, the Issuer is in winding up there shall be payable in respect of the principal of and interest on the Undated Subordinated Notes (in lieu of any other payment but subject as provided in sub-paragraph (x) above) such amounts (if any) as would have been payable in

respect thereof as if, on the day immediately prior to the commencement (as defined in the Trust Deed) of the winding up of the Issuer and thereafter, the Undated Subordinated Noteholders and/or the Undated Subordinated Couponholders and/or the Trustee, as the case may be, were holders of a class of preference shares (or preference shares forming part of a class of preference shares) in the capital of the Issuer having a preferential right to a return of assets in the winding up over the holders of all other classes of shares for the time being in the capital of the Issuer on the assumption that such preference shareholders were entitled (to the exclusion of any other rights or privileges) to receive on a return of capital in such winding up an amount equal to the principal amount of the Undated Subordinated Notes together with interest accrued to the date of repayment (as provided in the Trust Deed) and any Arrears of Interest (as defined in Condition 3(f)).

(z) As used in this paragraph (ii):–

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

“Assets” means the total amount of the non-consolidated gross assets of the Issuer and “Liabilities” means the total amount of the non-consolidated gross liabilities of the Issuer, in each case as shown by the latest published audited balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the above-mentioned directors, Auditors or (as the case may be) the liquidator may determine.

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

(iii) Set-Off

Subject to applicable law, on a winding up of the Issuer, neither any Undated Subordinated Noteholder nor Undated Subordinated Couponholder nor the Trustee may exercise or claim any right of set-off in respect of any amount in respect of the principal of and interest on the Undated Subordinated Notes owed to it by the Issuer and each Undated Subordinated Noteholder and Undated Subordinated Couponholder shall, by virtue of his subscription, purchase or holding of any Undated Subordinated Note or Undated Subordinated Coupon, be deemed to have waived all such rights of set-off.

3. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its nominal amount (or if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date specified in the applicable Pricing Supplement at the rate(s) per annum equal to the Rate(s) of Interest payable (subject to Conditions 2(b), 2(c) and 3(f), if applicable) in arrear on the date(s) so specified on which interest is payable in each year (each an “Interest Payment Date”) and on the Maturity Date so specified if that does not fall on an Interest Payment Date. Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date will be the Fixed Coupon Amount. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date and, if the period from the Interest Commencement Date to such Interest Payment Date differs from the period between subsequent Interest Payment Dates, the amount of the first interest payment will be the initial Broken Amount specified in the applicable Pricing Supplement. If the Maturity Date is not an Interest Payment Date, interest from (and

including) the preceding Interest Payment Date (or the Interest Commencement Date, as the case may be) to (but excluding) the Maturity Date will be the final Broken Amount specified in the applicable Pricing Supplement.

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

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

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

In this Condition:

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

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

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

(b) *Interest on Floating Rate Notes*

(i) Interest Payment Dates

Each Floating Rate Note bears interest on its nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest and such interest will be payable (subject to Conditions 2(b), 2(c) and 3(f), if applicable) in arrear on either:–

(A) the Specified Interest Payment Date(s) (each an “Interest Payment Date”) in each year specified in the applicable Pricing Supplement; or

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

as the Specified Period(s) in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

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

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

In this Condition:–

“Business Day” means (unless otherwise stated in the applicable Pricing Supplement):–

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

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

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

(ii) Rate of Interest

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

(iii) ISDA Determination

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

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

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

For the purposes of this sub-paragraph (iii), (a) “ISDA Definitions” means the 2000 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series, published by the International Swaps and Derivatives Association, Inc. and (b) “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

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

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

(iv) Screen Rate Determination

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

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

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

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

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

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

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

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

(v) Minimum and/or Maximum Rate of Interest

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

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

The Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest (the “Interest Amount”) payable on the Floating Rate Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction as is specified in the applicable Pricing Supplement or, if none is so specified, determined by the Agent to be customary for such calculation, and rounding the resultant figure to the nearest unit of the smallest size of the relevant Specified Currency customarily used in the settlement of inter-bank payments in such currency, half such a unit being rounded upwards or otherwise in accordance with applicable market convention.

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

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

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

(vii) Notification of Rate of Interest and Interest Amount

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

(viii) Determination or Calculation by Trustee

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

(ix) Certificates to be Final

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

(c) Index Linked Notes and Dual Currency Notes

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

(d) Partly Paid Notes

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

(e) Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the due date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:–

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

(f) Interest on Undated Subordinated Notes

Without prejudice to any other terms of these Conditions, interest in respect of Undated Subordinated Notes is (subject to Condition 2(c)(ii)(x)) payable on each Compulsory Interest Payment Date (as defined below) in respect of the Interest Period (as defined below) ending on the day immediately preceding such date. On any Optional Interest Payment Date (as defined below) there may be paid (if the Issuer so elects but subject to Condition 2(c)(ii)(x)) the interest in respect of any Series of Undated Subordinated Notes accrued in the Interest Period ending on the day immediately preceding such date, but the Issuer shall not have any obligation to make such payment and any failure to pay shall not constitute a default by the Issuer for any purpose. Any interest in respect of any Series of Undated Subordinated Notes not paid on any Interest Payment Date, together with any other interest in respect thereof not paid on any other Interest Payment Date, shall, so long as the same remains unpaid, constitute “Arrears of Interest”. Arrears of Interest may, at the option of the Issuer but subject to Condition 2(c)(ii)(x), be paid in whole or in part at any time upon the expiration of not less than 14 days’ notice to such effect given to the Trustee, and to the Undated Subordinated Noteholders of the relevant Series in accordance with Condition 12, but all Arrears of Interest in respect of all Undated Subordinated Notes for the time being outstanding (as defined in the Trust Deed) shall (subject to Condition 2(c)(ii)(x)) become due in full on whichever is the earliest of (i) the date on which a dividend is next paid on any class of share capital of (1) RBSG (as defined below) (if at the relevant time RBSG is the Holding Company (as defined below)), or (2) the Holding Company (if at the relevant time the Holding Company is a company other than RBSG), or (3) the Issuer to any person who is not a member of the Group (as defined below), or (4) RBSG (if at the relevant time the Holding Company is a company other than RBSG) to any person who is not a member of the Group, (ii) the date fixed for any repayment pursuant to Condition 5(b) or (c), or (iii) the commencement of a winding up of the Issuer. If notice is given by the Issuer of its intention to pay the whole or any part of any Arrears of Interest in respect of the Undated Subordinated Notes of any Series, the Issuer shall be obliged (subject to Condition 2(c)(ii)(x)) to do so upon the expiration of such notice. Where Arrears of Interest are paid in part, each part payment shall be in respect of the full amount of the Arrears of Interest accrued due to the relevant Interest Payment Date or consecutive Interest Payment Dates furthest from the date of payment. Arrears of Interest shall not themselves bear interest.

As used in this paragraph:–

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

“Compulsory Interest Payment Date” means any Interest Payment Date if, in the twelve months immediately preceding such Interest Payment Date, any dividend has been declared or paid on any class of share capital of (1) RBSG (as defined below) (if at the relevant time RBSG is the Holding Company (as defined below)), or (2) the Holding Company (if at the relevant time the Holding Company is a company other than RBSG), or (3) the Issuer to any person who is not a member of the Group (as defined below), or (4) RBSG (if at the relevant time the Holding Company is a company other than RBSG) to any person who is not a member of the Group;

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

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

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

“Optional Interest Payment Date” means any Interest Payment Date other than a Compulsory Interest Payment Date; and

“RBSG” means The Royal Bank of Scotland Group plc.

Please note that if the latest dividend declared or paid on any class of share capital of (1) RBSG (if at the relevant time RBSG is the Holding Company), or (2) the Holding Company (if at the relevant time the Holding Company is a company other than RBSG), or (3) the Issuer to any person who is not a member of the Group, or (4) RBSG (if at the relevant time the Holding Company is a company other than RBSG) to any person who is not a member of the Group, is so declared or paid more than twelve months prior to an Interest Payment Date, such Interest Payment Date will not be a Compulsory Interest Payment Date.

4. Payments

(a) Method of Payment

Subject as provided below:–

- (i) payments in respect of definitive Notes in a Specified Currency (other than euro (as defined in Condition 3(b)(i))) will be made at the option of the bearer either by transfer to an account in the relevant Specified Currency (which, in the case of a payment in Yen to a non-resident of Japan, shall be a non-resident account) maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (ii) payments in respect of definitive Notes in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

(b) Presentation of Notes, Receipts and Coupons

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

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

Fixed Rate Notes in definitive form (other than Dual Currency Notes or Index Notes) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the full amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the full amount of such missing unmatured Coupon as the sum so paid bears to the total sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon at any time thereafter but before the expiry of ten years after the Relevant Date (as defined in Condition 6) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 7) or, if later, five years from the date on which such Coupon would otherwise have become due. Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

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

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

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of such global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Paying Agent to which such global Note is presented for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

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

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

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

(c) *Payment Date*

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

- (i) a day on which commercial banks and foreign exchange markets settle payments in the relevant place of presentation (and in the case of payment in euro in the place where the euro account specified by the payee is located); and
- (ii) a Business Day (as defined in Condition 3(b)(i)).

(d) *Interpretation of Principal*

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

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

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

5. Redemption and Purchase

(a) *At Maturity*

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

(b) *Redemption for Tax Reasons*

The Notes of any Series may (subject, in the case of the Dated Subordinated Notes and the Undated Subordinated Notes, to the prior consent of the Financial Services Authority) be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of a Note other than a Floating Rate Note) or only on an Interest Payment Date (in the case of a Floating Rate Note) on giving not less than 30 nor more than 60 days’ notice to the Agent and, in accordance with Condition 12, the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as determined in accordance with paragraph (e) below), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:–

- (i) it has or will or would, but for redemption, become obliged to pay additional amounts as provided or referred to in Condition 6 in respect of any of the Notes of such Series; or
- (ii) the payment of interest in respect of any of the Notes of such Series would, for reasons outside the control of the Issuer or its associates, be “distributions” for United Kingdom tax purposes;

in each such case, as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of Notes of that Series and cannot be avoided by the Issuer taking reasonable steps available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts (or would be treated as making distributions as referred to in paragraph (ii) above) were a payment in respect of the Notes of that Series then due. Upon the expiration of such notice the Issuer shall (subject, in the case of the Undated Subordinated Notes, to Condition 2(c)(ii)(x)) be bound to redeem such Notes at their Early Redemption Amount together with, in the case of Undated Subordinated Notes, all Arrears of Interest as aforesaid.

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

If the Issuer is specified in the applicable Pricing Supplement as having an option to redeem the Notes of any Series, the Issuer may (subject, in the case of the Dated Subordinated Notes and the Undated Subordinated Notes, to the prior consent of the Financial Services Authority and, in the case of the Undated Subordinated Notes, Condition 2(c)(ii)(x)) and unless otherwise specified in the applicable Pricing

Supplement), having given not less than 45 nor more than 60 days' notice to the Agent and the Noteholders of that Series in accordance with Condition 12 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes of such Series then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date(s) and including, in the case of Undated Subordinated Notes, all Arrears of Interest. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not greater than the Maximum Redemption Amount, both as indicated in the applicable Pricing Supplement. In the case of a partial redemption of Notes of any Series, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot at such place and in such manner as the Agent may approve and deem fair and reasonable, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a global Note, not more than 60 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 12 not less than 15 nor more than 30 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this subparagraph (c) and notice to that effect shall be given by the Issuer to the Noteholders of the relevant Series in accordance with Condition 12 at least 10 days prior to the Selection Date.

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

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

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

(e) *Early Redemption Amounts*

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

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than Zero Coupon Notes but including Instalment Notes and Partly Paid Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the "Amortised Face Amount") equal to the sum of:–
 - (A) the Reference Price specified in the applicable Pricing Supplement; and
 - (B) the product of the Amortisation/Accrual Yield specified in the applicable Pricing Supplement (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and payable; or

*Not applicable to Dated Subordinated Notes or Undated Subordinated Notes

- (iv) in the case of Index Linked Notes, at the amount (the “Calculated Redemption Amount”) determined by reference to the Index and/or the Formula and in the manner specified in the applicable Pricing Supplement; or
- (v) in the case of Dual Currency Notes where the amount payable upon redemption falls to be determined by reference to the Rate of Exchange, at the amount calculated by reference to such Rate of Exchange; and
- (vi) if and to the extent not taken into account in paragraphs (i) to (v) above, adding (if appropriate) interest accrued to the date fixed for redemption.

(f) *Instalments*

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

(g) *Partly Paid Notes*

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

(h) *Purchases*

The Issuer may (subject, in the case of the Dated Subordinated Notes and the Undated Subordinated Notes, to the prior consent of the Financial Services Authority) at any time purchase beneficially or procure others to purchase beneficially for its account Notes of any Series (provided that, in the case of definitive Notes, all unmatured Receipts and Coupons appertaining thereto are purchased therewith) in the open market, by tender (available to all Noteholders of a Series alike) or by private treaty. Notes purchased or otherwise acquired by the Issuer may be held or resold or, at the discretion of the Issuer, surrendered to the Agent for cancellation (together with (in the case of definitive Notes) any unmatured Coupons or Receipts attached thereto or purchased therewith).

(i) *Cancellation*

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

(j) *Late Payment on Zero Coupon Notes*

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

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

(k) *Undated Subordinated Notes*

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

6. Taxation

All payments of principal and/or interest in respect of Notes, Receipts and/or Coupons by the Issuer shall (save as may be provided in the applicable Pricing Supplement) be made without withholding or deduction for, or on account of, any present or future tax, duty or charge of whatsoever nature imposed or levied by or on behalf of the United Kingdom, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay (subject, in the case of the Undated Subordinated Notes, to Condition 2(c)(ii)(x)) such additional amounts as will result (after such

withholding or deduction) in the payment to the holders of the Notes, Receipts or Coupons of the sums which would have been receivable (in the absence of such withholding or deduction) from it in respect of their Notes, Receipts and/or Coupons; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:–

- (a) by or on behalf of any holder who is liable to such tax, duty or charge in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note, Receipt or Coupon; and/or
- (b) in the United Kingdom; and/or
- (c) in circumstances where such withholding or deduction would not be required if the holder or any person acting on his behalf had obtained and/or presented any form or certificate or had made a declaration of non-residence or similar claim for exemption upon the presentation or making of which the holder would have been able to avoid such withholding or deduction; and/or
- (d) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment at the expiry of such period of 30 days; and/or
- (e) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council Meeting of 26-27th November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; and/or
- (f) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Agent in a Member State of the European Union.

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

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

7. Prescription

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

8. Events of Default

(a) Ordinary Notes

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

- (i) if default is made for a period of seven days or more in the payment of any principal or 14 days or more in the payment of any interest due in respect of the Ordinary Notes of that Series or any of them; or
- (ii) if the Issuer fails to perform or observe any of its other obligations under the Ordinary Notes of that Series and the Receipts and Coupons (if any) relating thereto or the Trust Deed and (except in the case

of a failure to observe a payment obligation under the terms thereof) such failure continues for a period of 30 days after written notice thereof has been given by the Trustee to the Issuer requiring the same to be remedied; or

- (iii) if an order is made or an effective resolution is passed for the winding up, dissolution or liquidation of the Issuer (except in any such case for the purposes of a merger, reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the holders of the Ordinary Notes of the relevant Series).

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

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

(b) *Dated Subordinated Notes*

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

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

(c) *Undated Subordinated Notes*

- (i) If default shall be made in the payment of any principal or interest due on the Undated Subordinated Notes of any Series for a period of seven days or more, in the case of principal, or 14 days or more after a Compulsory Interest Payment Date (as defined in Condition 3(f)) or any other date on which the payment of interest is compulsory, in the case of interest, the Trustee may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding up of the Issuer, but may take no other action in respect of such default. For the purposes of this paragraph (i), a payment shall be deemed to be due or compulsory even if the condition set out in Condition 2(c)(ii)(x) is not satisfied with respect to the Issuer.
- (ii) Without prejudice to paragraph (i) above, if the Issuer breaches any of its obligations under the Trust Deed or the Undated Subordinated Notes or the Undated Subordinated Coupons of any Series (other than any obligation in respect of the payment of principal or interest on such Undated Subordinated Notes or Undated Subordinated Coupons) then the Trustee may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Undated Subordinated Notes or Undated Subordinated Coupons sooner than the same would otherwise have been payable by it.
- (iii) The Trustee shall not be bound to take any of the actions referred to in paragraph (i) or (ii) above to enforce the obligations of the Issuer in respect of the Undated Subordinated Notes and Undated Subordinated Coupons of any Series or any other proceedings pursuant to or in connection with the Trust Deed or the Undated Subordinated Notes or the Undated Subordinated Coupons of any Series unless (i) it shall have been so directed by an Extraordinary Resolution of the Undated Subordinated Noteholders of such Series or so requested in writing by the holders of at least one-fifth in nominal amount of the Undated Subordinated Notes of such Series then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (iv) No Undated Subordinated Noteholder or Undated Subordinated Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period and such failure shall be continuing and then only in the name of the Trustee and on giving an indemnity satisfactory to the Trustee, and only to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so. No Undated Subordinated Noteholder or Undated Subordinated Couponholder shall be entitled to institute proceedings for the winding up of the Issuer or to prove in such winding up, except that if the Trustee, having become bound to proceed against the Issuer as aforesaid, fails to do so, or, being able to prove, fails to do so in such a winding up (in each case, within a reasonable period) and such failure shall be continuing, then any Undated Subordinated Noteholder or Undated Subordinated Couponholder may, on giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise) himself institute proceedings for the winding up of the Issuer and/or prove in such winding up to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

9. Replacement of Notes, Receipts, Coupons and Talons

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

10. Agent and Paying Agents

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

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

- (a) so long as any Notes are listed on any stock exchange or admitted to listing by other relevant listing authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange;
- (b) there will at all times be a Paying Agent with a specified office in a city in continental Europe; and
- (c) there will at all times be an Agent.

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

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

11. Exchange of Talons

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

12. Notices

All notices regarding the Notes of any Series shall be validly given if published (i) in a leading London daily newspaper (which is expected to be the *Financial Times*) and (ii) in respect of Notes listed on the Luxembourg Stock Exchange and for so long as the rules of the Luxembourg Stock Exchange require, in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice will be deemed to have been given on the date of such publication in such leading London newspaper or, in the circumstances in which (ii) applies, on the date of such publication in both such newspapers or, if published more than once, on the date of the first publication. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes of any Series in accordance with this Condition.

So long as no definitive Notes are in issue in respect of a particular Series, there may, so long as the global Note(s) for such Series is or are held in its or their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, and the Notes for such Series are not listed on the Official List and admitted to trading on the London Stock Exchange (or if so listed, for as long as the London Stock Exchange so permits), be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes, except that so long as the Notes for such Series are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the relevant notice shall also be published in a leading newspaper having general circulation in Luxembourg. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

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

13. Enforcement

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

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

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

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

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

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

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

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

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

The Trustee may also agree, subject to the conditions set out in the immediately following sentence and to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, the Receiptholders or the Couponholders of the relevant Series of Notes, to the substitution of the Holding Company or of a subsidiary of the Issuer in place of the Issuer as principal debtor under the Notes, the Receipts and the Coupons of any Series and under the Trust Deed in relation to such Notes, Receipts and Coupons. Such agreement shall only be granted if, *inter alia*, (i) the obligations of such substituted principal debtor thereunder are guaranteed by the Issuer on a basis acceptable to the Trustee and (ii) the Trustee is satisfied that such substitution is not materially prejudicial to the interests of the Noteholders, the Receiptholders and the Couponholders of such Series. The Trustee may further agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders, the Receiptholders and the Couponholders of the relevant Series of Notes, to the substitution, in place of the Issuer as principal debtor under the Notes, the Receipts and the Coupons of any Series and under the Trust Deed in relation to such Notes, Receipts and Coupons, of a Successor in Business (as defined in the Trust Deed). No such substitution shall be effected in relation to any Series of Dated Subordinated Notes or Undated Subordinated Notes without the prior consent of the Financial Services Authority.

In connection with any proposed substitution as aforesaid, (a) the Trustee shall not have regard to the consequences of such substitution for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory; and (b) no Noteholder, Receiptholder or Couponholder shall, in connection with any change in principal debtor pursuant to this Condition 14, be entitled to claim from the Issuer any indemnification or payment in respect of any tax consequence of any such change upon individual Noteholders, Receiptholders or Couponholders except to the extent provided for in Condition 6 (and/or any obligations undertaken in addition thereto or in substitution therefor pursuant to the Trust Deed).

15. Further Issues

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

16. Indemnification

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

17. Contracts (Rights of Third Parties) Act 1999

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

18. Governing Law and Submission to Jurisdiction

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

The Issuer has submitted to the jurisdiction of the English courts in the Trust Deed and has appointed the Issuer's London office at the date hereof situated at Waterhouse Square, 138-142 Holborn, London EC1N 2TH as its agent for service of process in England.

USE OF PROCEEDS

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

DESCRIPTION OF THE ISSUER

INTRODUCTION

The Royal Bank of Scotland Group plc (the “Group”) is a diversified financial services group engaged in a wide range of banking, financial and finance related activities in the UK and internationally. The Group’s operations are principally centered in the UK.

The Group has two principal operating subsidiaries – The Royal Bank of Scotland plc (“RBS” or the “Issuer”) and National Westminster Bank Plc (“NatWest”) each of which controls, directs and promotes the operations of various subsidiary companies.

RBS is a major UK clearing bank, the predecessors of which date back to 1727. RBS was created by the merger on 30th September 1985 of the former The Royal Bank of Scotland plc, the largest of the Scottish clearing banks, and Williams & Glyn’s Bank plc.

NatWest was incorporated in England in 1968 and was formed from the merger of National Provincial Bank Limited and Westminster Bank Limited, which had themselves been formed through a series of mergers involving banks with origins dating back as far as the seventeenth century.

ORGANISATION STRUCTURE

Those of the Group’s activities which are carried out through the Issuer and its subsidiaries are RBS Retail Banking, Corporate Banking and Financial Markets, Retail Direct, Manufacturing, Royal Bank of Scotland International, Citizens and the Direct Line Insurance Group.

In March 2000 the Group established a new business architecture, including a central manufacturing capability, which supports all of the Group’s UK banking activities. Within the Group existing customer-facing businesses are clustered in divisions, minimising customer disruption.

The retail banking activities of RBS and NatWest operate under their own brands and management teams, and compete with each other, whereas Corporate Banking and Financial Markets operate under the RBS brand, only. Retail Direct is responsible for the Group’s combined credit card businesses and various new retail businesses and joint ventures. Wealth Management contains the Group’s various activities in private banking, life assurance, investments and offshore banking including Royal Bank of Scotland International.

Direct Line Group and Citizens operate largely as autonomous units.

Neither NatWest nor any of its subsidiary undertakings are party to or participants in the Programme.

Retail Banking

RBS Retail Banking provides a wide range of banking, insurance and other related financial services to individuals and small businesses. These services are delivered from a UK-wide network of branches and through alternative distribution channels. As at 31st December 2000, RBS had 634 branches in the United Kingdom.

Corporate Banking and Financial Markets

Through Corporate Banking and Financial Markets, RBS provides an integrated range of products and services to its mid-sized, large corporate and institutional customers in the UK and overseas, including corporate and commercial banking, treasury and capital markets products, structured and leveraged finance, trade finance, leasing and factoring. It also has complementary subsidiary businesses covering cash flow management, traditional finance house products and asset based finance for large capital equipment projects.

Financial Markets provides corporate and institutional customers with treasury services, including global interest rate derivatives trading, bond origination and trading, credit sales and trading, sovereign debt

trading and futures brokerage. In addition, it provides foreign exchange, money market, currency derivative and rate risk management services to corporate and institutional clients. It also engages in similar activities for its own account, and provides treasury services support to the Group. Greenwich Capital delivers debt market solutions tailored to meet the needs of companies and institutions around the world.

Retail Direct

Retail Direct issues a comprehensive range of credit, charge and debit cards to RBS personal and corporate customers and engages in acquisition and processing facilities for retail businesses. It also includes the Group's internet banking platform, Tesco Personal Finance, Virgin Direct Personal Finance, Direct Line Financial Services and Lombard Direct.

Royal Bank of Scotland International

RBS's offshore banking business, Royal Bank of Scotland International, delivers a wide range of services to local customers, expatriates, intermediaries and institutional clients principally in the Channel Islands, Isle of Man and Nassau, the Bahamas.

Manufacturing

Manufacturing supports the customer facing businesses of Retail Banking, Corporate Banking and Financial Markets and Retail Direct and provides operational technology, account management, money transmission, property and other support services.

Citizens Financial Group

Citizens is engaged in retail and corporate banking activities carried out through its branch network in the states of Rhode Island, Connecticut, Massachusetts and New Hampshire and is the second largest bank in New England. Citizens provides a full range of retail and corporate banking services, including personal banking, residential mortgages and home equity loans. In addition, Citizens engages in a wide variety of commercial loan and commercial real estate activities, consumer lending, credit card services, trust services and retail investment services. Citizens also operates subsidiaries primarily engaged in equipment lease financing. In October 1999, Citizens acquired the commercial banking business of State Street Corporation, and in January 2000, it acquired the entire issued share capital of UST Corp. of Boston.

Direct Line Insurance Group

Direct Line Insurance Group sells and underwrites motor and personal lines insurance directly by telephone and over the internet to consumers. It includes Green Flag, the UK's third largest breakdown recovery service.

FURTHER INFORMATION

Banco Santander Central Hispano ("BSCH")

Under the terms of an alliance agreement, the Group and BSCH co-operate in certain banking and financial activities in Europe. The Group holds 2.99 per cent. of BSCH's capital stock and BSCH holds 9.62 per cent. of the Group's ordinary shares and in addition has a 50 per cent. minority shareholding in The Royal Bank of Scotland (Gibraltar) Limited.

CGNU plc ("CGNU")

CGNU holds 3.41 per cent of the Group's ordinary shares and has a 50 per cent minority shareholding in each of Royal Scottish Assurance plc and NatWest Life Limited.

Principal subsidiary undertakings

The principal subsidiary undertakings of the Issuer are shown below. All of the undertakings are unlisted and their capital consists of ordinary and preference shares. All of the subsidiary undertakings are wholly owned by the Issuer directly, or indirectly through intermediate holding companies.

- Citizens Financial Group, Inc.
- Direct Line Insurance plc
- Royal Bank Leasing Limited
- Royal Bank of Scotland International Limited

DIRECTORS

The Directors and the Secretary of the Issuer, their functions in the Issuer and their principal outside activities (if any) of significance are:

<i>Name</i>	<i>Functions within the Issuer</i>	<i>Principal outside activity (if any) of significance to the Issuer</i>
Chairman		
The Rt. Hon. Viscount Younger of Leckie KT KCVO TD DL	Chairman	–
Sir George Mathewson, CBE, LLD, FRSE, FCIBS	Executive Deputy Chairman	–
Vice-Chairmen		
Sir Angus Grossart CBE LLD FRSE, DL, FCIBS	Vice-Chairman	Chairman and Managing Director, Noble Grossart Limited
Sir Iain Vallance	Vice-Chairman	Chairman, British Telecommunications plc
Executive Directors		
Frederick Anderson Goodwin, DUniv, FCIBS	Group Chief Executive	–
Lawrence Kingsbaker Fish	Chairman, President and Chief Executive Officer, Citizens Financial Group, Inc	–
Norman Cardie McLuskie, FCIBS	Chief Executive, Retail Direct	–
Gordon Francis Pell	Chief Executive, Retail Banking	–
Iain Samuel Robertson, FCIBS	Chief Executive, Corporate Banking and Financial Markets	–
Frederick Inglis Watt	Group Finance Director	–
Non-executive Directors		
Emilio Botin-Sanz Sautuola y Garcia de los Rios	–	Presidente, Banco Santander Central Hispano S.A.
Juan Rodriguez Inciarte	–	General Manager and Director Banco Santander Central Hispano S.A.
Eileen Alison Mackay CB	–	Non-executive Director, Edinburgh Investment Trust plc
Cameron McLatchie CBE	–	Chairman and Chief Executive, British Polythene Industries PLC
Robert Avisson Scott	–	Chief Executive, CGNU plc
Charles Murray Stuart, CBE	–	Chairman, Intermediate Capital Group plc
Peter Denis Sutherland	–	Chairman and Managing Director Goldman Sachs International
William Moore Wilson	–	Chartered Accountant and Company Director
Company Secretary		
Miller Roy McLean, FCIBS		

The business address for all the Directors and the Secretary is:

42 St Andrew Square,
Edinburgh EH2 2YE

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE ISSUER

In April 2000, the Issuer changed its year end from 30th September to 31st December. The following tables summarise the Issuer's audited consolidated financial results for the 15 month period ended 31st December, 2000 and the financial year ended 30th September, 1999 and have been extracted without material adjustment from the audited consolidated financial statements of the Issuer for the 15 month period ended 31st December, 2000 and the financial year ended 30th September, 1999.

Financial Summary for the 15 month period ended 31st December, 2000 and the year ended 30th September, 1999

	<i>15 month period ended 31st December, 2000 £m</i>	<i>Year ended 30th September, 1999 £m</i>
Group operating profit	1,543	1,148
Profit on disposal of businesses	100	–
Profit on ordinary activities before tax	1,643	1,148
Tax on profit on ordinary activities	(502)	(346)
Profit on ordinary activities after tax	1,141	802
Issued share capital	1,581	542
Reserves	5,098	3,486
Shareholders' funds	6,679	4,028
Minority interests	157	134
Dated loan capital	2,064	1,917
Undated loan capital including convertible debt	1,842	1,115
Capital resources	10,742	7,194
	<i>£bn</i>	<i>£bn</i>
Deposits by customers and banks	91.2	61.5
Loans and advances to customers and banks	86.4	59.6
Total assets	130.2	87.4

Dividend Record of the Issuer for the 15 month period ended 31st December, 2000 and the year ended 30th September, 1999

Dividends paid on the Ordinary Shares:

	<i>15 month period ended 31st December, 2000 £m</i>	<i>Year ended 30th September, 1999 £m</i>
Interim	–	30
Final	–	220
Total	<u>–</u>	<u>250</u>
Interim per share	–	6.26p
Final per share	–	45.93p
Total per share	<u>–</u>	<u>52.19p</u>
	<u>£m</u>	<u>£m</u>
Dividends paid on Preference Shares:	<u>163</u>	<u>83</u>

CAPITALISATION

The following table, which is prepared on a consolidated basis, shows the loan capital and the shareholders' funds of the Issuer, extracted without material adjustment from the audited consolidated financial statements of the Issuer for the 15 month period ended 31st December, 2000:

	<i>As at 31st December, 2000 £m</i>
Loan Capital⁽¹⁾	
Dated loan capital	2,064
Perpetual capital notes	1,842
	3,906
Shareholders' Funds	
Ordinary shares	1,420
Retained income and other reserves	5,259
	6,679
Total Capitalisation	10,585

Notes:

- (1) All of the loan capital is subordinated. £316 million of the dated loan capital and £196 million of the perpetual capital notes are guaranteed by The Royal Bank of Scotland Group plc. None of the loan capital is secured.
- (2) The authorised share capital of the Issuer as at 31st December 2000 was £4,032 million consisting of 1,730 million ordinary shares of £1 each; 2,200 million non-cumulative preference shares of £1 each; 100 million perpetual zero coupon preference shares of £1 each; 2,385,000 of non-cumulative preference shares of US\$0.01 each and 660,000 of non-cumulative convertible preference shares of €0.01 each. The allotted, called up and fully paid up capital of the Issuer at 31st December 2000, was £1,581 million consisting of 1,420,316,359 ordinary shares of £1 each; 125.2 million of non-cumulative preference shares of £1 each; 35 million perpetual zero coupon preference shares of £1 each and 904,000 non-cumulative preference shares of US\$0.01 each.
- (3) As at 31st December, 2000, the Issuer and its subsidiaries had total liabilities, including capital and reserves, of £130,229 million, including deposits by banks of £23,549 million, customer accounts of £67,669 million and debt securities in issue of £7,881 million.
- (4) As at 31st December, 2000, the Issuer and its subsidiaries had contingent liabilities and guarantees arising in the normal course of business totalling £3,516 million, consisting of acceptances and endorsements of £415 million, guarantees and assets pledged as collateral security of £1,719 million and other contingent liabilities of £1,382 million. There has been no material change in the contingent liabilities or guarantees of the Issuer and its subsidiaries since 31st December, 2000.
- (5) There has been no material change in the total capitalisation of the Issuer and its subsidiaries since 31st December, 2000.

The following table shows the loan capital of the Issuer and its subsidiaries, extracted without material adjustment from the audited consolidated financial statements of the Issuer for the 15 month period ended 31st December, 2000:

	<i>As at</i>
	<i>31st December,</i>
	<i>2000</i>
	<i>£m</i>
	<hr/>
Loan Capital	
<i>Dated</i>	
<i>Issuer</i>	
£125 million subordinated floating rate notes 2005	125
£150 million 8.375 per cent. subordinated notes 2007	149
DEM500 million 5.25 per cent. subordinated notes 2008	158
EUR300 million 4.875 per cent. subordinated notes 2009	186
US\$150 million floating rate notes 2009	100
£35 million floating rate step up notes 2010 (issued 15th August, 2000)	35
£150 million 10.5 per cent. subordinated bonds 2013*	149
£250 million 9.625 per cent. subordinated bonds 2015	246
US\$125.6 million subordinated floating rate notes 2020 (issued 18th September, 2000)	84
 <i>Due to The Royal Bank of Scotland Group plc</i>	
£200 million floating rate (minimum 5.25 per cent.) loan 2005	200
US\$400 million 6.4 per cent. subordinated notes 2009	267
US\$300 million 6.375 per cent. subordinated notes 2011	198
 <i>Subsidiaries</i>	
<i>RBSG Capital Corporation</i>	
U.S.\$250 million 10.125 per cent. guaranteed capital notes 2004*	167
	<hr/>
	2,064
	<hr/> <hr/>
 <i>Undated</i>	
<i>Issuer</i>	
£125 million 9.25 per cent. undated subordinated step-up notes (callable April 2006)	124
£150 million undated subordinated floating rate step-up notes (callable March 2007)	149
FRF1,000 million 5.875 per cent. undated subordinated notes (callable October 2008)	94
£175 million 7.375 per cent. undated subordinated notes (issued 10th August 2000; callable August 2010)	173
£200 million 9.5 per cent. undated subordinated bonds (callable August 2018)*	196
£500 million undated subordinated floating rate step-up notes (issued 30th March 2000; callable 31st March, 2005)	500
 <i>Due to The Royal Bank of Scotland Group plc</i>	
US\$350 million undated floating rate primary capital notes (callable on any interest payment date)	235
US\$200 million 8.5 per cent. exchangeable capital securities, Series A (callable June 2004)	132
US\$50 million undated 7.993 per cent. capital securities (callable November 2005)	33
US\$35 million undated 7.755 per cent. capital securities (callable December 2005)	23
US\$200 million 7.375 per cent. undated reset capital securities (callable April 2006)	133
US\$75 million floating rate perpetual capital securities (callable September 2007)	50
	<hr/>
	1,842
	<hr/> <hr/>

*Loans unconditionally guaranteed by The Royal Bank of Scotland Group plc. None of the other loans are guaranteed.

Note

All of these issues are unsecured.

CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER

The following tables have been extracted from the Issuer's audited consolidated results for the 15 month period ended 31st December, 2000 and the financial year ended 30th September, 1999 without material adjustment from the audited consolidated financial statements of the Issuer for the 15 month period ended 31st December, 2000 and the financial year ended 30th September, 1999, except for the accounting presentation changes as described below. These changes to accounting presentation were adopted by the Issuer during the 15 month period ended 31st December, 2000. Comparative figures have been restated to reflect these changes in presentation which do not affect profit before tax, total assets and shareholders' funds.

- (a) Interest receivable and interest payable on trading assets and liabilities previously shown in net interest income are now included in dealing profits. As a result of this change there are reductions of £217 million and £143 million in interest receivable for the 15 months ended 31st December, 2000 and for the year ended 30th September, 1999 respectively, reductions in interest payable of £201 million and £135 million for the 15 months ended 31st December, 2000 and for the year ended 30th September, 1999 respectively and an increase of £16 million for the 15 months ended 31st December, 2000 and £8 million for the year ended 30th September, 1999 in dealing profits.
- (b) Fraud losses, formerly included in provisions for bad and doubtful debts are now included in administrative expenses. The charge for bad and doubtful debt provisions has decreased by £16 million for the 15 months ended 31st December, 2000 and £10 million for the year ended 30th September, 1999, with a corresponding increase in administrative expenses – other.
- (c) Credit card processing costs are now reported in fees and commissions payable increasing this profit and loss caption by £49 million for the 15 months ended 31st December, 2000 and £36 million for the year ended 30th September, 1999 and reducing administrative expenses – other.
- (d) Following an analysis of staff costs, transfers have been made within administrative expenses: £26 million and £18 million from staff costs to other for the 15 months ended 31st December, 2000 and year ended 30th September, 1999 respectively and £43 million and £27 million from premises and equipment to staff costs for the 15 months ended 31st December, 2000 and 12 months ended 30th September, 1999 respectively.

Consolidated Profit and Loss Account

for the 15 month period ended 31st December, 2000 and the year ended 30th September, 1999

	<i>15 month period ended 31st December, 2000 £m</i>	<i>Year ended 30th September, 1999 £m</i>
Interest receivable		
– interest receivable and similar income arising from debt securities	939	814
– other interest receivable and similar income	6,769	4,041
Interest payable	(4,852)	(3,055)
Net interest income	2,856	1,800
Dividend income	48	34
Fees and commissions receivable	1,498	1,081
Fees and commissions payable	(220)	(129)
Dealing profits	347	199
Other operating income	130	167
	1,803	1,352
General insurance – earned premiums	1,608	869
– reinsurance	(442)	(159)
Non-interest income	2,969	2,062
Total income	5,825	3,862
Administrative expenses		
– staff costs	1,469	1,006
– premises and equipment	409	264
– other	791	446
Depreciation and amortisation		
– tangible fixed assets	174	128
– goodwill	73	1
Operating expenses	2,916	1,845
Profit before other operating charges	2,909	2,017
General insurance – gross claims	1,205	720
– reinsurance	(347)	(130)
Profit before provisions for bad and doubtful debts	2,051	1,427
Provisions for bad and doubtful debts	467	266
Amounts written off fixed asset investments	41	13
Group operating profit (carried forward)	1,543	1,148

	<i>15 month period ended 31st December, 2000 £m</i>	<i>Year ended 30th September, 1999 £m</i>
Group operating profit⁽¹⁾ (brought forward)	1,543	1,148
Profit on disposal of businesses ⁽²⁾	100	–
Profit on ordinary activities before tax	1,643	1,148
Tax on profit on ordinary activities	502	(346)
Profit on ordinary activities after tax	1,141	802
Minority interests (including non-equity)	6	6
Profit after minority interests	1,147	808
Preference dividends – non-equity	163	83
Profit attributable to ordinary shareholders	984	725
Ordinary dividends	–	250
Retained profit	984	475

Notes:

- (1) Acquisitions during the 15 month period ended 31st December, 2000 contributed approximately £326 million to total income and approximately £49 million to Group operating profit.
- (2) The exceptional gain of £100 million (tax charge £31 million) was realised from the sale of the investor services businesses.

Consolidated Balance Sheet
at 31st December, 2000 and 30th September, 1999

	<i>31st December, 2000 £m</i>	<i>30th September, 1999 £m</i>
Assets		
Cash and balances at central banks	1,854	1,394
Treasury bills and other eligible bills	303	701
Loans and advances to banks	17,024	10,097
Items in course of collection from other banks	904	1,655
Loans and advances to customers	69,369	49,527
Debt securities	23,934	15,389
Equity shares	1,127	913
Interests in associated undertakings	28	43
Intangible fixed assets	1,151	11
Tangible fixed assets	1,344	1,254
Other assets	11,135	5,331
Prepayments and accrued income	2,056	1,074
Total assets	<u>130,229</u>	<u>87,389</u>
Liabilities		
Deposits by banks	23,549	5,967
Items in course of transmission to other banks	655	975
Customer accounts	67,669	55,503
Debt securities in issue	7,881	8,352
Other liabilities	15,087	6,561
Accruals and deferred income	4,289	2,580
Provisions for liabilities and charges		
– deferred taxation	316	251
– other provisions	41	6
Subordinated liabilities		
– dated loan capital	2,064	1,917
– undated loan capital including convertible debt	1,842	1,115
Minority interests		
– equity	119	108
– non-equity	38	26
Called up share capital	1,581	542
Share premium account	1,971	1,359
Reserves	14	147
Revaluation reserve	34	16
Profit and loss account	3,079	1,964
Shareholders' funds		
– equity	4,571	2,616
– non-equity	2,108	1,412
Total liabilities	<u>130,229</u>	<u>87,389</u>

Balance Sheet – the Bank
at 31st December, 2000 and 30th September, 1999

	<i>31st December, 2000 £m</i>	<i>30th September, 1999 £m</i>
Assets		
Cash and balances at central banks	1,403	1,190
Treasury bills and other eligible bills	228	647
Loans and advances to banks	19,171	9,617
Items in course of collection from other banks	839	1,621
Loans and advances to customers	51,950	38,489
Debt securities	15,003	4,785
Equity shares	60	67
Participating interests – associated undertakings	3	1
Shares in Group undertakings	5,894	3,915
Intangible fixed assets	4	7
Tangible fixed assets	668	653
Other assets	9,000	1,694
Prepayments and accrued income	1,525	661
Total assets	<u>105,748</u>	<u>63,347</u>
Liabilities		
Deposits by banks	31,102	11,790
Items in course of transmission to other banks	655	975
Customer accounts	40,843	32,251
Debt securities in issue	5,672	6,465
Other liabilities	14,283	3,354
Accruals and deferred income	2,005	971
Provisions for liabilities and charges		
– deferred taxation	25	18
– other provisions	19	1
Subordinated liabilities		
– dated loan capital	2,089	1,912
– undated loan capital including convertible debt	1,842	1,115
Called up share capital	1,581	542
Share premium account	1,971	1,359
Reserves	14	27
Revaluation reserve	1,962	1,373
Profit and loss account	1,685	1,194
Shareholders' funds		
– equity	5,105	3,083
– non-equity	2,108	1,412
Total liabilities	<u>105,748</u>	<u>63,347</u>

**Statement of Consolidated Total Recognised Gains and Losses
for the 15 month period ended 31st December, 2000 and the year ended 30th September, 1999**

	<i>15 month period ended 31st December, 2000 £m</i>	<i>Year ended 30th September, 1999 £m</i>
Profit attributable to ordinary shareholders	984	725
Currency translation adjustments	13	5
Revaluation of premises	19	28
Total recognised gains and losses	<u>1,016</u>	<u>758</u>

**Note of Consolidated Historical Cost Profits and Losses
for the 15 month period ended 31st December, 2000 and the year ended 30th September, 1999**

	<i>15 month period ended 31st December, 2000 £m</i>	<i>Year ended 30th September, 1999 £m</i>
Profit on ordinary activities before tax	1,643	1,148
Realisation of premises revaluation gains of previous years	1	1
Historical cost profit on ordinary activities before tax	<u>1,644</u>	<u>1,149</u>
Historical cost profit for the year retained after tax, minority interests and dividends	<u>985</u>	<u>476</u>

**Reconciliation of Movements in Consolidated Shareholders' Funds
for the 15 month period ended 31st December, 2000 and the year ended 30th September, 1999**

	<i>15 month period ended 31st December, 2000 £m</i>	<i>Year ended 30th September, 1999 £m</i>
Profit attributable to ordinary shareholders	984	725
Ordinary dividends	–	(250)
Retained profit	984	475
Issue of ordinary and preference shares	1,510	549
Other recognised gains and losses	32	33
Currency translation adjustment on share premium account	125	23
Write-back of goodwill	–	7
Other movements	–	3
Net increase in shareholders' funds	<u>2,651</u>	<u>1,090</u>
Shareholders' funds at 1st October	4,028	2,938
Shareholders' funds at 31st December/30th September	<u>6,679</u>	<u>4,028</u>

UNITED KINGDOM TAXATION

The comments below are of a general nature and relate to certain United Kingdom tax implications for persons who are the absolute beneficial owners of their Notes and Coupons and may not apply to certain classes of person. The comments address the position of such persons under current law and Inland Revenue practice. Prospective holders of the Notes who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek independent advice.

I. Interest

1. In respect of payments of interest made before 1st April, 2001, interest bearing Ordinary Notes, Dated Subordinated Notes and Undated Subordinated Notes will constitute “quoted Eurobonds” provided they are and continue to be listed on a recognised stock exchange within the meaning of Section 841 of the Income and Corporation Taxes Act 1988 (the “Taxes Act”) and remain in bearer form. Accordingly, while Ordinary Notes, Dated Subordinated Notes or Undated Subordinated Notes remain in global bearer form and are held in a recognised clearing system designated as such for the purposes of Section 841A of the Taxes Act, payments of interest on such Notes may be made without withholding or deduction for or on account of United Kingdom income tax. If Ordinary Notes, Dated Subordinated Notes or Undated Subordinated Notes are issued in definitive form in the circumstances set out in “Form of the Notes” and are and continue to be listed on a recognised stock exchange and are and continue to be held in bearer form, then payments of interest on such Notes may be made without such withholding or deduction where:–

- (a) the payment is made by or through a paying agent who is not in the United Kingdom; or
- (b) the payment is made by or through a United Kingdom paying agent and
 - (i) the person who is the beneficial owner of the Note and related Coupons and entitled to the interest is not resident in the United Kingdom; or
 - (ii) the Notes and related Coupons are held in Euroclear or Clearstream, Luxembourg or any other recognised clearing system designated as such for the purposes of the Taxes Act and payment is made directly to the recognised clearing system (or to a depositary for the system, provided that the depositary has made a declaration in the required manner to that person in respect of payments of interest on the Notes),

and where applicable, any other conditions imposed by regulations or statute have been satisfied.

Payments of interest made on or after 1st April, 2001 in respect of Notes which carry a right to interest and which are listed on a recognised stock exchange may be made without withholding or deduction for or on account of United Kingdom income tax. This is the case irrespective of whether or not such Notes are in bearer form or whether or not payment is made by or through a person in the United Kingdom and of whether the Notes are held in a recognised clearing system.

In all other cases an amount must be withheld on account of income tax at the lower rate applicable to savings income (currently 20 per cent.) subject to the provisions of an applicable double taxation treaty and except where the interest is paid by the Issuer as a bank (within the meaning of section 840A of the Taxes Act) in the ordinary course of its business.

2. Where in the case of (a) below, interest is paid before 1st April, 2001 and in the cases of (b) and (c) below the relevant sale, realisation or purchase is effected before 1st April, 2001:–

- (a) a United Kingdom collecting agent either:
 - (i) acts as custodian of interest bearing Ordinary Notes, Dated Subordinated Notes or Undated Subordinated Notes or Coupons and receives interest on the relevant Notes or directs that interest on the relevant Notes be paid to another person or consents to such payment; or
 - (ii) by means of Coupons (including any warrant for or bill of exchange purporting to be drawn or made in payment of interest), or otherwise, collects or secures payment of or receives interest on interest bearing Ordinary Notes, Dated Subordinated Notes or Undated Subordinated Notes for a holder of relevant Notes or holder of rights to interest except solely by means of clearing a cheque or arranging for the clearing of a cheque or otherwise arranges to collect or receive payment for such a holder; or

- (b) any bank in the United Kingdom sells or otherwise realises Coupons (including any warrant or bill of exchange, as above) and pays the proceeds or carries them to an account; or
- (c) any dealer in Coupons in the United Kingdom purchases any Coupons (including any warrant or bill of exchange, as above) otherwise than from a bank or another dealer in Coupons;

the collecting agent, bank or dealer will be required to withhold on account of income tax at the lower rate applicable to savings income (currently 20 per cent.) on such interest or proceeds of realisation and is entitled to deduct an amount in respect thereof unless an exception from such liability is applicable for example, when:–

- (i) the person beneficially entitled to the interest or proceeds of realisation of Coupons (including any warrant or bill of exchange, as above) and the related Notes is not resident in the United Kingdom and beneficially owns the relevant Notes; or
- (ii) the interest arises to trustees not resident in the United Kingdom of certain discretionary or accumulation trusts (where, *inter alia*, none of the beneficiaries of the trust is resident in the United Kingdom); or
- (iii) the collecting agent acts as depositary in respect of the relevant Notes for the clearing system in which the relevant Notes are held; or
- (iv) the relevant Notes are held in a “recognised clearing system” and the collecting agent pays or accounts for the interest directly or indirectly to the clearing system; or
- (v) the person beneficially entitled to the interest or proceeds of realisation of Coupons (including any warrant or bill of exchange, as above) is eligible under specified provisions for relief from United Kingdom tax in respect of the interest.

and (where appropriate) either a declaration in the required form has been made to that collecting agent, bank or dealer in respect of such payments of interest or proceeds of realisation or the Inland Revenue has given notice that it considers that tax should not be deducted.

Collecting agents will not be obliged to withhold United Kingdom income tax from payments of interest or the proceeds of a relevant sale, realisation or purchase, as the case may be on or after 1st April, 2001.

3. Payments of interest in respect of Notes have a United Kingdom source and accordingly may be chargeable to United Kingdom tax by direct assessment even if paid without withholding or deduction. Exemption from or reduction of such United Kingdom tax liability may be available under an applicable double taxation treaty.

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

Noteholders should note that the provisions relating to additional amounts set out in Condition 6 of the Terms and Conditions would not apply if the Inland Revenue sought either to charge United Kingdom tax on interest under the collecting agent provisions described in paragraph 2 or to assess the person entitled to the relevant interest directly to United Kingdom tax on interest.

4. On 8th November, 2000, the Chancellor of the Exchequer announced, as part of a wider package of proposals, the Government’s intention to abolish the requirement to deduct tax at source from most payments of interest between companies where the recipient company is within the charge to corporation tax on that income. This was reiterated, again as part of a wider package of proposals, in the Budget 2001 announcements made on 7th March, 2001, and provisionally enacted shortly

afterwards by budget resolution moved by the Chancellor of the Exchequer. Provided these proposals are permanently enacted in the Finance Act 2001 within the prescribed time limit in the form provisionally enacted by the budget resolutions, payments of interest on the Notes made on or after 1st April, 2001 to Noteholders within the charge to corporation tax as regards such interest will not be subject to withholding in respect of United Kingdom income tax irrespective of the above provisions. Until such legislation receives Royal Assent the nature and extent of any changes to the provisions summarised above will remain uncertain.

Further, new rules have been introduced in relation to payments of interest made, credited or recorded on or after 6th April, 2001 enabling the United Kingdom Inland Revenue to obtain information about United Kingdom savings income of individuals. In certain circumstances the Inland Revenue may be entitled to exchange such taxpayer information with the tax authorities of other jurisdictions.

II Proposed EU Directive on the Taxation of Savings Income

5. The European Union is currently considering proposals for a new directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments and subject to the proposals not being required to apply to Notes issued before 1st March, 2001. Special considerations may apply to Notes issued on or after that date which are fungible with Notes issued before that date.

Holders of Notes who are individuals should note that, if this proposal is adopted as currently anticipated, it is likely that no additional amounts would be payable by the Issuer pursuant to the provisions of Condition 6 of the Terms and Conditions in respect of any withholding tax imposed as a result thereof.

III Discount and other Returns

Corporate Noteholders

6. For corporate Noteholders resident in the United Kingdom or carrying on a trade in the United Kingdom through a branch or agency to which the Notes are attributable or in connection with which the interest is received, the Notes will be assets representing loan relationships in respect of which, generally, all profits, gains and losses, measured and recognised in accordance with an accounting method which is authorised for the purposes of the loan relationship rules, will be taxed or relieved as income. The rules, generally, apply to all returns on loan relationships whether representing interest, discount, premium or disposal proceeds. Notes held by such corporate Noteholders will generally be treated as qualifying corporate bonds so that no capital gain or loss will arise on disposal. There are special rules however for loan relationships linked to the value of chargeable assets which might be relevant to certain types of Index Linked Notes.
7. Corporate Noteholders will also be subject to taxation (or relief) on income in respect of currency movements where Notes are denominated in a different currency to that constituting the Noteholder's "local currency".

Non-Corporate Noteholders

8. For individual Noteholders, neither the loan relationship provisions referred to in paragraph 6 above, nor the provisions relating to currency fluctuations reflected in paragraph 7 above, will apply.
9. Noteholders who are individuals or trustees may be subject to United Kingdom taxation on capital gains on a disposal or redemption of Notes if they are resident or ordinarily resident in the United Kingdom or if they carry on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable or in connection with which the interest is received. Special rules apply to make certain capital gains made by individuals who are temporarily non-resident subject to United Kingdom taxation. The exemption from United Kingdom taxation of capital gains for "qualifying corporate bonds" under Section 115 of the Taxation of Chargeable Gains Act 1992 will not generally apply to the Notes unless (amongst other conditions) they are denominated in Sterling, except that any Notes constituting relevant discounted securities within the meaning of Schedule 13 to the Finance Act 1996 will, broadly, be treated as "qualifying corporate bonds". Where Notes are

treated as “qualifying corporate bonds” no capital gain or allowable loss will arise on a disposal or redemption of such Notes for the purposes of United Kingdom taxation. Where the relevant discounted securities rules apply, the whole of any profit, or loss, on disposal will be taxed, or relieved, as income. Notes may become relevant discounted securities as a result of subsequent issues of discounted Notes under this Prospectus. The relevant discounted security rules will not apply to individuals not resident or ordinarily resident in the United Kingdom unless carrying on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency.

10. The provisions of the accrued income scheme (the “scheme”) may apply to persons who are not within the charge to corporation tax and who transfer Ordinary Notes, Dated Subordinated Notes or Undated Subordinated Notes which bear interest (or any other return except a return consisting of an amount payable only on redemption) or to whom such Notes are transferred. Generally, persons who are neither resident nor ordinarily resident in the United Kingdom and who do not carry on a trade in the United Kingdom through a branch or agency to which the Notes are attributable will not be subject to the provisions of the scheme. On a transfer of securities with accrued interest the scheme usually applies to deem the transferor to receive an amount of income equal to the accrued interest and to deem the transferee to obtain an equivalent credit to set against the deemed or actual interest he subsequently receives or is deemed to receive. These provisions will be modified in the case of Notes which fall within the “variable interest rate” provisions of the scheme. If the “variable interest rate” provisions apply, the amount of accrued income deemed to be received by a transferor of such a Note will be such amount as the Inland Revenue decides is just and reasonable. The purchaser of such a Note will not be entitled to any equivalent credit under the scheme to set-against any deemed or actual income which he or she receives or is deemed to receive.

Undated Subordinated Notes

11. The Undated Subordinated Notes will constitute “equity notes” within the terms of Section 209(9) of the Taxes Act. Accordingly, when interest is paid in respect of a Note held by a person who is associated with the Issuer or is a “funded company” within the terms of Section 209(11) of that Act and who is not within the charge to corporation tax, it will be treated as a distribution for the purposes of United Kingdom taxation. For these purposes the Inland Revenue have confirmed in relation to undated subordinated notes previously issued by the Issuer that a company acquiring such notes will only be treated as a funded company if there is a linkage between the provision by the Issuer or any company associated with it of funds to, and the acquisition of the notes by, that company and the Issuer or any company associated with it is aware of that linkage. In other circumstances, including where an Undated Subordinated Noteholder incidentally has a banking relationship with the Issuer or its associates, the Undated Subordinated Noteholder will not be treated as a funded company for these purposes. If payments made to a Noteholder are treated as distributions by virtue of the “equity note” provisions, the rules described at paragraph 6 above will not apply to those payments.

The above is only a summary of certain United Kingdom tax implications of investing in the Notes as they affect most investors and may not apply to certain classes of person. Persons who are unsure of their tax position are strongly advised to consult their own professional advisers.

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated programme agreement (the “Programme Agreement”) dated 28th March, 2001, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes” above. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme.

(a) United States of America

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

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

Each issue of Dual Currency and Index Linked Notes will be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer or Dealers may agree as indicated in the applicable Pricing Supplement. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

(b) United Kingdom

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

- (i) (a) in the case of Notes to be listed on the Official List and admitted to trading on the London Stock Exchange, it has not offered or sold and will not offer or sell any Notes having a maturity of one year or more to persons in the United Kingdom prior to admission of the Notes to listing in accordance with Part IV of the Financial Services Act 1986 (the “Act”), and (b) in the case of Notes which are not to be listed on the Official List and admitted to trading on the London Stock Exchange, it has not offered or sold and, during the period of six months from the date of issue of any Notes having a maturity of one year or more, will not offer or sell any Notes to persons in the United Kingdom except, in either case, to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or, in the case of Notes to be listed on the Official List and admitted to trading on the London Stock Exchange, the Act;
- (ii) it has complied and will comply with all applicable provisions of the Act with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (iii) it has only issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes, other than any document which consists of any

part of listing particulars, supplementary listing particulars or any other document required or permitted to be published by the listing rules under Part IV of the Act, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

(c) Japan

Each Dealer understands that the Notes have not been, and will not be, registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”). Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except in circumstances which will result in compliance with the Securities and Exchange Law and, any other applicable laws and regulations of Japan.

(d) The Netherlands

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in The Netherlands any Notes other than to persons who trade or invest in securities in the conduct of a profession or business (which include banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

(e) Germany

In connection with the initial placement of the Notes in Germany, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and it will not offer or sell Notes in Germany other than in compliance with the Securities Prospectus Law (*Wertpapier Verkaufsprospektgesetz*) of 17th July, 1996 in the renewed version from 9th September, 1998 and the Securities Trading Act (*Wertpapierhandelsgesetz*) as announced on 9th September, 1998, as amended, or any other law applicable in Germany governing the issue, offering and sale of securities.

(f) France

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are being issued outside of France, and that, in connection with their initial distribution, it has not offered or sold, and will not offer to sell, directly or indirectly, Notes in France, and has not distributed and will not distribute or cause to be distributed in France, directly or indirectly, the Prospectus or any other offering material relating to the Notes, except to (i) qualified investors (*investisseurs qualifiés*) and/or (ii) a restricted circle of investors (*cercle restreint d'investisseurs*), in each case acting for own account, within the meaning of and in compliance with articles 6 and 7 of the Ordinance dated 28th September, 1967 (as amended) and Decree no. 98-880 dated 1st October, 1998 and in compliance with the regulations issued from time to time by the *Commission des opérations de bourse* including the requirement to inform investors that the Programme and other offering materials relating to the Notes have not been submitted for approval by the *Commission des opérations de bourse*.

(g) Switzerland

The issue of Notes denominated in Swiss francs or carrying a Swiss franc related element with a maturity of more than one year will be effected in compliance with the relevant regulations of the Swiss National Bank based on Article 7 of the Federal Law on Banks and Savings Banks of 8th November, 1934 (as amended) and Article 15 of the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995 in connection with Article 2, paragraph 2 of the Ordinance of the Federal Banking Commission on Stock Exchanges and Securities Trading of 2nd December, 1996. Under the said regulations, the relevant Dealer or, in the case of a syndicated issue, the lead manager (the “Swiss Dealer”), must be a bank domiciled in Switzerland (which includes a branch or subsidiary of a foreign bank located in Switzerland) or a securities dealer duly licensed by the Swiss Federal Banking Commission as per the Federal Law on Stock Exchanges and Securities Trading of 24th March, 1995. The Swiss Dealer must report certain details of the relevant transaction to the Swiss National Bank no later than the relevant issue date for such transaction.

(h) General

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

Neither the Issuer nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, there may exist other additional or modified restrictions as the Issuer and the relevant Dealer(s) shall agree as a term of issuance and purchase as indicated in the relevant Pricing Supplement.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes under the Programme have been duly authorised by resolutions of the Board of Directors of the Issuer dated 27th October, 1993, 25th January, 1995, 24th January, 1996, 22nd January, 1997, 28th January, 1998, 27th January, 1999, 26th January, 2000 and 31st January, 2001 and by resolutions of an authorised committee of the Board of Directors of the Issuer dated 22nd February, 1994, 14th February, 1995, 12th February, 1996, 11th February, 1997, 13th February, 1998, 11th February, 1999, 15th April, 1999, 28th July, 1999, 22nd December, 1999, 10th February, 2000, 21st February, 2000 and 28th March, 2001.

Listing

- (1) The listing of the Listed Notes on the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of a temporary global Note initially representing the Notes of that Tranche. The listing of the Programme in respect of such Notes is expected to be granted on 30th March, 2001.
- (2) The listing of the Notes on the Luxembourg Stock Exchange has been duly authorised by resolutions of an authorised committee of the Board of Directors of the Issuer dated 19th July, 1995, 12th February, 1996, 11th February, 1997, 13th February, 1998, 11th February, 1999, 21st February, 2000 and 28th March, 2001.

So long as the Notes are listed on the Luxembourg Stock Exchange there shall be a Paying Agent with a specified office located in Luxembourg.

In addition, the constitutional documents and the legal notice relating to the Notes (together, the "Documents") have been deposited with the Chief Registrar of the District Court of Luxembourg (the "Chief Registrar") and copies of the Documents shall be obtainable at the offices of the Chief Registrar so long as the Notes are listed on the Luxembourg Stock Exchange. The Programme has been registered with the Luxembourg Stock Exchange under the number 9945.

Documents Available for Inspection or Collection

From the date hereof, so long as any of the Notes remains outstanding and throughout the life of the Programme, copies of the following documents will, when available, be available during usual business hours on a weekday (Saturdays, Sundays and public holidays excepted) for inspection from the registered office of the Issuer, from the specified office of the Paying Agent for the time being in London and (so long as any Notes are listed on the Luxembourg Stock Exchange) available for collection from the specified office of the Luxembourg Paying Agent free of charge:—

- (i) the constitutional documents of the Issuer;
- (ii) the consolidated audited financial statements of the Issuer in respect of the 15 month period ended 31st December, 2000 and the financial year ended 30th September, 1999;
- (iii) all future consolidated financial statements of the Issuer;
- (iv) the amended and restated Programme Agreement, the Seventh Supplemental Trust Deed (which contains the forms of the temporary and permanent global Notes, the definitive Notes, the Receipts, the Coupons and the Talons) and the amended and restated Agency Agreement;
- (v) this Prospectus and any further Prospectuses; and
- (vi) any supplementary listing particulars and any Pricing Supplements in respect of Notes listed on any stock exchange and other documents incorporated herein by reference and, in the case of a syndicated Tranche of Notes listed on any stock exchange, the syndication agreement (or equivalent document).

The Issuer does not publish non-consolidated financial statements.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate codes for each Tranche allocated by Euroclear and Clearstream, Luxembourg will be contained in the relevant Pricing Supplement. If the Notes are to be cleared through an additional or alternative clearing system, the appropriate information will be contained in the relevant Pricing Supplement. Transactions will normally be effected for settlement not earlier than three business days after the date of transaction.

Significant or Material Change

Save as disclosed herein, there has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries taken as a whole and no material adverse change in the financial position or prospects of the Issuer or the Issuer and its subsidiaries taken as a whole since 31st December, 2000, being the date of the latest audited published financial statements of the Issuer.

Litigation

Neither the Issuer nor any of its subsidiaries is or has been involved in any legal or arbitration proceedings which may have or have had during the twelve months prior to the date hereof a significant effect on the financial position of the Issuer and its subsidiaries, taken as a whole, nor, so far as the Issuer is aware, are any such proceedings pending or threatened.

Auditors

The consolidated financial statements of the Issuer for the 15 month financial period to 31st December, 2000 have been audited by Deloitte & Touche, Chartered Accountants. The consolidated financial statements of the Issuer for the two financial years ending 30th September, 1999 and 30th September, 1998 have been audited by PricewaterhouseCoopers, Chartered Accountants.

The financial information contained in this Prospectus in relation to the Issuer does not constitute the Issuer's statutory accounts. Statutory accounts for the 15 month period to 31st December, 2000, which have been approved by the Directors of the Issuer, have not yet been delivered to the Registrar of Companies in Scotland. Statutory accounts relating to the financial years ended 30th September, 1999 and 30th September, 1998 to which the financial information in this Prospectus relates, have been delivered to the Registrar of Companies in Scotland.

Deloitte & Touche and PricewaterhouseCoopers, respectively, have reported on such statutory accounts and such reports were unqualified and did not contain a statement under Section 237 of the Companies Act 1985.

Banking Regulation

No redemption of the Dated Subordinated Notes and the Undated Subordinated Notes for taxation reasons and no redemption, cancellation or purchase of the Dated Subordinated Notes and Undated Subordinated Notes at the option of the Issuer will be made without the consent of the Financial Services Authority.

THE ISSUER

Registered Office
The Royal Bank of Scotland plc
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Edinburgh,
EH2 2YB.

Principal Office
The Royal Bank of Scotland plc
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Edinburgh,
EH2 2YE.

THE TRUSTEE

The Law Debenture Trust Corporation p.l.c.
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London EC2V 7EX.

AGENT

The Chase Manhattan Bank
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PAYING AGENT

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*To the Issuer
as to Scottish law*
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*To the Dealers
and the Trustee
as to English law*
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London EC2Y 9SS.

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Attention: EMTN Desk

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One Cabot Square,
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Attention: MTN Trading Desk

Goldman Sachs International

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

HSBC Bank plc

Thames Exchange,
10 Queen Street Place,
London EC4R 1BQ.
Attention: Transaction Development

Merrill Lynch International

Ropemaker Place,
25 Ropemaker Street,
London EC2Y 9LY.
Attention: MTN Trading and Distribution Desk

Mizuho International plc

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

Morgan Stanley & Co. International Limited

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Canary Wharf,
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Attention: Head of Transaction Management Group

UBS AG, acting through its business group UBS Warburg

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London EC2M 2PP.
Attention: MTNs and Private Placements

INDEPENDENT PUBLIC ACCOUNTANTS

To the Issuer

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Chartered Accountants
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The Royal Bank of Scotland plc

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