
OFFERING MEMORANDUM

DATED: 15 FEBRUARY 2012



OFFERING MEMORANDUM RELATING TO

**USD10,000,000 CAPITAL PROTECTED ISLAMIC CERTIFICATES
LINKED TO THE AURUM IV INDEX**

ISSUE PRICE PER SECURITY: USD100

THIS OFFERING MEMORANDUM IS FOR THE USE OF ONLY THOSE PERSONS TO WHOM IT HAS BEEN TRANSMITTED IN CONNECTION WITH THIS OFFERING AND IS NOT TO BE REPRODUCED FOR ANY OTHER PURPOSE OR DISTRIBUTED TO, OR USED BY, ANY OTHER PERSON. NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFERING MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER. A DISCUSSION OF PRINCIPAL RISK FACTORS THAT COULD AFFECT HOLDERS IS CONTAINED IN THE SECTION HEADED "RISK FACTORS" BUT THIS OFFERING MEMORANDUM DOES NOT DESCRIBE ALL OF THE RISKS OF AN INVESTMENT IN THE SECURITIES.

PROSPECTIVE PURCHASERS OF THESE SECURITIES SHOULD ENSURE THAT THEY UNDERSTAND FULLY THE NATURE OF THE SECURITIES AND THE EXTENT OF THEIR EXPOSURE TO THE RISKS ASSOCIATED WITH THE SECURITIES. THE MARKET PRICE AND/OR VALUE OF THE SECURITIES MAY BE VOLATILE AND HOLDERS OF THE SECURITIES RISK LOSING PART OR EVEN ALL OF THE VALUE OF THEIR INVESTMENT. PROSPECTIVE PURCHASERS NEED TO CONSIDER THE SUITABILITY OF AN INVESTMENT IN THE SECURITIES IN LIGHT OF THEIR OWN FINANCIAL, FISCAL, REGULATORY AND OTHER CIRCUMSTANCES. PLEASE REFER, IN PARTICULAR, TO THE SECTION "RISK FACTORS" IN THIS OFFERING MEMORANDUM FOR A MORE COMPLETE EXPLANATION OF THE RISKS ASSOCIATED WITH AN INVESTMENT IN THE SECURITIES.

This Offering Memorandum **does not** constitute a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC (the "**Prospectus Directive**"). Please refer to "**Selling Restrictions**" in this Offering Memorandum for further information.

Application has been made to the Irish Stock Exchange Limited ("**Irish Stock Exchange**") for the Securities to be admitted to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange. This Offering Memorandum constitutes listing particulars for the purpose of the application and has been approved by the Irish Stock Exchange.

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

The Royal Bank of Scotland N.V. (the “**Issuer**”) accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

References in this Offering Memorandum to RBS N.V., the Issuer, the Trustee, the Calculation Agent and the Agents are to RBS N.V., acting through its London branch or such other branch as it may from time to time determine.

Neither the delivery of this Offering Memorandum nor any information provided in the course of a transaction in the Securities shall, in any circumstances, be construed as a recommendation by the Issuer to enter into any transaction with respect to the Securities. Each prospective investor contemplating a purchase of the Securities should make its own independent investigation of the risks associated with a transaction involving the Securities.

An investment in the Securities is only suitable for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The delivery of this Offering Memorandum does not at any time imply that there has been no change in the affairs of the Issuer since the date of this Offering Memorandum. The Issuer does not intend to provide any post-issuance information.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Memorandum or any document incorporated by reference herein or therein, or any other information supplied in connection with the Securities, and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.

The Issuer does not represent that this Offering Memorandum may be lawfully distributed, or that Securities may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, which would permit a public offering of the Securities or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. For a description of certain restrictions on offers, sales and deliveries of Securities and the distribution of this Offering Memorandum and other offering material relating to the Securities, please refer to “**Selling Restrictions**” in this Offering Memorandum.

All references to “**USD**” in this Offering Memorandum refer to United States Dollars.

RBS N.V.

ISIN: **XS0547246164**

The date of this Offering Memorandum is 15 February 2012

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SUMMARY

Words and expressions defined elsewhere in this Offering Memorandum shall have the same meanings in this summary.

Issuer: The Royal Bank of Scotland N.V. (previously named ABN AMRO Bank N.V.) (the “**Issuer**” or “**RBS N.V.**”) acting through its London branch at 250 Bishopsgate, London, EC2M 4AA.

History and Incorporation: RBS N.V. is a public limited liability company incorporated under Dutch law on 7 February 1825. RBS N.V. is registered in the Trade Register of Amsterdam under number 33002587. RBS N.V.'s registered office is at Gustav Mahlerlaan 350 17A90, 1082 ME Amsterdam, The Netherlands.

RBS N.V. is a wholly-owned subsidiary of RBS Holdings N.V. (previously named ABN AMRO Holding N.V.) (“**RBS Holdings**”), which is a public limited liability company incorporated under Dutch law on 30 May 1990. The registered office of RBS Holdings is at Gustav Mahlerlaan 350 17A90, 1082 ME Amsterdam, The Netherlands.

As used herein, the “**Group**” refers to RBS Holdings and its consolidated subsidiaries. The term “**RBSG**” refers to The Royal Bank of Scotland Group plc and the “**RBSG Group**” refers to RBSG and its subsidiaries consolidated in accordance with International Financial Reporting Standards. The term “**RBS**” refers to The Royal Bank of Scotland plc and the “**RBS Group**” refers to RBS and its subsidiaries consolidated in accordance with International Financial Reporting Standards.

Overview: The Issuer is a bank licensed and regulated by the Dutch Central Bank (*De Nederlandsche Bank*).

The Issuer operates on a significant scale across Europe, the Middle East and Africa (EMEA), the Americas and Asia. The Group had total assets of €200.4 billion and owner's equity of €4.95 billion as at 31 December 2010. As at 31 December 2010, the Group's capital ratios were a total capital ratio of 15.8 per cent., a Core Tier 1 capital ratio of 8.7 per cent. and a Tier 1 capital ratio of 11.0 per cent.

The Group had total consolidated assets of €206.7 billion as at 30 June 2011. As at 30 June 2011, the Group's Tier 1 and Core Tier 1 capital ratios were 9.6 per cent. and 7.4 per cent., respectively.

RBS Holdings and RBS N.V. form part of the RBSG Group. RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the RBSG Group operates in the United Kingdom, the United States and internationally through its three principal subsidiaries, RBS, National Westminster Bank Public Limited Company (“**NatWest**”) and RBS N.V. Both RBS and NatWest are major United Kingdom clearing banks. In the United States, the RBSG Group's subsidiary Citizens is a large commercial banking organisation. Globally, the Group has a diversified customer base and provides a wide

range of products and services to personal, commercial and large corporate and institutional customers.

The RBSG Group had total assets of £1,446.0 billion and owners' equity of £74.7 billion as at 30 June 2011. As at 30 June 2011, the RBSG Group's capital ratios were a total capital ratio of 14.4 per cent., a Core Tier 1 capital ratio of 11.1 per cent. and a Tier 1 capital ratio of 13.5 per cent.

The RBS Group had total assets of £1,299.7 billion and owners' equity of £56.9 billion as at 30 June 2011. As at 30 June 2011, the RBS Group's capital ratios were a total capital ratio of 14.0 per cent., a Core Tier 1 capital ratio of 8.7 per cent. and a Tier 1 capital ratio of 10.6 per cent.

Group Organisational Structure:

The Group comprises of the following four segments:

- **Global Banking & Markets (“GBM”):** The GBM segment represents the business providing an extensive range of debt and equity financing, risk management and investment services as a leading banking partner to major corporations and financial institutions around the world. The GBM business within the Group is organised along four principal business lines: Global Lending, Equities, Short Term Markets & Funding and Local Markets.
- **Global Transaction Services (“GTS”):** GTS provides global transaction services, offering Global Trade Finance, Transaction Banking and International Cash Management.
- **Central Items:** The Central Items segment includes group and corporate functions, such as treasury, capital management and finance, risk management, legal, communications and human resources. Central Items manages the Group's capital resources, statutory and regulatory obligations and provides services to the branch network.
- **Non-Core Segment:** The Non-Core segment contains a range of businesses and asset portfolios managed separately that the Group intends to run off or dispose of, in line with the RBSG Group strategy for Non-Core assets. It also includes the remaining assets and liabilities in RBS N.V. that have not yet been sold, wound down or alternatively transferred by the Consortium Members (as defined below), in which each of the Consortium Members has a joint and indirect interest.

Global Banking & Markets, Global Transaction Services and Central Items comprise the Group's Core segments.

These RBS N.V. businesses are part of global business units of the RBSG Group that operate across multiple legal entities. The strategy of RBS N.V. is part of the overall business strategy of the RBSG Group. RBS Holdings has been restructured into Core and Non-Core components. The RBSG Group expects to substantially run down or dispose of the businesses, assets and portfolios within the Non-Core division by 2013 and has completed the sale of businesses in Latin America, Asia, Europe and the Middle East.

Separation from the ABN AMRO group:

On 17 October 2007, RFS Holdings B.V. ("**RFS Holdings**"), which at the time was owned by RBSG, Fortis N.V., Fortis S.A./N.V., Fortis Bank Nederland (Holding) N.V. and Banco Santander, S.A. ("**Santander**"), completed the acquisition of ABN AMRO Holding N.V., which was renamed RBS Holdings N.V. on 1 April 2010 when the shares in ABN AMRO Bank N.V. were transferred to ABN AMRO Group N.V., a holding company for the interests of the State of The Netherlands (the "**Dutch State**"). This marked a substantial completion of the restructuring of the activities of ABN AMRO Holding N.V. in accordance with the agreement between RBSG, the Dutch State and Santander (the "**Consortium Members**"). RBS Holdings has one direct subsidiary, RBS N.V., a fully operational bank within the Group, which is independently rated and regulated by the Dutch Central Bank.

On 31 December 2010, the share capital of RFS Holdings was amended, such that approximately 98 per cent. of RFS Holdings' issued share capital is now held by RBSG, with the remainder being held by Santander and the Dutch State. Ultimately it is expected that RFS Holdings will become a wholly-owned subsidiary of RBSG.

Guarantor:

RBS Holdings N.V. pursuant to its declaration under Article 2:403 of the Netherlands Civil Code.

Proposed transfer of activities

On 19 April 2011, the Boards of RBSG, RBS, RBS Holdings and RBS N.V. announced that they had approved the proposed transfers of a substantial part of the business activities of RBS N.V. to RBS (the "**Proposed Transfers**"), subject, amongst other matters, to regulatory and other approvals, further tax and other analysis in respect of the assets and liabilities to be transferred and employee consultation procedures.

It is expected that the Proposed Transfers will be implemented on a phased basis over a period ending 31 December 2013. A large part of the Proposed Transfers (including the transfers of certain securities issued by RBS N.V.) is expected to have taken place by the end of 2012. Where available and practicable, statutory transfer schemes will be used to implement the Proposed Transfers. This includes a banking business transfer scheme in respect of eligible business carried on by RBS N.V. pursuant to Part VII of the UK Financial Services and Markets Act 2000 (the "**Part VII Scheme**"). On 23 September 2011, RBS and RBS N.V. announced that the Court of Session in Scotland (the "**Court**") had approved an order under Part VII of the UK Financial Services and Markets Act 2000 to sanction the Part VII Scheme. The Part VII Scheme, as approved by the Court, took effect at 00:01hrs on 17 October 2011.

Certain disclosure relating to RBS has been incorporated by reference in this Offering Memorandum as a result of the possibility that RBS may become the issuer of the Securities in accordance with General Condition 8(a)(A). There is, however, no assurance that any such substitution will take place.

Risk Factors

In the context of its business activities, the Issuer is subject to various risks that are typical of the banking industry. Should certain risks materialise, this may adversely affect the business situation, financial condition and profits and losses of the Issuer and its subsidiaries and,

consequently, the business situation, financial condition and profits and losses of RBS Holdings and, hence, the capacity (i) of the Issuer to meet its liabilities under the Securities towards the Holders, and/or (ii) of RBS Holdings to meet its obligations under its guarantee pursuant to Article 2:403 of the Netherlands Civil Code. Factors which can adversely affect the business situation, financial condition and profits and losses of the Issuer are, *inter alia*, (i) general economic conditions and other business conditions, (ii) competition, (iii) regulatory change and (iv) standard banking risks including changes in interest and foreign exchange rates and operational, credit, market, liquidity and legal risks.

In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Securities including (i) holders of Securities could suffer a significant loss in certain circumstances if the Securities are terminated early or if the Issuer becomes insolvent, (ii) the value of the Securities may fluctuate based on the level of the Index (as defined in the Product Conditions), (iii) there may not be a secondary market in the Securities, (iv) holders of the Securities have no ownership interest in any Components of the Index, and (v) there may be delays in effecting settlement, see section “Risk Factors” in this Offering Memorandum.

Each potential investor in the Securities should refer to the Risk Factors section of the Registration Document and the RBS Registration Document (each as defined below) incorporated by reference in this Offering Memorandum for a description of those factors which may affect the Issuer's or (following a substitution of the Issuer in accordance with General Condition 8(a)(A)) RBS's ability to fulfil its obligations under the Securities.

Securities:

The Capital Protected Islamic Certificates linked to the Aurum IV Index. Each Security evidences an undivided beneficial ownership interest in the Trust Property (as defined in the Product Conditions) subject to the terms of the Declaration of Trust, the Investment Agency Agreement, the Purchase Undertaking, the Murabaha Agreement, the General Conditions and the Product Conditions, and is a limited recourse obligation of the Issuer. Each Security ranks *pari passu*, without any preference or priority, with all other Securities. The Trust Property will be held on trust for holders of the Securities subject to and in accordance with the terms of the Declaration of Trust and the Investment Agency Agreement.

The Issuer shall use the proceeds from the issuance of such Securities to:

- (a) enter into a Murabaha Agreement relating to the purchase and sale on a deferred payment basis of certain commodities, for the purpose of generating a return on the Maturity Date equal to the Aggregate Nominal Amount less the Aggregate Retained Amount;
- (b) constitute the Portfolio, which is held as part of the Trust constituted pursuant to the Declaration of Trust. The Investment Agent shall allocate the assets of the Portfolio in such a way as to return an amount per Security outstanding on the Maturity Date equal to the Aggregate Variable Profit; and
- (c) deposit the Aggregate Retained Amount in the Retained Account.

Issue Date:	15 February 2012
Security Codes:	ISIN: XS0547246164 Common Code: 54724616
Maturity Date:	15 February 2017
Redemption at Maturity:	<p>Unless previously terminated, redeemed or repurchased and cancelled, each Security shall be redeemed on the Settlement Date at the Final Settlement Amount, being the sum of:</p> <ul style="list-style-type: none"> (a) the Nominal Amount; and (b) the Variable Profit. <p>The Final Settlement Amount will be rounded to the nearest two decimal places, 0.005 being rounded downwards and shall not be less than zero.</p>
Settlement Date:	<p>Either:</p> <ul style="list-style-type: none"> (i) in respect of redemption at maturity, the later of (a) the Maturity Date or (b) 10 Business Days following the Valuation Date; or (ii) in respect of a redemption following an Early Termination Event or an event described in General Condition 3 under Product Condition 3, 10 Business Days following the Early Termination Date.
Number of Securities:	100,000 Securities
Issue Price:	USD100 per Security
Nominal Amount:	<p>USD100 per Security</p> <p>(the Nominal Amount multiplied by the number of Securities then outstanding being, the “Aggregate Nominal Amount”).</p>
Variable Profit:	<p>An amount per Security equal to:</p> $\text{USD100} \times \text{Max} [0\%, (\text{Final Index} / \text{Initial Index}) - 1]$ <p>where:</p> <p>“Final Index” means the level of the Index published by the Index Sponsor at the Valuation Time on the Valuation Date;</p> <p>“Initial Index” means 823.18, being the level of the Index published by the Index Sponsor on 13 February 2012;</p> <p>“Valuation Date” means 13 August 2016, subject to adjustment in accordance with the Conditions; and</p> <p>“Valuation Time” means the time at which the Index Sponsor publishes the closing level of the Index or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with</p>

General Condition 4,

(the Variable Profit multiplied by the number of Securities then outstanding being, the “**Aggregate Variable Profit**”).

On an ongoing basis, information regarding the Index, its performance and volatility may be obtained from Bloomberg page RBSDARU4 and www.rbs.markets.com.

Calculation Agent: RBS N.V., acting through its London branch or such other branch as it may from time to time determine.

Early Redemption: The Securities may be redeemed early upon the occurrence of an Early Termination Event, illegality, insolvency of the Purchase Undertaker or the Murabaha Counterparty or Hedging Disruption Event (as defined in the Conditions).

Early Termination Event: (i) The Issuer determines that the Trustee is unable to hold assets in the Portfolio that are Shariah compliant, or the Portfolio, the Declaration of Trust, the Investment Agency Agreement, the Purchase Undertaking or the Murabaha Agreement have become non-Shariah compliant in whole or in part for any reason or (ii) any change in law or regulation (including, without limitation, any tax law), or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority) which is likely to materially increase the cost to the Issuer of performing its obligations under the Securities occurs.

Early Termination Date: The date on which an early termination of the Securities becomes effective as specified in the notice notifying Holders when the Issuer has terminated the Securities pursuant to the occurrence of an Early Termination Event or an event described in General Condition 3(a) or, in relation to an Insolvency Event relating to the Purchase Undertaker or the Murabaha Counterparty, the first day on which the Insolvency Event occurred.

Early Termination Settlement Amount: An amount, in respect of each Security and following an Early Termination Event, an event described in General Condition 3(a) or an insolvency of the Purchase Undertaker or the Murabaha Counterparty, determined by the Calculation Agent (promptly following the date on which such event occurs) as being equal to the sum of (i) such Security's pro rata share of the liquidation value of the Portfolio and the Commodity Murabaha and (ii) the Retained Amount.

In the case of the early redemption of the Securities outstanding, the liquidation value of the Portfolio and the Commodity Murabaha shall be an amount equal to the sum of:

- (a) the amount that the Issuer is entitled to receive from the Murabaha Counterparty following the early termination of the Murabaha Agreement;
- (b) any payment received by the Issuer from the Purchase Undertaker in respect of the Shariah compliant equity securities (the “**Investments**”) purchased pursuant to the Purchase Undertaking

(if exercised) or, if not exercised (which will be the case if the Securities are terminated as a result of an Insolvency Event occurring in relation to the Purchase Undertaker and may be the case if an illegality occurs), the proceeds obtained from the liquidation of the Investments at the best price reasonably obtainable in a Shariah compliant manner taking into account any costs and expenses in relation to the liquidation; and

(c) any cash forming part of the Portfolio.

On any purchase of Investments under the Purchase Undertaking prior to maturity for the purpose of funding an early redemption payment under the Securities, the Purchase Undertaking provides that the Investments will be purchased at the fair market value of the Portfolio (as calculated by the Calculation Agent). In the case of an Insolvency Event occurring in relation to the Purchase Undertaker or the Murabaha Counterparty and certain events of illegality, the Trust Property (including the Investments) will be realised by the Trustee in accordance with the Declaration of Trust.

Disruption Events: The Securities are subject to various Market Disruption Events.

Settlement Currency: USD

Use of Proceeds: The net proceeds of the issue will be used by the Issuer as follows:

USD100,000 of the issue proceeds received by the Issuer on the Issue Date (the “**Issue Proceeds**”) will be paid to the Trustee as a fee for the services provided by the Trustee during the life of the Securities. USD100 of the Issue Proceeds will be paid to the Investment Agent in respect of the services to be provided by the Investment Agent pursuant to the Investment Agency Agreement. These amounts will not therefore form part of the Trust Property.

5 per cent. of the Issue Proceeds (the “**Aggregate Retained Amount**”) will be deposited in a deposit account with The Royal Bank of Scotland N.V. (the “**Retained Account Bank**”).

Approximately 94 per cent. of the Issue Proceeds will be used to partially finance the Commodity Murabaha to be entered into pursuant to the Murabaha Agreement with the Murabaha Counterparty for the purpose of providing a return at maturity of an amount equal to the Aggregate Nominal Amount less the Aggregate Retained Amount.

The Commodity Murabaha is a form of deferred commodity sale whereby the Issuer will use part of the Issue Proceeds to purchase certain commodities which will then be sold to the Murabaha Counterparty on a deferred payment basis for a price equal to the Aggregate Nominal Amount less the Aggregate Retained Amount, subject to certain early termination events not having occurred.

A small part of the Issue Proceeds (approximately equal to 0.05 per cent.) will be used to purchase Investments in accordance with the Declaration of Trust and the Investment Agency Agreement, that will be held in a custody account and will form part of the Portfolio. The Investments will

be subject to a Purchase Undertaking, and the rights under the Purchase Undertaking shall form part of the Trust Property.

Portfolio:

The Portfolio is a portfolio initially comprised of Shariah compliant shares selected from the Dow Jones Islamic Market World Index (or any such successor, alternative or substitute index approved by the Shariah Board) and any unutilised net proceeds as cash but may also comprise other Shariah compliant securities approved by the Shariah Board prior to their inclusion in the Portfolio.

If any securities included in the Portfolio cease to be Shariah compliant, the Trustee or its agent may substitute such securities with other Shariah compliant securities. The Trustee, or its agent, may also, at any time and in its sole and absolute discretion, make other changes to the securities in the Portfolio provided that: (i) at all times only cash and Shariah compliant securities may be included in the Portfolio; and (ii) any such change is determined by the Trustee to be in the best interests of Holders.

The Shariah Board shall, in its sole and absolute discretion, conduct an audit of the assets held in the Portfolio to confirm that they are Shariah compliant.

Dow Jones Islamic Market World Index:

The Dow Jones Islamic Market World Index was introduced as a benchmark to represent Islamic-compliant portfolios. The index is maintained based on a stringent and published methodology (see <http://www.djindexes.com/mdsidx/?event=showIslamicMethod> for further information). An independent Shariah scholar (separate from the Shariah Board) counsels Dow Jones Indexes on matters related to the compliance of index-eligible companies.

Excluded from the Dow Jones Islamic indexes are producers of alcohol and pork-related products, providers of conventional financial services (banking, insurance, etc.) and providers of entertainment services (hotels, casinos/gambling, cinema, pornography, music, etc.). Tobacco manufacturers and defence and weapons companies, although not strictly forbidden for investment under Islamic law, are also excluded from the Dow Jones Islamic indexes.

Insolvency Protection:

The Issuer will declare a trust over the Trust Property in favour of Holders. The Trust Property includes the Portfolio, the Commodity Murabaha and the Trustee's rights in relation to the Retained Account. Upon the insolvency of RBS N.V., the Trust Property will be liquidated and the proceeds of such liquidation (less any costs and expenses in relation to the liquidation) distributed to Holders pro rata.

Investment Agent Fee:

Any dividends or other distributions of any kind whatsoever with respect to any securities comprising the Portfolio are payable to the Investment Agent as an incentive fee.

A fee of USD100 payable to the Investment Agent in respect of the services to be provided by the Investment Agent pursuant to the Investment Agency Agreement.

Trustee, Purchase Undertaker, Principal

RBS N.V. acting through its London branch of 250 Bishopsgate, London, EC2M 4AA, or such other branch as it may from time to time determine.

Agent, and Calculation Agent:

Shariah Compliance: As of the Issue Date, all material elements of the investment structure have been reviewed and approved as Shariah compliant under Islamic law on the basis of the interpretation by the Shariah Board.

By agreeing to purchase the Securities, each investor confirms that neither RBS N.V. nor any of its affiliates have made or makes any representation or warranty or gives any assurance or guarantee to the investors that the Securities, the related documentation or the underlying structure is compliant with Shariah or Islamic principles generally or with the terms or conditions of any fatwa or investment principles or criteria by which the investors may be bound or which otherwise apply to it. Prospective investors must satisfy themselves as to the Shariah compliance of the Securities by seeking their own independent Shariah advice, approval or certification, as required, of the underlying structure and documentation for this transaction.

Secondary Market: RBS N.V. will not maintain a secondary market in the Securities. Investors wishing to liquidate their holdings may request RBS N.V. to liquidate a pro-rata share of the Portfolio, the Commodity Murabaha and the Aggregate Retained Amount in a Shariah compliant manner and receive the net proceeds in exchange for their Securities.

Selling Restrictions: Private placement restrictions apply in all non-public offer countries.

Listing: Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange.

Governing Law: English law.

General Conditions Set out below is a summary of certain significant provisions of the General Conditions applicable to the Securities.

Status of the Securities: Each Security evidences an undivided beneficial ownership interest in the Trust Property subject to the terms of the Declaration of Trust, the Investment Agency Agreement, the Purchase Undertaking, the Murabaha Agreement and the Conditions, and is a limited recourse obligation of the Issuer. Each Security ranks *pari passu*, without any preference or priority, with all other Securities.

Hedging Disruption: If a Hedging Disruption Event (as defined in General Condition 5) occurs, the Issuer will at its discretion (i) terminate the Securities and pay to the Holders the Retained Amount and the fair market value of the Portfolio and the Commodity Murabaha immediately prior to such termination taking into account any costs and expenses in relation to the liquidation or (ii) make a good faith adjustment to the relevant reference asset as described in General Condition 5(d) or (iii) make any other adjustment to the Conditions as it considers appropriate in order to maintain the theoretical value of the Securities after adjusting for the relevant Hedging Disruption Event.

Substitution: The Issuer may at any time, without the consent of the Holders, substitute

for itself as Issuer of the Securities, RBS or any entity other than RBS subject to the conditions set out in General Condition 8 (See “**Risks relating to Substitution**”).

Taxation:

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

Events of Default:

General Condition 17 contains the following events of default:

- (a) default in payment of any amounts due under the Securities or either the Murabaha Agreement or the Purchase Undertaking continuing for a specified period of time;
- (b) non-performance or non-observance by the Issuer of any of its obligations under the Securities continuing for a specified period of time; and
- (c) events relating to the winding up of the Issuer.

Index Disclaimer:

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RISK FACTORS

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

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

The Issuer believes that the factors described below represent some of the principal risks inherent in investing in the Securities, but the inability of the Issuer to pay the Final Settlement Amount, any Early Termination Settlement Amount and/or other amounts on or in connection with the Securities may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Securities are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Memorandum (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.

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

Part A – General Risk Factors

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

Each potential investor in the Securities should refer to the Risk Factors section of the Registration Document (as defined below) incorporated by reference in this Offering Memorandum for a description of those factors which may affect the Issuer's ability to fulfil its obligations under the Securities.

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

Shariah Compliance

AS OF THE ISSUE DATE, ALL MATERIAL ELEMENTS OF THE INVESTMENT STRUCTURE HAVE BEEN REVIEWED AND APPROVED AS SHARIAH COMPLIANT UNDER ISLAMIC LAW ON THE BASIS OF THE INTERPRETATION BY THE SHARIAH BOARD.

BY AGREEING TO PURCHASE THE SECURITIES, EACH INVESTOR CONFIRMS THAT NEITHER RBS N.V. NOR ANY OF ITS AFFILIATES HAVE MADE OR MAKES ANY REPRESENTATION OR WARRANTY OR GIVES ANY ASSURANCE OR GUARANTEE TO THE INVESTORS THAT THE SECURITIES, THE RELATED

DOCUMENTATION OR THE UNDERLYING STRUCTURE IS COMPLIANT WITH SHARIAH OR ISLAMIC PRINCIPLES GENERALLY OR WITH THE TERMS OR CONDITIONS OF ANY FATWA OR INVESTMENT PRINCIPLES OR CRITERIA BY WHICH THE INVESTORS MAY BE BOUND OR WHICH OTHERWISE APPLY TO IT. PROSPECTIVE INVESTORS MUST SATISFY THEMSELVES AS TO THE SHARIAH COMPLIANCE OF THE SECURITIES BY SEEKING THEIR OWN INDEPENDENT SHARIAH ADVICE, APPROVAL OR CERTIFICATION, AS REQUIRED, OF THE UNDERLYING STRUCTURE AND DOCUMENTATION FOR THIS TRANSACTION.

The Securities are securities which entail particular risks

The Securities are investment instruments which at settlement pay a Final Settlement Amount. The Securities are subject to potential early termination events during their term which may return an amount that is different from the Final Settlement Amount and which may or may not be equal to the purchase price of the relevant Security. As such, each Security will entail particular risks.

The price at which a Holder will be able to sell Securities from time to time may be substantially less than the price paid for the Securities at the Issue Date depending upon the performance of the Index and the Portfolio at the time of sale.

In the event of illegality the Issuer may redeem the Securities early and, upon the insolvency of the Purchase Undertaker or the Murabaha Counterparty, the Securities shall be redeemed early. In such circumstances, the only rights of the Holders will be to receive their proportionate share of the realisation proceeds of the Trust Property less any costs and expenses incurred in such realisation. In these circumstances the amount that Holders will receive will bear no relation to the performance of the Index.

The value of the Trust Property will be affected by changes in the market price of the securities comprised in it. In addition, because Securities comprise an undivided beneficial ownership entitlement in the Trust Property, which includes the Portfolio to be acquired with part of the net proceeds of the issue of the Securities, Holders may suffer a comparative dilution or experience a comparative increase in the value of their pro rata share in certain events including subsequent sales by the Issuer of Securities issued and held by it on issue, the issue of further series of similar securities and the repurchase by the Issuer and cancellation of Securities.

The Securities may not be a suitable investment for all investors

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Offering Memorandum;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact the Securities will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including where the Settlement Currency is different from the currency in which such potential investor's principal financial activities are denominated;

- (d) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant assets and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

The value of the Securities may fluctuate

The value of the Securities may move up and down between their date of purchase and the Maturity Date or Early Termination Date, as the case may be. Prospective purchasers should therefore ensure that they understand fully the nature of the Securities before they invest in the Securities.

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

- (a) *Valuation of the Index.* The market price of the Securities at any time is expected to be affected primarily by changes in the value of the Index. For the risks related to the Index, please see Part B below. It is impossible to predict how the value of the Index will vary over time. Factors which may have an affect on the value of the Index include the price of the Components that comprise the Index. In addition, the value of the Index may depend on a number of interrelated factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Potential investors should also note that the value of the Securities is linked to the Index and will be influenced (positively or negatively) by its performance. Where no value is available for the Components comprising the Index, the Calculation Agent may determine their value as its good faith estimate of the level of the Index using the last available or reported trading or closing level of the relevant Components and such other factors and information as the Calculated Agent determines relevant.
- (b) *Interest Rates.* Investments in the Securities may involve interest rate risk with respect to the currency of denomination of the Securities. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Securities at any time prior to valuation of the Index relating to the Securities.
- (c) *Volatility.* The term "volatility" refers to the actual and anticipated frequency and magnitude of changes of the value of the Index. Volatility is affected by a number of factors such as macro economic factors, speculative trading and supply and demand in the options, futures and other derivatives markets. Volatility of the Index will move up and down over time (sometimes more sharply than others).
- (d) *Exchange Rates.* Even where payments in respect of the Securities are not expressly linked to a rate or rates of exchange between currencies, the value of the Securities

could, in certain circumstances, be affected by such factors as fluctuations in the rates of exchange between any currency in which any payment in respect of the Securities is to be made and any currency in which any of the Components to which the Index is linked are traded, appreciation or depreciation of any such currencies and any existing or future governmental or other restrictions on the exchangeability of such currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of the Securities will be representative of the relevant rates of exchange used in computing the value of the Securities at any time thereafter.

- (e) *Disruption.* If so indicated in the General Conditions or Product Conditions, the Calculation Agent may determine that a Market Disruption Event or other disruption event has occurred or exists at a relevant time. Any such determination may affect the value of the Securities and/or may delay settlement in respect of the Securities.

Prospective purchasers should review the General Conditions or Product Conditions to ascertain whether and how such provisions apply to the Securities.

- (f) *Creditworthiness.* Any person who purchases the Securities is relying upon the creditworthiness of RBS N.V. as Purchase Undertaker and Retained Account Bank, of RBS Holdings and of RBS as Murabaha Counterparty. Each Security evidences an undivided beneficial ownership interest in the Trust Property subject to the terms of the Declaration of Trust and the Investment Agency Agreement, the Purchase Undertaking, the Murabaha Agreement, the General Conditions and the Product Conditions, and is a limited recourse obligation of the Issuer as provided in paragraph (b) of General Condition 2. If either the Purchase Undertaker, RBS Holdings or the Murabaha Counterparty becomes unable for any reason to fulfil its obligations then the Holder may receive less than the initial amount invested on redemption.

There may not be a secondary market in the Securities

Potential investors should be willing to hold the Securities through their life. The Securities represent an investment in a Commodity Murabaha and a portfolio of Shariah compliant shares and a deposit in the Retained Account and it will be against the principle of Shariah to trade such Securities in the secondary market. In consideration of the long term nature of the Securities, should a Holder need to liquidate the investment prior to the Maturity Date, the Issuer may at its sole and absolute discretion arrange for a withdrawal from the Retained Account and a part liquidation of the Commodity Murabaha and the Portfolio in a Shariah Compliant manner, taking into account any costs and expenses in relation to the liquidation. As a consequence any person intending to hold the Securities should consider liquidity in the Securities as a risk. The Issuer intends to provide an indicative interim value of the Securities upon request purely for information purposes, and the actual early redemption price may differ substantially from the quoted price. Liquidity may also be affected by legal restrictions on offers for sale in certain jurisdictions.

In the event that the Issuer elects to offer a redemption facility, the Issuer shall be entitled to impose such conditions as it, in its sole and absolute discretion, shall deem fit, including but not limited to:

- (a) providing a large bid/offer spread determined by the Issuer in its sole and absolute discretion by reference to the Issuer's own appreciation of the risks involved in providing such secondary market;
- (b) accepting liquidation requests under normal market conditions prevailing at such date; and

- (c) limiting the number of Securities in respect of which it is prepared to accept liquidation requests.

Holders should note that the imposition of any of the above conditions may severely limit their ability to redeem their holdings early and may result in Holders receiving significantly less than they otherwise would have received if the Securities were redeemed at maturity.

Purchasing the Securities as a hedge may not be effective

Any person intending to use the Securities as a hedge instrument to hedge any of their obligations should recognise the correlation risk. The Securities may not be a perfect hedge to the Index.

Holders have no ownership interest in the assets comprised in the Index

The Securities constitute a notional investment in the Index. This means that the Securities convey no ownership rights in relation to any Component or any assets underlying any Component. The Issuer may choose not to hold Components, assets underlying a Component or any derivatives contracts linked to the Index or its Components. There is no restriction through the issue of the Securities on the ability of the Issuer and/or its affiliates to sell, pledge or otherwise convey all right, title and interest in any Component, any asset underlying a Component or any derivatives contracts linked to the Index or its Components. Holders will not have voting rights nor any other rights in relation to any Component or any asset underlying a Component, and will not be entitled to receive physical delivery of any Component or any asset underlying a Component at any time.

No Holders' rights in the Investments comprising the Portfolio

Holders will not have voting rights, rights to receive dividends or other distributions or any other rights in relation to any Investments comprised within the Portfolio, and will not be entitled to receive physical delivery of any such Investments at any time.

Fees and Costs

The Investment Agent receives all dividends and or other distributions and other income from the Portfolio by way of fees and or incentive fees with respect to its duties in relation to the Portfolio. Such fees have the effect of limiting the potential capital growth of the Portfolio. A fee of USD100 payable to the Investment Agent in respect of the services to be provided by the Investment Agent pursuant to the Investment Agency Agreement.

In certain cases (including illegality and the insolvency of the Purchase Undertaker or the Murabaha Counterparty) the amount paid to the Issuer in respect of the realisation proceeds of the Trust Property may be reduced by transaction costs and expenses incurred in realising the Trust Property. In addition, certain changes in the Portfolio will incur transaction costs and expenses which will reduce the amount available for further investment and could result in the amount payable to Holders in the event of illegality or insolvency of the Purchase Undertaker or the Murabaha Counterparty being further reduced.

Taxes may be payable by investors

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

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

No tax gross-up

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

Modification, waivers and substitution

The Conditions provide that the Issuer may, without the consent of the Holders, modify any provision of the Conditions which is, inter alia, (i) of a formal, minor or technical nature; (ii) made to correct a manifest error; or (iii) in its absolute discretion, not materially prejudicial to the interests of the Holders. Any such modification shall be binding on the Holders and any such modification shall be notified to the Holders in accordance with the Conditions as soon as practicable thereafter.

In addition, pursuant to the Conditions, the Issuer may, without the consent of the Holders, substitute another company as issuer of the Securities in place of the Issuer, in the circumstances described in the Conditions, without regard to any and all rights, obligations and liabilities under and in connection with the Securities.

The Securities may be terminated prior to their stated date

If the Issuer determines that the performance of its obligations under the Securities has become unlawful in whole or in part the Issuer may at its discretion terminate the Securities early. If an Insolvency Event occurs in relation to the Purchase Undertaker or the Murabaha Counterparty, the Securities will be automatically terminated. In either case, the Issuer will (in the circumstances described in the first sentence above), if and to the extent permitted by applicable law, pay to each of the Holders in respect of each Security held by such Holders the relevant Early Termination Settlement Amount.

Adjustments to the Conditions by the Calculation Agent

As provided in the Product Conditions, the Calculation Agent may, as it considers appropriate in order to account for a Market Disruption Event, make adjustments to the Conditions.

Risks associated with Securities held in global form

The Securities will initially be held by or on behalf of the clearing systems specified in the Product Conditions (the “**Relevant Clearing Systems**”) in the form of the global Security which will be exchangeable for definitive Securities only in the event of the closure of all Relevant Clearing Systems. For as long as any Securities are represented by the global Security held on behalf of one or more relevant clearing systems, payments of the Final Settlement Amount, any Early Termination Settlement Amount and any other amounts on the global Security will be made through the relevant clearing systems against presentation or surrender (as the case may be) of the relevant global Security. The bearer of the global Security shall be treated by the Issuer and the Agents as the sole holder of the relevant Securities represented by such global Security with respect to the payment of the Final

Settlement Amount, any Early Termination Settlement Amount and any other amounts payable in respect of the Securities.

Securities which are represented by the global Security will be transferable only in accordance with the rules and procedures for the time being of the Relevant Clearing Systems.

Risk associated with nominee arrangements

Where a nominee service provider (i.e. a bank or other institution through which the Holder holds its Securities) is used by an investor to hold Securities or such investor holds interests in any Security through accounts with a relevant clearing system, such investor will receive payments in respect of the Final Settlement Amount, any Early Termination Settlement Amount or any other amounts due solely on the basis of the arrangements entered into by the investor with the relevant nominee service provider or clearing system, as the case may be. Furthermore, such investor must rely on the relevant nominee service provider or clearing system to distribute all payments attributable to the relevant Securities which are received from the Issuer. Accordingly, such an investor will be exposed to the credit risk of, and default risk in respect of, the relevant nominee service provider or clearing system, as well as the Issuer.

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

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

There may be a change of law and jurisdiction

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

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Purchase Undertaker, the Murabaha Counterparty, the Retained Account Bank and/or the Securities. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold Securities and may be revised or withdrawn by the rating agency at any time.

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

An investor's total return on an investment in the Securities will be affected by the level of fees charged by the nominee service provider and/or clearing system used by the investor. Such a person or institution may charge fees for the opening and operation of an investment account, transfers of the Securities, custody services and on payments of the Final Settlement

Amount, any Early Termination Settlement Amount or any other amounts due. Potential investors are therefore advised to investigate the basis on which any such fees will be charged on the Securities.

Legal investment considerations may restrict certain investments

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

Securities are Limited Recourse Obligations of the Issuer

Proceeds of the Trust Property are the sole source of payments on the Securities. The Securities do not represent an interest in any of the Issuer, the Trustee, the Investment Agent or any of the Agents or any of their respective affiliates. Accordingly, the recourse of Holders in respect of claims against the Issuer as issuer relating to the Securities is strictly limited to the Trust Property held and there shall be no recourse in respect of any such claim to any asset other than the Trust Property and following realisation of the Trust Property any unsatisfied claim against the Issuer shall be extinguished. The net proceeds of the realisation of, or enforcement with respect to, the Trust Property may not be sufficient to make all payments due in respect of the Securities.

Proposed Transfer

As stated in the section entitled “**Essential Characteristics of the Issuer and RBS - Proposed transfer of activities**”, certain disclosure relating to RBS has been incorporated by reference in this Offering Memorandum as a result of the possibility that RBS may become the issuer of the Securities as a result of a substitution of the Issuer in accordance with General Condition 8(a)(A). There is, however, no assurance that any such substitution will take place and nothing in this Offering Memorandum should be taken as (or is) a representation that RBS will become, or RBS N.V. will remain, the issuer of any of the Securities. If prospective purchasers are in any doubt as to whether there is any tax or other impact on them as a result of a substitution of the Issuer in accordance with General Condition 8(a)(A), they should discuss such matters with their advisers.

If RBS becomes the issuer of Securities as a result of the substitution of the Issuer in accordance with General Condition 8(a)(A) in connection with the Proposed Transfers, then certain factors may affect RBS' ability to fulfil its obligations under the Securities. Each potential investor in the Securities should refer to the Risk Factors section of the RBS Registration Document (as defined below) incorporated by reference in this Offering Memorandum for a description of those factors which may affect RBS's ability to fulfil its obligations under the Securities following any substitution. In addition to such risk factors, it should be noted that (i) HM Treasury (or UKFI on its behalf) may be able to exercise a significant degree of influence over the RBSG Group and any proposed offer or sale of its interests may affect the price of the Securities and (ii) the RBSG Group's insurance businesses are subject to inherent risks involving claims.

The Independent Commission on Banking has published its final report on competition and possible structural reforms in the UK banking industry. The implementation of the recommendations included in the final report could have a material adverse effect on the RBSG Group.

The Independent Commission on Banking (the “**ICB**”) was appointed by the UK Government in June 2010 to review possible structural measures to reform the UK banking system in order to promote, amongst other things, stability and competition. The ICB published its final report to the Cabinet Committee on Banking Reform on 12 September 2011 (the “**Final Report**”) which sets out the ICB's views on possible reforms to improve stability and competition in UK banking. The Final Report makes a number of recommendations, including in relation to (i) the implementation of a ring-fence of retail banking operations, (ii) loss-absorbency (including bail-in) and (iii) competition. The ICB has recommended 2019 as the final deadline for the implementation of its recommendations. The RBSG Group will continue to participate in the debate and to consult with the UK Government on the implementation of the recommendations set out in the Final Report, the effects of which could materially adversely affect the RBSG Group's structure, results of operations, financial condition and prospects.

Risks relating to Substitution

In the event that the Issuer is to be substituted as principal obligor under the Securities, any such substitution must comply with the requirements of General Condition 8(a). Holders should be aware that as a result of a substitution (if any) the Securities will be subject to different risks in relation to the relevant Substitute (as defined in the Conditions) which assumes the obligations of RBS N.V. in respect of the Securities. Such risks may include the credit risks of the Substitute and other risks specific to the Substitute. Investors should note that following a substitution, Holders will no longer have any claim or recourse against RBS N.V.. In addition, Holders should be aware that the consent of the Holders will not be required if the Issuer elects to exercise its substitution right in accordance with General Condition 8. However, no assurance is given that any substitution will occur in respect of the Securities.

Part B – Risk Factors Relating to the Index

Market Risk of the Index

Subject as provided in the Conditions, the Securities entitle each Holder to receive the Final Settlement Amount from the Issuer on the Settlement Date. As securities linked to the performance of the Index, in addition to the risk factors set out in Part A of this Section, the Securities may entail the same level of risk as a direct investment in the Components referenced by the Index. The value of the Index is linked to the value of a notional holding in the Components. There can be no assurance that the Index will perform in accordance with any Holder's expectations, or that the Holders will receive a return greater than or equal to their investment in the Securities (please also refer to “**Description of the Securities and the Index**” and “**Information Relating to the Index**”).

The value of the Securities is mainly based on the value of notional holdings in the Index the level of which can be significantly volatile. The value of the Securities and the Index may move up and down between the date purchased and the Settlement Date. In particular, the level of the Index, which determines the Variable Profit Amount, may move up and down. Several factors that are beyond the control of the Issuer will influence the value of the Securities, including but not limited to:

- (a) the market levels of the Index;

- (b) the volatility (i.e. the frequency and magnitude of changes) in the level of the Index;
- (c) interest and yield rates in the market;
- (d) the value of notional listed futures and options contracts, which are comparable to physical exposure to the underlying assets. Such futures and options contracts are also volatile and represent uncapped exposure to underlying assets and can be affected by many factors, including conditions in the underlying assets markets, market liquidity, and the rules and regulations of each exchange on which they are traded;
- (e) economic, financial, political and regulatory or judicial events that affect the financial markets generally and which may affect the market level of the Index and the Components which comprise the Index; and
- (f) the creditworthiness of RBS N.V. and RBS. Any person who purchases the Securities is relying upon the creditworthiness of RBS N.V. as Purchase Undertaker and Retained Account Bank, of RBS Holdings and of RBS as Murabaha Counterparty. Each Security evidences an undivided beneficial ownership interest in the Trust Property subject to the terms of the Declaration of Trust, the Investment Agency Agreement, the Purchase Undertaking, the Murabaha Agreement, the General Conditions and the Product Conditions, and is a limited recourse obligation of the Issuer as provided in paragraph (b) of General Condition 2. If either the Purchase Undertaker, the Retained Account Bank, RBS Holdings or the Murabaha Counterparty becomes unable for any reason to fulfil its obligations then the Holder may suffer a significant, or in extreme circumstances, a total loss of principal.

Some or all of these factors will influence the price that Holders will receive if they sell the Securities. The price at which a Holder will be able to sell Securities prior to the Settlement Date may be at a discount, which could be substantial, to the value of the Securities on the date of issuance or on which the Holder bought them, due to the foregoing factors.

In addition, the markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. These circumstances could adversely affect the value of the Index and therefore the overall return payable in respect of an investment in the Securities.

Prices for assets are affected by a variety of factors, including, but not limited to, changes in supply and demand relationships, governmental programs and policies, national and international political and economic events, wars and acts of terror, changes in interest and exchange rates, trading activities in shares and related contracts, weather, and agricultural, trade, fiscal, monetary and exchange control policies. These factors may affect the Index and the value of the Securities in varying ways and may cause the level of the Index to move in inconsistent directions and at inconsistent rates.

Leverage Risk

There is no leverage risk in the Securities as the Variable Profit payable on the Securities is correlated to the Index value.

Capital Protection

Capital protection does not imply that the Issuer will be able to repay the Securities on their Maturity Date. If the Issuer, the Murabaha Counterparty or the Retained Account Bank

becomes insolvent or otherwise fails to perform its obligations on the Maturity Date, Holders may lose some or all of their investment. See also "**The Securities are securities which entail particulars risks**" and "**Securities are Limited Recourse Obligations of the Issuer**".

Performance Risk in the Index

The Variable Profit will be based on the performance and determinations regarding the Index. While the Index Sponsor observes certain composition guidelines for selecting and maintaining the various Components, there are a number of adjustment events which exist in relation to the Index which may allow the Index Sponsor to change the Index or Components thereby affecting the performance of the Index. The Index Sponsor is at all times required to act in accordance with the Index rules and methodology.

Fees and Costs

The Investment Agent receives all dividends and other income from the Portfolio by way of fees with respect to its duties in relation to the Portfolio. Such fees have the effect of limiting the potential capital growth of the Portfolio. A fee of USD100 payable to the Investment Agent in respect of the services to be provided by the Investment Agent pursuant to the Investment Agency Agreement. Please refer to the Fees and Costs section for more details of the Fees and Costs charged and/or deducted from the Securities.

Part C – Conflicts of Interest

Conflicts of Interest

Potential conflicts of interest may exist between the interests of the Issuer, the Calculation Agent and the Holders of the Securities both with respect to the Securities and with respect to the other businesses of the Issuer. The Issuer or its affiliates may enter into other business dealings from which they may derive revenues and profits in addition to the fees described herein, and the Issuer has no duty to account to the Holders of the Securities for such other revenues and profits. In addition, the Issuer or its affiliates may invest, for their own accounts (whether for hedging purposes or otherwise) or for the accounts of their affiliates or clients, in the Index, the Components or the assets underlying a Component and, in making such investments, neither the Issuer nor any such affiliate has any duty to do so in a way that is favourable to the Holders. At any time, the Issuer may sell or buy any asset underlying a Component for its own account, or accounts of its affiliates or clients, and at the same time notionally take the opposite position with respect to assets referenced by a Component. All such market activities may, but are not intended to, affect the prices of assets underlying a Component, the Components, the Index and, possibly, the Final Settlement Amount, any Early Termination Settlement Amount and/or any other amount that Holders will receive on the Settlement Date. The Issuer may also introduce products that compete with the Securities in the marketplace (which may or may not be linked to the Index), and the related market activity with respect to such products could adversely effect the value of the Securities.

The Investment Agent may engage in other businesses and furnish investment management and advisory services to entities unrelated to the Issuer and its affiliates. In so doing, the Investment Agent may give advice to such entities that is different from the advice given to the Issuer with respect to the Portfolio. The market impact of such advice, if any, may, but is not intended to, affect the levels of the shares in the Portfolio.

RBS N.V. as the Issuer, Trustee, Purchase Undertaker, Calculation Agent and Principal Agent is acting in several capacities with respect to the Securities. Accordingly RBS N.V. will be subject to significant conflicts of interest in performing its obligations under the Securities. These conflicts include the fact that as Trustee, RBS N.V. has a fiduciary duty to represent the

interests of the Holders which interests may conflict with those of RBS N.V. as the Issuer of the Securities and the Purchase Undertaker under the Trust Documents to which it is a party. Upon an Insolvency Event of RBS N.V., investors should note that RBS N.V. will cease to have any obligation under the Purchase Undertaking and will cease to act as Trustee and, instead, BNY Corporate Trustee Services Limited will act as trustee pursuant to a delegation of authority and will become obliged to realise or procure the realisation of the Investments in the Trust Property and pay the proceeds of such realisation to the Holders in settlement of the Issuer's obligation under the Securities. In addition, in its role as Calculation Agent, RBS N.V. has certain discretions that could influence the amount received on the Settlement Date of the Securities and therefore, in exercising such discretions, will have a conflict of interest with its role as Issuer and, RBS N.V. has discretion to make adjustments to the Portfolio.

The Investment Agent may, at any time and at its sole and absolute discretion, substitute securities in the Portfolio with other securities of an equivalent market value provided that: (i) at all times the securities shall be Shariah compliant; and (ii) any such change is determined by the Trustee to be in the best interests of Holders. In exercising such discretions, the Investment Agent and the Trustee may have a conflict of interest with their respective roles as issuer.

The Issuer or any of its affiliates may presently or from time to time engage in business with the issuers of assets underlying a Component or sponsors of the Components of the Index, including making loans to, making equity investments in or providing advisory services, including mergers and acquisitions advisory services, to those issuers or sponsors. The Issuer or its affiliates may in the course of engaging in such activities and during the term of the Securities acquire non-public information with respect to an issuer of assets underlying a Component or sponsors of the Components of the Index. The Issuer and its affiliates are under no obligation to make any such information available to Holders of the Securities.

RBS is the sponsor of the Index. Potential conflicts of interest may exist in the structure and operation of the Index. During the course of its normal business, the sponsor of the Index may enter into, or promote, offer or sell, transactions or investments (structured or otherwise) linked to the Index or Components and/or any of the notional trading positions which may or may not have an effect on the Securities or the Index level.

DESCRIPTION OF THE SECURITIES AND THE INDEX

The following summary answers some questions that you might have regarding the Securities, in general terms only. It does not contain all the information which may be important to you. You should read the General Conditions, Product Conditions and the summary together with the more detailed information contained in the remainder of this Offering Memorandum. You should carefully consider, amongst other things, the risks set out in “Risk Factors” above. In addition, we urge you to consult with your investment, legal, accounting, tax and other advisors with respect to any investment in the Securities. The information contained in this section is subject in its entirety to the General Conditions and the Product Conditions.

What are the Securities?

The Securities are non-interest bearing Securities issued by RBS N.V. (the “**Issuer**”). The Securities represent a notional investment in the Index. Each Security evidences an undivided beneficial ownership interest in the Trust Property (as defined in the Product Conditions) subject to the terms of the Declaration of Trust, the Investment Agency Agreement, the Purchase Undertaking, the Murabaha Agreement, the General Conditions and the Product Conditions, and is a limited recourse obligation of the Issuer. Each Security ranks *pari passu*, without any preference or priority, with all other Securities.

If you hold your Securities until the Maturity Date, the return earned by your Securities will be notionally linked to and dependent on the performance of the Index. That is, on the Settlement Date you will receive the Final Settlement Amount which is an amount equal to the Notional Amount plus the Variable Profit (where the value of the latter is dependent on the performance of the Index).

On the occurrence of an Early Termination Event, an Insolvency Event of the Purchase Undertaker or the Murabaha Counterparty or illegality, you will receive a pro rata share of the proceeds of liquidation (after deduction of applicable costs and expenses) of the Trust Property. These proceeds may bear no relation to the value of the Securities and could be zero.

How will the Issue Proceeds be used?

The net proceeds of the issue will be used by the Issuer as follows:

USD100,000 of the issue proceeds received by the Issuer on the Issue Date (the “**Issue Proceeds**”) will be paid to the Trustee as a fee for the services provided by the Trustee during the life of the Securities. USD100 of the Issue Proceeds will be paid to the Investment Agent in respect of the services to be provided by the Investment Agent pursuant to the Investment Agency Agreement. These amounts will not therefore form part of the Trust Property.

5 per cent. of the Issue Proceeds (the “**Aggregate Retained Amount**”) will be deposited in a deposit account with The Royal Bank of Scotland N.V. (the “**Retained Account Bank**”).

Approximately 94 per cent. of the Issue Proceeds will be used to partially finance the Commodity Murabaha to be entered into pursuant to the Murabaha Agreement with the

Murabaha Counterparty for the purpose of providing a return at maturity of an amount equal to the Aggregate Nominal Amount less the Aggregate Retained Amount.

The Commodity Murabaha is a form of deferred commodity sale whereby the Issuer will use part of the Issue Proceeds to purchase certain commodities which will then be sold to the Murabaha Counterparty on a deferred payment basis for a price equal to the Aggregate Nominal Amount less the Aggregate Retained Amount, subject to certain early termination events not having occurred.

A small part of the Issue Proceeds (approximately equal to 0.05 per cent.) will be used to purchase Investments in accordance with the Declaration of Trust and the Investment Agency Agreement, that will be held in a custody account and will form part of the Portfolio. The Investments will be subject to a Purchase Undertaking, and the rights under the Purchase Undertaking shall form part of the Trust Property.

To the extent that, after their issue, Securities remain held by the Issuer, the Issue Proceeds of these Securities will not form part of the Trust Property unless and until they are sold by the Issuer. Accordingly, RBS N.V. will, in its capacity as Holder of these Securities, have no recourse to the Trust Property in the event of its insolvency.

How effective is the insolvency protection?

In the event that the Issuer becomes insolvent Holders should not assume that they will necessarily receive back the amount invested from the Trust Property. The value of the Trust Property will be affected by, among other things, changes in the market price of the securities comprised in it. In addition, because the Trust Property comprises only a pro rata share of the Portfolio, the Commodity Murabaha and the Aggregate Retained Amount (based on the net proceeds of the issue of the Securities) Holders may suffer a comparative dilution or experience a comparative increase in the value of their pro rata share in certain events including subsequent sales by the Issuer of Securities issued and held by it on issue, the issue of further series of similar certificates and the repurchase by the Issuer and cancellation of Securities.

What is the Index?

The Index is not a fund, as it does not exist as an actual pool of segregated assets under the management of the Issuer. Instead it is an index designed to return an amount equal to the Variable Profit. The performance of the Index as measured at certain dates is used only as a reference benchmark for the purposes of determining the Variable Profit and the exercise price of the Purchase Undertaking. As Calculation Agent, RBS N.V. will employ the index methodology. Any determination by the Calculation Agent for the Index relating to the application of such methodology will be in its sole and absolute discretion and will be conclusive and binding on all parties, except in the case of manifest error.

Will adjustments be made to the Index?

The Index may be adjusted in accordance with the Index Strategy. In addition, the Calculation Agent has the right to make certain adjustments to the Index in accordance with Product Condition 4 for the purpose of calculating the Variable Profit.

Do I have any right to receive any securities referenced in the Index?

No. The Securities are cash settled only and your ownership in the Securities entitles you only to receive a return (if any), calculated by reference to the performance of the Index. However, upon insolvency of the Purchase Undertaker or the Murabaha Counterparty or in

case of illegality, you will receive a pro rata share of the proceeds of disposal (after deduction of applicable transaction costs and expenses) of the Trust Property.

Will I receive income?

No, the Securities are non interest bearing and no coupon or interest amount is payable.

Is there a limit on how much I can earn over the life of the Securities?

No, there is no cap on the potential investment return.

How can I track my investment?

The Calculation Agent will publish, on an ongoing basis, the Index on Bloomberg page RBSDARU4 and www.rbs.markets.com.

Can I exercise early?

No, the Securities are intended to be held until their Maturity Date. However, Holders are entitled to request the Issuer to cancel their Securities, following which each Security which is the subject of such cancellation request shall be purchased at an amount (which shall be deemed to be a monetary value in the Settlement Currency) equal to the sum of (i) the Retained Amount and (ii) the relevant proportion of the liquidation value of the Portfolio and the Commodity Murabaha (taking into account any costs and expenses in relation to the liquidation) on the relevant date, as determined by the Calculation Agent in its sole discretion.

What happens following the Valuation Date?

Following redemption on the Valuation Date, the Holder is entitled to the Final Settlement Amount determined in accordance with the formula set out in the Product Conditions below, on the relevant date. The Final Settlement Amount will be rounded to the nearest two decimal places, 0.005 being rounded downwards and shall not be less than zero.

Can the Securities be terminated early?

Yes, on the occurrence of an Early Termination Event, an Event of Default, a Hedging Disruption Event, an illegality event or if RBS N.V. becomes insolvent. In such a case, investors will receive the proceeds of disposal (after deduction of applicable transaction costs and expenses) of the Trust Property. The value of the Trust Property will be affected by changes in the market price of the securities comprised in it. In addition, because the Securities comprise an undivided beneficial ownership entitlement in the Trust Property, which includes the Portfolio to be acquired with part of the net proceeds of the issue of the Securities, Holders may suffer a comparative dilution or experience a comparative increase in the value of their pro rata share in certain events including subsequent sales by the Issuer of Securities issued and held by it on issue, the issue of further series of similar certificates and the repurchase by the Issuer and cancellation of Securities.

Are there initial charges?

No. The Issue Price is USD100 per Security.

What other fees are there?

The Investment Agent will be entitled to receive certain fees and certain transaction costs and expenses may be payable, see “**Fees and Costs**” and “**Risk Factors – Fees and Costs**”.

What is the minimum purchase required?

The Securities are denominated in USD and may be purchased in quantities of 1 Security or multiples thereof.

Can the Securities be purchased after the initial subscription?

The Securities are available on the Issue Date and no further Securities will be issued following the Issue Date.

Is this a risky investment?

Return on the investment is subject to market trends and risk. There is a risk of losing a significant part of the investment if either RBS N.V. or RBS become insolvent or is otherwise unable to perform its obligations under the Trust Documents to which it is a party or the Securities are terminated early as a result of an Early Termination Event or otherwise.

In certain limited circumstances (described in Product Condition 3), the Securities may be terminated early at the option of the Issuer. In such circumstances, Holders of the Securities will receive an amount equal to the Early Termination Settlement Amount on the relevant Early Termination Date, as described in the Product Conditions.

What are some of the risks in owning the Securities?

Investing in the Securities involves a number of risks. We have described the most significant risks relating to the Securities under the heading “Risk Factors” in this Offering Memorandum.

Some selected risk considerations include:

- *Credit Risk*

In purchasing the Securities you would assume credit risk of the Purchase Undertaker, RBS Holdings, the Murabaha Counterparty and the Retained Account Bank although you would also acquire an interest in certain assets under the trust arrangements set out in General Condition 2.

- *Market Risk*

The value of the Securities both in the secondary market and on an early redemption will be affected by the prevailing market conditions.

- *Volatility Risk*

In case of high volatility in the market the value of the Securities may decline.

- *Shariah Compliance*

As of the Issue Date, all material elements of the investment structure have been reviewed and approved as Shariah compliant under Islamic law on the basis of the interpretation by the Shariah Board.

By agreeing to purchase the Securities, each investor confirms that neither RBS N.V. nor any of its affiliates have made or makes any representation or warranty or gives any assurance or guarantee to the investors that the Securities, the related documentation or the underlying structure is compliant with Shariah or Islamic principles generally or with

the terms or conditions of any fatwa or investment principles or criteria by which the investors may be bound or which otherwise apply to it. Prospective investors must satisfy themselves as to the Shariah compliance of the Securities by seeking their own independent Shariah advice, approval or certification, as required, of the underlying structure and documentation for this transaction.

Is there Currency Risk?

The value of the Index may be affected by changes in exchange rates or control regulations. The Components of the Index may be denominated in a different currency from the Securities.

Risk relating to Components of the Index

The Securities reference the Index which derives its value from the Components. The Index is exposed to the Components which may include other indices, emerging market equities, rates, bond, futures and other assets from time to time, which carry with them certain risks. Prospective investors should understand that investment in instruments relating to or derived from equity and other markets may be negatively affected by global economic, financial and political developments, and that such developments, among other things, may have a material effect on the level of and/or the performance of the Index and so the Securities.

What type of investors should invest?

The Securities are aimed at private or professional investors who understand the risks associated with such kind of investments and are seeking to diversify their portfolios.

Who is RBS N.V. and what is its role?

RBS N.V. is a subsidiary of RBS Holdings and is a member of the RBSG Group (for more information on the RBSG Group, see “**Essential Characteristics of the Issuer and RBS**”). It is a public limited liability company incorporated under Dutch law on 30 May 1990 with registered offices in Amsterdam, The Netherlands. The main address is Gustav Mahlerlaan 350 17A90, 1082 ME Amsterdam, with a mailing address in The Netherlands at Post Office Box 283, 1000 EA Amsterdam.

RBS N.V. is the Issuer of the Securities.

It pays the Final Settlement Amount or the Early Termination Settlement on the Settlement Date or the Early Termination Date, as the case may be. RBS N.V., London branch is also the Calculation Agent, the Paying Agent and the Trustee under the Declaration of Trust and the Purchase Undertaker under the Purchaser Undertaking. As Calculation Agent for the Securities, RBS N.V. is responsible for all calculations and determinations under the Securities and payments in respect thereof, see “Risk Factors – Part C – Conflicts of Interest”.

The Royal Bank of Scotland plc acting through its Singapore branch is the Investment Agent under the Investment Agency Agreement.

For further information on the RBS N.V. and RBS Holdings please refer to the Registration Document (as defined under “**Documents incorporated by reference**” below) or www.markets.rbs.com.

What if I have more questions?

You should read this Offering Memorandum for a detailed description of the Securities. For more questions you should contact the Issuer.

ESSENTIAL CHARACTERISTICS OF THE ISSUER AND RBS

History and incorporation

RBS N.V. is a public limited liability company incorporated under Dutch law on 7 February 1825. RBS N.V. is registered in the Trade Register of Amsterdam under number 33002587. RBS N.V.'s registered office is at Gustav Mahlerlaan 350 17A90, 1082 ME Amsterdam, The Netherlands. The telephone number of RBS N.V. is: +31 20 464 9999.

RBS N.V. is a wholly-owned subsidiary of RBS Holdings N.V. (previously named ABN AMRO Holding N.V.) ("**RBS Holdings**"), which is a public limited liability company incorporated under Dutch law on 30 May 1990. The registered office of RBS Holdings is at Gustav Mahlerlaan 350 17A90, 1082 ME Amsterdam, The Netherlands.

RBS Holdings has one subsidiary, RBS N.V., and RBS N.V. has various subsidiaries.

As used herein, the "**Group**" refers to RBS Holdings and its consolidated subsidiaries. The term "**RBSG**" refers to The Royal Bank of Scotland Group plc and the "**RBSG Group**" refers to RBSG and its subsidiaries consolidated in accordance with International Financial Reporting Standards. The term "**RBS**" refers to The Royal Bank of Scotland plc and the "**RBS Group**" refers to RBS and its subsidiaries consolidated in accordance with International Financial Reporting Standards.

Overview

The Issuer is a bank licensed and regulated by the Dutch Central Bank (De Nederlandsche Bank).

The Issuer operates on a significant scale across Europe, the Middle East and Africa (EMEA), the Americas and Asia. The Group had total assets of €200.4 billion and owner's equity of €4.95 billion as at 31 December 2010. As at 31 December 2010, the Group's capital ratios were a total capital ratio of 15.8 per cent., a Core Tier 1 capital ratio of 8.7 per cent. and a Tier 1 capital ratio of 11.0 per cent.

The Group had total consolidated assets of €206.7 billion as at 30 June 2011. As at 30 June 2011, the Group's Tier 1 and Core Tier 1 capital ratios were 9.6 per cent. and 7.4 per cent., respectively.

RBS Holdings and RBS N.V. form part of the RBSG Group. RBSG is the holding company of a large global banking and financial services group. Headquartered in Edinburgh, the RBSG Group operates in the United Kingdom, the United States and internationally through its three principal subsidiaries, RBS, National Westminster Bank Public Limited Company ("**NatWest**") and RBS N.V. Both RBS and NatWest are major United Kingdom clearing banks. In the United States, the RBSG Group's subsidiary Citizens is a large commercial banking organisation. Globally, the Group has a diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

The RBSG Group had total assets of £1,446.0 billion and owners' equity of £74.7 billion as at 30 June 2011. As at 30 June 2011, the RBSG Group's capital ratios were a total capital ratio of 14.4 per cent., a Core Tier 1 capital ratio of 11.1 per cent. and a Tier 1 capital ratio of 13.5

per cent.

The RBS Group had total assets of £1,299.7 billion and owners' equity of £56.9 billion as at 30 June 2011. As at 30 June 2011, the RBS Group's capital ratios were a total capital ratio of 14.0 per cent., a Core Tier 1 capital ratio of 8.7 per cent. and a Tier 1 capital ratio of 10.6 per cent.

Group Organisational Structure

The Group comprises of the following four segments:

- Global Banking & Markets (“**GBM**”): The GBM segment represents the business providing an extensive range of debt and equity financing, risk management and investment services as a leading banking partner to major corporations and financial institutions around the world. The GBM business within the Group is organised along four principal business lines: Global Lending, Equities, Short Term Markets & Funding and Local Markets.
- Global Transaction Services (“**GTS**”): GTS provides global transaction services, offering Global Trade Finance, Transaction Banking and International Cash Management.
- Central Items: The Central Items segment includes group and corporate functions, such as treasury, capital management and finance, risk management, legal, communications and human resources. Central Items manages the Group's capital resources, statutory and regulatory obligations and provides services to the branch network.
- Non-Core Segment: The Non-Core segment contains a range of businesses and asset portfolios managed separately that the Group intends to run off or dispose of, in line with the RBSG Group strategy for Non-Core assets. It also includes the remaining assets and liabilities in RBS N.V. that have not yet been sold, wound down or alternatively transferred by the Consortium Members (as defined below), in which each of the Consortium Members has a joint and indirect interest.

Global Banking & Markets, Global Transaction Services and Central Items comprise the Group's Core segments.

These RBS N.V. businesses are part of global business units of the RBSG Group that operate across multiple legal entities. The strategy of RBS N.V. is part of the overall business strategy of the RBSG Group. RBS Holdings has been restructured into Core and Non-Core components. The RBSG Group expects to substantially run down or dispose of the businesses, assets and portfolios within the Non-Core division by 2013 and has completed the sale of businesses in Latin America, Asia, Europe and the Middle East.

Separation from the ABN AMRO group

On 17 October 2007, RFS Holdings B.V. (“**RFS Holdings**”), which at the time was owned by RBSG, Fortis N.V., Fortis S.A./N.V., Fortis Bank Nederland (Holding) N.V. and Banco Santander, S.A. (“**Santander**”), completed the acquisition of ABN AMRO Holding N.V., which was renamed RBS Holdings N.V. on 1 April 2010 when the shares in ABN AMRO Bank N.V. were transferred to ABN AMRO Group N.V., a holding company for the interests of the State of The Netherlands (the “**Dutch State**”). This marked a substantial completion of the restructuring of the activities of ABN AMRO Holding N.V. in accordance with the agreement between RBSG, the Dutch State and Santander (the “**Consortium Members**”).

RBS Holdings has one direct subsidiary, RBS N.V., a fully operational bank within the Group, which is independently rated and regulated by the Dutch Central Bank.

On 31 December 2010, the share capital of RFS Holdings was amended, such that approximately 98 per cent. of RFS Holdings' issued share capital is now held by RBSG, with the remainder being held by Santander and the Dutch State. Ultimately it is expected that RFS Holdings will become a wholly-owned subsidiary of RBSG.

Proposed transfer of activities

On 19 April 2011, the Boards of RBSG, RBS, RBS Holdings and RBS N.V. announced that they had approved the proposed transfers of a substantial part of the business activities of RBS N.V. to RBS (the “**Proposed Transfers**”), subject, amongst other matters, to regulatory and other approvals, further tax and other analysis in respect of the assets and liabilities to be transferred and employee consultation procedures.

It is expected that the Proposed Transfers will be implemented on a phased basis over a period ending 31 December 2013. A large part of the Proposed Transfers (including the transfers of certain securities issued by RBS N.V.) is expected to have taken place by the end of 2012. Where available and practicable, statutory transfer schemes will be used to implement the Proposed Transfers. This includes a banking business transfer scheme in respect of eligible business carried on by RBS N.V. pursuant to Part VII of the UK Financial Services and Markets Act 2000 (the “**Part VII Scheme**”). On 23 September 2011, RBS and RBS N.V. announced that the Court of Session in Scotland (the “**Court**”) had approved an order under Part VII of the UK Financial Services and Markets Act 2000 to sanction the Part VII Scheme. The Part VII Scheme, as approved by the Court, took effect at 00:01hrs on 17 October 2011.

Certain disclosure relating to RBS has been incorporated by reference in this Offering Memorandum as a result of the possibility that RBS may become the issuer of the Securities in accordance with General Condition 8(a)(A). There is, however, no assurance that any such substitution will take place.

Ratings

The short-term unsecured and unguaranteed debt obligations of RBS are currently rated A-1 by S&P, P-1 by Moody's and F1 by Fitch. The long-term senior unsecured and unguaranteed debt obligations of RBS are currently rated A by S&P, A2 by Moody's and A by Fitch.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, including statements about the Issuer's beliefs and expectations. Any statement in this Offering Memorandum that expresses or implies the Issuer's intentions, beliefs, expectations or predictions (and the assumptions underlying them) is a forward-looking statement. These statements are based on plans, estimates and projections, as they are currently available to the management of the Issuer. Forward-looking statements therefore speak only as of the date they are made, and the Issuer takes no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. A number of important factors could therefore cause actual future results to differ materially from those expressed or implied in any forward-looking statement. Such factors include, without limitation, the conditions of the financial markets in Europe, the United States, Brazil and elsewhere from which the Issuer derives a substantial portion of its trading revenues; potential defaults of borrowers or trading counterparties; the reliability of the Issuer's risk management policies, procedures and methods; and other risks referenced in the Issuer's filings with the U.S. Securities and Exchange Commission and/or with The Netherlands Authority for the Financial Markets (Stichting Autoriteit Financiële Markten) (the "AFM"). For more information on these and other factors, please refer to the Issuer's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission and/or the Issuer's Registration Document filed with the AFM and to any subsequent reports furnished or filed by the Issuer with the U.S. Securities and Exchange Commission and/or the AFM.

The forward-looking statements contained in this Offering Memorandum are made as of the date hereof, and the Issuer assumes no obligation to update any of the forward-looking statements contained in this announcement.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Memorandum:

In relation to RBS N.V.:

- (a) the Registration Document for RBS Holdings and The Royal Bank of Scotland N.V. dated 31 August 2011 (excluding the paragraphs on pages 24 and 25 of the Registration Document entitled "Independent Commission on Banking") as updated and supplemented from time to time (the "**Registration Document**");
- (b) the Articles of Association (*statuten*) of each of RBS Holdings and RBS N.V. as in force and effect on the date of this Offering Memorandum;
- (c) the Annual Report and Accounts 2010 of RBS Holdings which includes the audited and consolidated financial statements of RBS Holdings as at and for the year ended 31 December 2010 (excluding the section headed "Business Review – Risk Factors" on page 9 and the section headed "Additional Information – Risk Factors" on pages 221 to 231) published on 29 March 2011;
- (d) the unaudited interim results of RBS Holdings for the half year ended 30 June 2011 which were published on 31 August 2011 (the "**RBS Holdings Interim Results**");
- (e) the Annual Report 2009 of ABN AMRO Holdings N.V. (subsequently renamed RBS Holdings N.V.) which includes the audited and consolidated financial statements of RBS Holdings as at and for the year ended 31 December 2009 (excluding the section headed "Risk Factors" on pages 61 to 68);
- (f) the press release entitled "Proposed transfers of a substantial part of the business activities of RBS N.V. to RBS plc" which was published by RBS N.V. via RNS on 19 April 2011; and
- (g) the press release entitled "Details of Part VII Scheme – Securities issued by, and guarantees granted by, RBS N.V." published by RBS N.V. on 22 July 2011.

In relation to RBS:

- (a) the Registration Document for RBS dated 5 August 2011 (the "**RBS Registration Document**"), excluding (i) the paragraphs on page 59 under the heading "No Significant Change and No Material Adverse Change" in the section entitled "General Information"; (ii) the risk factor entitled "The Independent Commission on Banking is reviewing competition in the UK banking industry and possible structural reforms. The outcomes of this review could have a material adverse effect on the interests of the Group." on page 5; (iii) the paragraphs on page 39 entitled "Independent Commission on Banking"; (iv) the sub-section entitled "Other securitisation and securities related litigation in the United States" in the section entitled "Description of The Royal Bank of Scotland plc – Litigation"; (v) the sentence contained in the section entitled "Proposed transfers of a substantial part of the business activities of

The Royal Bank of Scotland N.V. to The Royal Bank of Scotland plc”, on pages 26 and 27 thereof, which reads: “Subject to regulatory approval and provided the Court makes an order sanctioning the Part VII Scheme, it is expected that the Part VII Scheme will become effective on 17 October 2011 or such other date as RBS and RBS N.V. may agree in writing.”; and (vi) the fifth paragraph in the sub-section entitled “Other investigations” under the section entitled “Description of The Royal Bank of Scotland plc - Investigations” on pages 42 and 43;

- (b) the Annual Report and Accounts of RBS (including the audited consolidated annual financial statements of RBS, together with the audit report thereon) for the financial year ended 31 December 2010 (excluding the sections headed “Financial Review – Risk Factors” on page 5 and “Additional Information – Risk Factors” on pages 238 to 254) published on 15 April 2011;
- (c) the Annual Report and Accounts of RBS (including the audited consolidated annual financial statements of RBS, together with the audit report thereon) for the financial year ended 31 December 2009 (excluding the section headed “Risk Factors” on pages 5 to 23) published on 9 April 2010;
- (d) the unaudited interim results of RBS for the half year ended 30 June 2011 which were published on 26 August 2011 (“**RBS Interim Results 2011**”);
- (e) the unaudited interim results 2011 of RBSG for the half year ended 30 June 2011 which were published on 5 August 2011;
- (f) the unaudited “Interim Management Statement Q3 2011” of RBSG for the third quarter ended 30 September 2011 which were published on 4 November 2011 (“**RBSG Interim Management Statement**”);
- (g) the Annual Report and Accounts 2010 of RBSG;
- (h) the Annual Report and Accounts 2009 of RBSG;
- (i) the following sections of the Shareholder Circular published by RBSG on 27 November 2009:
 - (i) “Financial Information” on page 5;
 - (ii) “Part I – Letter From the Chairman of RBS” on pages 10 to 20;
 - (iii) “Appendix 3 to the Letter From the Chairman of RBS – Principal Terms of Issue of the B Shares and the Dividend Access Share” on pages 76 to 84;
 - (iv) “Appendix 4 to the Letter From the Chairman of RBS – Key Terms of the State Aid Restructuring Plan” on pages 85 to 86;
 - (v) “Part VI – Definitions” on pages 121 to 133; and
 - (vi) “Annex 1 – Terms of Issue of the B Shares and the Dividend Access Share” on pages 134 to 170;
- (j) the press release headed “The Royal Bank of Scotland Group plc, The Royal Bank of Scotland plc and National Westminster Bank Plc – Clarification of Contractual Position Relating to Payments Under Preference Shares and Subordinated Securities” published on 20 October 2009;
- (k) the press release entitled “Proposed transfers of a substantial part of the business activities of RBS N.V. to RBS plc” (excluding (i) the statement therein which reads “Certain unaudited pro forma condensed consolidated financial information relating

to RBS Holdings N.V. is set out in the Appendix to this announcement" and (ii) the Appendix thereto) which was published by RBSG on 19 April 2011;

- (l) the press release entitled "Details of Part VII Scheme – Securities issued by, and guarantees granted by, RBS N.V." published by RBSG on 22 July 2011;
- (m) the section headed "Risk Factors" on page 3 to 25 of the registration document of The Royal Bank of Scotland Group plc dated 5 August 2011 (the “**RBSG Registration Document**”) excluding the risk factor entitled "The Independent Commission on Banking is reviewing competition in the UK banking industry and possible structural reforms. The outcomes of this review could have a material adverse effect on the interests of the Group." on pages 4 and 5 of the RBSG Registration Document; and
- (n) the announcement published by RBSG on 12 January 2012 in relation to strategic and organisational changes in its investment banking and wholesale businesses.

Copies of the documents referred to above can be obtained from the registered office of the Issuer at Gustav Mahlerlaan 350 17A90, 1082 ME Amsterdam, The Netherlands and on www.rbs.markets.com.

US PERSONS

The Securities may not be legally or beneficially owned by U.S. Persons at any time. Each holder and each beneficial owner of a Security hereby represents, as a condition to purchasing or owning the Securities or any beneficial interest therein, that neither it nor any person for whose account or benefit the Securities are being purchased is located in the United States, is a U.S. Person or was solicited to purchase the Securities while present in the United States. Each holder and each beneficial owner of a Security hereby agrees not to offer, sell or deliver any of the Securities, at any time, directly or indirectly in the U.S. or to any U.S. Person. The term “**U.S. Person**” will have the meaning ascribed to it in both Regulation S under the Securities Act and the Code. Please also see “**Selling Restrictions**”.

TAXATION

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

1. GENERAL

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

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

Prospective purchasers should be aware that tax treatment depends on the individual circumstances of each Holder of Securities and may be subject to change in the future. In addition, the tax treatment of the Securities may change as a result of a substitution of the Issuer in accordance with General Condition 8(a)(A). If prospective purchasers are in any doubt as to whether there is any tax or other impact on them as a result of a substitution of the Issuer in accordance with General Condition 8(a)(A), they should discuss such matters with their advisers.

2. EU SAVINGS DIRECTIVE

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

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

3. THE NETHERLANDS

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Securities, but does not purport to be a comprehensive description of all Netherlands tax considerations in relation thereto. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Securities.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Offering Memorandum, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

- (i) holders of Securities holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer or RBS and holders of Securities of whom a certain related person holds a substantial interest in the Issuer or RBS. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (i) an interest of 5% or more of the total issued capital of the Issuer or of 5% or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (ii) investment institutions (*fiscale beleggingsinstellingen*);
- (iii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are exempt from Netherlands corporate income tax; and
- (iv) persons to whom the Securities and the income from the Securities are attributed based on the separate private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands income tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Netherlands gift and inheritance tax Act (*Successiewet 1956*).

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Withholding Tax

Payments on the Securities may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Corporate and Individual Income Tax

- (a) Residents of the Netherlands

If a holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Securities are attributable, income derived from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual holder is a resident or deemed to be a resident of the Netherlands for Netherlands tax purposes (including an individual holder who has opted to be taxed as a resident of the Netherlands), income derived

from the Securities and gains realised upon the redemption, settlement or disposal of the Securities are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands income tax act 2001 (*Wet inkomstenbelasting 2001*), if:

- (i) the holder is an entrepreneur (*ondernemer*) and has an enterprise to which the Securities are attributable or the holder has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Securities are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Securities that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Securities, taxable income with regard to the Securities must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments has been fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year, insofar as the individual's yield basis exceeds a certain threshold. The individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Securities less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Securities will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%.

(b) Non-residents of the Netherlands

If a holder is not a resident nor is deemed to be a resident of the Netherlands for Netherlands tax purposes (or has not opted to be taxed as a resident of the Netherlands), such holder is not taxable in respect of income derived from the Securities and gains realised upon the settlement, redemption or disposal of the Securities, unless:

- (i) the holder is not an individual and such holder (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Securities are attributable, or (2) is entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Securities are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%; or

- (ii) the holder is an individual and such holder (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent

representative the Securities are attributable, or (2) realises income or gains with respect to the Securities that qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*) in the Netherlands, which activities include the performance of activities in the Netherlands with respect to the Securities which exceed regular, active portfolio management (*normaal, actief vermogensbeheer*), or (3) is entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Securities are attributable.

Income derived from the Securities as specified under (1) and (2) is subject to individual income tax at up to a maximum rate of 52%. Income derived from a share in the profits as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market value of the share in the profits of the enterprise (which includes the Securities) will be part of the individual's Netherlands yield basis.

Gift and Inheritance Tax

(a) Residents of the Netherlands

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of the Securities by way of a gift by, or on behalf of, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death. A gift made under a condition precedent is deemed to be a made at the time the condition precedent is fulfilled and is subject to Dutch gift and inheritance tax if the donor is, or is deemed to be a resident of the Netherlands at that time.

A holder of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands and dies or makes a gift within ten years after leaving the Netherlands. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift tax if he or she has been resident in the Netherlands and makes a gift within a twelve months period after leaving the Netherlands. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

(b) Non-residents of the Netherlands

No gift or inheritance taxes will arise in the Netherlands in respect of the acquisition of the Securities by way of a gift by, or as a result of, the death of a holder that is neither a resident nor deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax, unless in the case of a gift of the Securities by, or on behalf of, a holder who at the date of the gift was neither a resident nor deemed to be a resident of the Netherlands, such holder dies within 180 days after the date of the gift, and at the time of his or her death is a resident or deemed to be a resident of the Netherlands. A gift made under a condition precedent is deemed to be a made at the time the condition precedent is fulfilled.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Securities or in respect of a cash payment made under the Securities, or in respect of a transfer of Securities.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Securities.

4. UNITED KINGDOM

The following applies only to persons who are the beneficial owners of the Securities and is a summary of the Issuer's understanding of current United Kingdom tax law as applied in England and Wales and United Kingdom HM Revenue & Customs (“**HMRC**”) practice relating only to certain aspects of United Kingdom taxation. It does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Securities and should not be relied upon by Holders or prospective Holders of Securities. Some aspects do not apply to certain classes of persons (such as persons carrying on a trade of dealing in Securities and persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Holders of Securities depends on their individual circumstances and may be subject to change in the future. For United Kingdom tax purposes, the term “**Security**” or “**Securities**” refers to instruments of the type described in this Offering Memorandum and is not intended to be determinative (or indicative) of the nature of the instrument for the purposes of United Kingdom taxation. Prospective Holders of Securities who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice. This summary is intended as general information only and each prospective Holder of Securities should consult a professional tax adviser with respect to the tax consequences of an investment in the Securities.

Withholding Tax

Payments made in respect of the Securities may be made without deduction or withholding for or on account of United Kingdom income tax where such payments are not regarded as interest, manufactured payments or annual payments for United Kingdom tax purposes.

If interest is payable on the Securities or if payments made in respect of the Securities were to be regarded as interest for United Kingdom tax purposes, provided Securities continue to be listed on a recognised stock exchange (which includes the Irish Stock Exchange) or the Issuer's London branch is and continues to be a bank within the meaning of section 991 of the Income Tax Act 2007 (the “**ITA 2007**”), such payments may be made without withholding or deduction for or on account of United Kingdom income tax where the interest is paid in the ordinary course of the Issuer's London branch's business, within the meaning of section 878 ITA 2007.

In other cases, an amount must generally be withheld from payments by the Issuer's London branch of interest on or in respect of Securities, on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax

to be withheld) in relation to a Holder of the Securities, HMRC can issue a notice to the Issuer's London branch to pay interest to the Holder of the Securities without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty, as applicable).

Stamp Duty

No United Kingdom stamp duty or stamp duty reserve tax should be payable on the issue of the Securities or on their transfer by delivery or via the clearing systems.

Certain other United Kingdom Tax Considerations

Payments made in respect of the Securities are generally expected to have a United Kingdom source. Accordingly, depending upon the category of the income, such payments may be chargeable to United Kingdom tax by direct assessment even where the Holder of Securities is not resident (or in the case of an individual, ordinarily resident) in the United Kingdom and does not hold their Securities for the purposes of, or receive such payments in connection with, a trade, profession or vocation carried on via a branch, agency or permanent establishment in the United Kingdom, although in practice HMRC may not seek to enforce any such liability in respect of such a Holder of Securities.

If Holders of Securities are liable to United Kingdom tax by way of direct assessment, Holders of Securities which are resident in a jurisdiction with an appropriate double taxation treaty with the United Kingdom may be entitled to claim exemption from direct assessment under the terms of that double taxation treaty.

UK Information Gathering Powers

Holders of the Securities may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner) from any person in the United Kingdom who either pays or credits interest (or amounts treated as interest) to or receives interest (or amounts treated as interest) for the benefit of a Holder of the Securities. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Securities which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5 April 2012. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Holder of the Securities is resident for tax purposes.

FEES AND COSTS

USD100,000 of the Issue Proceeds will be paid to the Trustee as a fee for the services provided by the Trustee during the life of the Securities.

USD100 of the Issue Proceeds will be paid to the Investment Agent in respect of the services to be provided by the Investment Agent pursuant to the Investment Agency Agreement. The Investment Agent will also receive all dividends and other income from the Portfolio by way of fees with respect to its duties in relation to the Portfolio. Such fees have the effect of limiting the potential value of the Portfolio.

These amounts will not therefore form part of the Trust Property.

SELLING RESTRICTIONS

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

1. GENERAL

By purchasing the Securities, you are deemed to have agreed and acknowledged (and if you are buying as an authorised representative of your clients, you and your clients are deemed to have agreed and acknowledged) that: (i) no action will be taken by you (or if you are acting as an authorised representative for your clients, no action will be taken by you or your clients) that would, or is intended to, permit a public offer of the Securities in any country or jurisdiction; (ii) you will not (or if you are acting as an authorised representative for your clients, you and your clients will not), directly or indirectly, offer or sell, or procure or induce or attempt to procure or induce the offer, sale or purchase of, the Securities or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will result in the offer of the Securities being in compliance with any applicable laws and regulations; (iii) you have not relied and will not at any time rely (or if you are acting as an authorised representative for your clients, you and your clients have not relied and will not at any time rely) on the Issuer or any other member of the Issuer group of companies in connection with its determination as to the legality, suitability, or the associated merits or risks of your (or its) purchase of the Securities; (iv) you have not (or if you are acting as an authorised representative for your clients, you and your clients have not) relied on any communication from the Issuer group of companies (written or oral) in respect of the purchase of the Securities except this Offering Memorandum; and (v) you will not (or if you are acting as an authorised representative for your clients, you and your clients will not), directly or indirectly, offer or sell, or procure or induce or attempt to procure or induce the offer, sale or purchase of, the Securities or any interest in the Securities.

2. THE NETHERLANDS

Securities which qualify as savings certificates as defined in the Savings Certificates Act (“*Wet inzake spaarbewijzen*”) may only be transferred or accepted through the mediation of either the Issuer or an admitted institution of Euronext Amsterdam N.V. with due observance of the Savings Certificates Act and its implementing regulations (including registration requirements), provided that no mediation is required in respect of:

- (a) the initial issue of those Securities to the first holders thereof;
- (b) any transfer and delivery by individuals who do not act in the conduct of a profession or trade; and

- (c) the issue and trading of those Securities, if they are physically issued outside The Netherlands and are not distributed in The Netherlands in the course of primary trading or immediately thereafter.

3. PUBLIC OFFER SELLING RESTRICTION UNDER THE PROSPECTUS DIRECTIVE

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each distributor of an issue will represent and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Securities to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Securities to the public in that Relevant Member State:

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

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

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

4. UNITED STATES OF AMERICA

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

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

Securities having a maturity of more than one year will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the “**C Rules**”). Securities having a maturity of one year or less are not subject to the C Rules.

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

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

As used herein, “**United States**” means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and “**U.S. person**” means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust which is subject to United States federal income taxation regardless of the source of its income; (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and if one or more United States trustees have the authority to control all substantial decisions of the trust; (v) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; (vi) any entity organised principally for passive investment, 10 per cent. or more of the beneficial interests in which are held by persons described in (i) to (v) above if such entity was formed principally for the purpose of investment by such persons in a commodity pool the operator of which is exempt from certain requirements of Part 4 of the CFTC’s regulations by virtue of its participants being non-U.S. persons; or (vii) any other “U.S. Person” as such term may be defined in Regulation S under the Securities Act or in regulations adopted under the CEA.

Notice to Purchasers and Holders of Restricted Securities and Transfer Restrictions

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

- (a) that trading in the Securities has not been and will not be approved by the CFTC under the CEA;
- (b) that it will not at any time offer, sell, resell or deliver, directly or indirectly, any Securities so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (c) that it is not purchasing any Securities of such Series for the account or benefit of any U.S. person;
- (d) that it will not make offers, sales, resales or deliveries of any Securities of such Series (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (e) that it will send each person who purchases any Securities of such issue from it a written confirmation (which shall include the definitions of “**United States**” and “**U.S. person**” set forth herein) stating that the Securities have not been registered under the Securities Act, that trading in the Securities has not been approved by the CFTC under the CEA and stating that such purchaser agrees that it will not at any time offer, sell, resell or deliver any of such Securities, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person;
- (f) that no U.S. person or person in the United States may at any time trade or maintain a position in the instruments and that a person entitled to receive an interim payment or exercising (or entitled to receive any amount at maturity or exercise under) the instrument will be required to certify that neither it nor the beneficial owner of the instrument is a U.S. person or is located in the United States;
- (g) that any person exercising a Security will be required to represent that it is not a U.S. person; and
- (h) if it is outside the United States and is not a U.S. person, that if it should resell or otherwise transfer the Securities prior to 40 days after the closing of the offer of the relevant Securities, it will do so only (a) outside the United States in compliance with Rule 903 or 904 under the Securities Act and (b) in accordance with all applicable United States state securities laws; and it acknowledges that the Global Securities will bear a legend to the following effect unless otherwise agreed to by the Issuer:

THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND THE SECURITIES MAY NOT BE EXERCISED, OFFERED, SOLD, TRANSFERRED OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT. FURTHERMORE, TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISSION UNDER THE UNITED STATES COMMODITY EXCHANGE ACT, AS AMENDED AND NO U.S. PERSON MAY AT ANY TIME TRADE OR MAINTAIN A POSITION IN THE SECURITIES.

5. UNITED KINGDOM

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) may only be communicated or caused to be communicated in connection with the issue or sale of any Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer. All applicable provisions of the FSMA (and all rules and regulations made pursuant to FSMA) with respect to anything done in relation to any Securities in, from or otherwise involving the United Kingdom.

6. UNITED ARAB EMIRATES

By receiving this Offering Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees that this Offering Memorandum has not been approved by the U.A.E. Central Bank, Securities and Commodity Authority, the U.A.E. Ministry of Economy and Planning or any other authorities in the U.A.E., nor has the placement agent, if any, received authorisation or licensing from the U.A.E. Central Bank, Securities and Commodity Authority, the U.A.E. Ministry of Economy and Planning or any other authorities in the United Arab Emirates to market or sell securities within the United Arab Emirates. No marketing of any financial products or services has been or will be made from within the United Arab Emirates and no subscription to any securities, products or financial services may or will be consummated within the United Arab Emirates. It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates, or that it advises individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products.

By receiving this Offering Memorandum, the person or entity to whom it has been issued understands, acknowledges and agrees that the Securities have not been and will not be offered, sold or publicly promoted or advertised in the Dubai International Financial Centre other than in compliance with laws applicable in the Dubai International Financial Centre, governing the issue, offering or sale of securities. The Dubai Financial Services Authority has not approved this Offering Memorandum nor taken steps to verify the information set out in it, and has no responsibility for it.

Nothing contained in this Offering Memorandum is intended to constitute investment, legal, tax, accounting or other professional advice. This Offering Memorandum is for your information only and nothing in this Offering Memorandum is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

7. JORDAN

The Securities are being offered in Jordan on a cross border basis to no more than thirty (30) investors and accordingly the Securities will not be registered and a prospectus will not be filed with the Jordanian Securities Commission.

8. SAUDI ARABIA

This Offering Memorandum includes information given in compliance with the Offer of Securities Regulations (the “**Regulations**”). This Offering Memorandum may not be distributed in the Kingdom except to such persons as are permitted under the

Regulations. It should not be distributed to any other person, or relied upon by any other person.

The Capital Market Authority (“CMA”) does not take any responsibility for the contents of this Offering Memorandum, does not make any representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this memorandum. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this Offering Memorandum you should consult an authorised financial adviser.

Any purchase of the Securities relating to or linked to securities, whether or not listed on a stock exchange, in Saudi Arabia or indices that reference such securities should be made on the understanding that the purchaser shall be deemed to acknowledge, represent, warrant and undertake to the Issuer that:

- (a) it consents to the provision by the Issuer to any Saudi Arabian governmental or regulatory authority, (such as the CMA) of any information regarding it and its dealings in the Securities as required under applicable Saudi Arabian regulations and/or as requested by any Saudi Arabian governmental or regulatory authority;
- (b) it agrees to promptly provide to the Issuer, or directly to the relevant governmental or regulatory authority (and confirm to the Issuer when it has done so), such additional information that the Issuer deems necessary or appropriate in order for the Issuer to comply with any such regulations and/or requests;
- (c) the Securities are not being purchased for the account of or pursuant to or in connection with a “Non-resident foreign investor” for the purposes of any CMA or other governmental or regulatory authority resolution and it is not knowingly entering into a transaction for the purchase of Securities, on behalf of, or for the benefit or account of any person or entity that is not a non-resident foreign investor for the purposes of such resolution.

Prospective investors must seek legal advice as to whether they are entitled to subscribe to the Securities and must comply with all relevant Saudi Arabian laws in this respect. Each investor is deemed to have acknowledged and agreed that it is eligible to invest in the Securities under applicable laws and regulations and that it is not prohibited under any law or regulation in Saudi Arabia from acquiring, owning or selling the Securities.⁹

GENERAL INFORMATION

Authorisation

The Issuer's managing board, in its capacity as the Issuer's representative, is responsible for issuing securities. The Issuer's managing board has approved the issue of securities, including the Securities, pursuant to resolutions dated 1 April 2010 and 7 January 2011. In addition, the issue of securities has been approved by the Issuer's supervisory board pursuant to a resolution dated 13 January 2011 and in accordance with the Issuer's articles of association. All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of The Netherlands have been given for the issue of the Securities.

Listing

Application has been made to the Irish Stock Exchange for the Securities to be admitted to the Official List and to trading on the Global Exchange Market of the Irish Stock Exchange.

Documents available

For so long as the Securities remain outstanding, copies of the following documents will, when published, be available, free of charge in electronic form, from the registered office of the Issuer and from the specified office of the Principal Agent:

- (a) an English translation of the most recent Articles of Association of the Issuer and RBS Holdings and the most recent Articles of Association of RBS;
- (b) the audited financial statements of RBS Holdings for the financial year ended 2010 and the most recently available published interim financial statements (quarterly figures) of RBS Holdings (in English), in each case together with any audit reports prepared in connection therewith;
- (c) the audited financial statements of RBS Holdings for the financial year ended 2009 together with any audit reports prepared in connection therewith;
- (d) the audited financial statements of RBS for the financial years ended 2009 and 2010 together with any audit reports prepared in connection therewith;
- (e) the unaudited interim results of RBS for the half year ended 30 June 2011 which were published on 26 August 2011 together with any audit reports prepared in connection therewith;
- (f) the unaudited interim results 2011 of RBSG for the half year ended 30 June 2011 which were published on 5 August 2011;
- (g) the unaudited "Interim Management Statement Q3 2011" of RBSG for the third quarter ended 30 September 2011 which were published on 4 November 2011;
- (h) a copy of the Registration Document and the RBS Registration Document; and

- (i) a copy of this Offering Memorandum, the Declaration of Trust, the Purchase Undertaking, the Murabaha Agreement and the Investment Agency Agreement.

Notices

All notices to the Holders will be delivered to the Clearing Agents. Any such announcement issued to a Clearing Agent shall be deemed to be effective on the day following its delivery to the Clearing Agent (and, if delivered to more than one Clearing Agent, on the date first delivered to a Clearing Agent).

Clearing and settlement systems

The Securities have been accepted for clearance through Euroclear Bank SA (its address being 1 Boulevard du Roi Albert II, B-1210 Brussels) and Clearstream Banking, *société anonyme* (its address being 42 Avenue JF Kennedy, L-1855 Luxembourg). The International Securities Identification Number is XS0547246164 and the Common Code is 54724616. Transactions will normally be effected for settlement not earlier than three days after the date of the transaction.

Information on the Offering of the Securities

The Securities shall be sold by the Issuer in the secondary market. As the Securities are being issued in global form, all trades will be settled in the applicable clearing systems on their usual basis for secondary market transactions. Other than the issue price of the Securities, each prospective investor shall not be required to pay any expenses to the Issuer in order to purchase the Securities.

Interest material to the offer

So far as the Issuer is aware, no person (other than the Issuer in its separate capacities as Issuer of the Securities, Calculation Agent, Investment Agent, Principal Agent, Trustee and Purchase Undertaker (see “**Risk Factors – Part C – Conflicts of Interest**” in this Offering Memorandum)) involved in the issue of the Securities has an interest material to the offer.

Information on the Index

Information regarding the Index, its performance and volatility may be obtained from Bloomberg page RBSDARU4 and www.rbs.markets.com. The Issuer shall also make available to Holders, upon request, a copy of the Index Strategy.

Calculation Agent

The Calculation Agent is RBS N.V., acting through its London branch of 250 Bishopsgate, London, EC2M 4AA or such other branch as it may from time to time determine.

Conditions of the Securities

The terms and conditions applicable to the Securities are the General Conditions and the Product Conditions. These conditions together constitute the Conditions of the Securities described herein and will be attached to the Global Security representing such Securities.

Recent Developments

Investigations

On 16 June 2010, HM Treasury published the terms of reference for the UK Government's Independent Commission on Banking ("ICB"). The ICB was mandated to formulate policy recommendations with a view to: (i) reducing systemic risk in the banking sector, exploring the risk posed by banks of different size, scale and function; (ii) mitigating moral hazard in the banking system; (iii) reducing the likelihood and impact of a bank's failure; and (iv) promoting competition in retail and investment banking with a view to ensuring that the needs of banks' customers are served efficiently and considering the extent to which large banks can gain competitive advantage from being perceived as "too big to fail".

Following an interim report published on 11 April 2011, the ICB published its final report to the Cabinet Committee on Banking Reform on 12 September 2011 (the "Final Report"). The Final Report makes a number of recommendations, including in relation to (i) the implementation of a ring-fence of retail banking operations; (ii) loss-absorbency (including bail-in); and (iii) competition. The ICB has recommended 2019 as the final deadline for the implementation of its recommendations. The RBSG Group will continue to participate in the debate and to consult with the UK Government on the implementation of the recommendations set out in the Final Report, the effects of which could have a negative impact on the RBSG Group's consolidated net assets, operating results or cash flows in any particular period.

Litigation - Other securitisation and securities related litigation in the United States

RBSG Group companies have been named as defendants in their various roles as issuer, depositor and/or underwriter in a number of claims in the United States that relate to the securitisation and securities underwriting businesses. These cases include purported class action suits and actions by individual purchasers of securities. The cases involve the issuance of mortgage-backed securities and/or collateralised debt obligations for more than US\$35 billion of securities issued by over 100 securitisation trusts. Although the allegations vary by claim, in general, plaintiffs in these actions claim that certain disclosures made in connection with the relevant offerings of such securities contained materially false or misleading statements and/or omissions regarding the underwriting standards pursuant to which the mortgage loans underlying the securities were issued.

In many of these actions, the RBSG Group has contractual rights to indemnification from the issuers of the securities (where a RBSG Group company is underwriter) and/or the underlying mortgage originator (where a RBSG Group company is issuer), but certain of those indemnity rights may prove effectively unenforceable where the issuers or originators are defunct or otherwise unable to perform.

Certain other institutional investors have threatened to assert claims against the RBSG Group in connection with various mortgage-related offerings. The RBSG Group cannot predict with any certainty whether any of these individual investors will pursue these threatened claims.

With respect to all of these mortgage-backed securities related claims, the RBSG Group considers that it has substantial and credible legal and factual defences to these claims and will continue to defend them vigorously. The RBSG Group cannot predict the outcome of these claims at this stage and is unable reliably to estimate the liability, if any, that may arise, or its effect on the RBSG Group's consolidated net assets, operating results or cash flows in any particular period.

In addition to the above, on 2 September 2011, the US Federal Housing Finance Agency ("FHFA") as conservator for the Federal National Mortgage Association ("Fannie Mae")

and the Federal Home Loan Mortgage Company (“**Freddie Mac**”) filed 17 lawsuits in the United States against a number of international banks and individual defendants, including RBSG, certain other RBSG Group companies and five individual officers and directors of the RBSG Group's subsidiaries.

The lawsuits involve allegations that certain disclosures made in connection with the relevant offering or underwriting of securities contained materially false or misleading statements and/or omissions regarding the underwriting standards pursuant to which the mortgage loans underlying the securities were issued. RBSG Group entities are named as defendants in their capacities as issuers and underwriters of securities, not as originators of any underlying mortgage loans. The plaintiffs’ claims against the RBSG Group are currently unquantified.

The FHFA primary lawsuit against RBSG Group entities relates to approximately US\$32 billion of AAA rated RMBS issuance during the period 2005-2008 pursuant to which RBSG Group entities acted as sponsor/depositor and/or lead underwriter. The aggregate principal amount has been reduced to approximately US\$14 billion outstanding by repayments and recoveries of approximately US\$18 billion and losses to date of approximately US\$0.2 billion.

FHFA has also filed five lawsuits against each of Ally Financial Group, Countrywide Financial Corporation, JP Morgan, Morgan Stanley and Nomura in relation to some of the offerings where a RBSG Group entity acted as underwriter and is named amongst the defendants.

RBSG Group entities believe they have a variety of substantial and credible legal and factual defences available to all of the FHFA lawsuits and the RBSG Group will defend each of the matters vigorously. Additionally, RBSG Group entities potentially have recourse to indemnities from the relevant mortgage originators or sponsors/depositors although the amount and extent of any recovery is uncertain and subject to a number of factors, including the ongoing creditworthiness of the indemnifying party. Given the early stages of these matters, the RBSG Group cannot predict the outcome of these claims and is unable reliably to estimate the liability, if any, that may arise or its effect on the RBSG Group’s consolidated net assets, operating results or cash flows in any particular period.

Other than as set out in the section entitled “Legal and Regulatory Proceedings” of the Registration Document, so far as RBS Holdings and RBS N.V are aware, neither they nor any of their subsidiaries are, or have been engaged in or have pending or threatened any governmental, legal or arbitration proceedings which may have or have had in the recent past (covering the 12 months immediately preceding the date of this Offering Memorandum) a significant effect on RBS Holdings’ or RBS N.V.’s consolidated financial position or consolidated profitability.

Other than as set out in the sections entitled “Litigation” and “Investigations” on pages 33 to 43 of the RBS Registration Document (excluding the sub-heading “Summary of other disputes, legal proceedings and litigation”), neither RBS nor any member of the RBS Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which RBS is aware) during the 12 months prior to the date of the RBS Registration Document, which may have, or have had in the recent past, significant effects on the financial position or profitability of RBS and/or the RBS Group taken as a whole.

Other Investigations

In July 2010, the FSA notified the RBSG Group that it was commencing an investigation into the sale by Coutts & Co of the ALICO (American Life Insurance Company) Premier Access Bond Enhanced Variable Rate Fund (“**EVRF**”) to customers between 2001 and 2008 as well

as its subsequent review of those sales. Subsequently on 11 January 2011, the FSA revised the investigation start date to December 2003.

On 8 November 2011, the FSA published its Final Notice having reached a settlement with Coutts & Co, under which Coutts & Co agreed to pay a fine of £6.3 million. The FSA did not make any findings on the suitability of advice given in individual cases. Nonetheless, in order to address the possibility that unsuitable advice may potentially have been given in relation to the EVRF, Coutts & Co has agreed to undertake a past business review of its sales of the product. This review will be overseen by an independent third party and will consider the advice given to customers invested in the EVRF as at the date of its suspension, 15 September 2008. As part of the review, Coutts & Co may identify clients affected by the FSA's findings and will offer them redress.

No Significant Change and No Material Adverse Change

There has been no significant change in the trading or financial position of the Group taken as a whole since 30 June 2011 (the end of the last financial period for which either audited financial information or interim financial information has been published).

Save in relation to matters referred to on pages 42 to 43 of the 2011 RBS Holdings Interim Results, relating to the Group's exposure to Greek sovereign debt, which the Group has made provision for therein, there has been no material adverse change in the prospects of the Group taken as a whole since 31 December 2010 (the last date to which the latest audited published financial information of the Group was prepared).

There has been no significant change in the financial position of the RBS Group taken as a whole since 30 June 2011 (the end of the last financial period for which either audited financial information or interim financial information has been published).

Save in relation to (i) matters referred to on page 22 of the RBS Interim Results 2011, relating to Payment Protection Insurance, in respect of which the RBS Group has made provisions for therein; and (ii) the effect on revenues of Global Banking and Markets of the current subdued operating environment (see pages 43-45 of the RBSG Interim Management Statement), there has been no material adverse change in the prospects of the RBS Group taken as a whole since 31 December 2010 (the last date to which the latest audited published financial information of the RBS Group was prepared).

Ratings - RBS

Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") is expected to rate: senior notes issued by RBS with a maturity of one year or more "A"; senior notes issued by RBS with a maturity of less than one year "A-1"; dated subordinated notes issued by RBS "BBB-"; and undated tier 2 notes issued by RBS "BB+".

Fitch Ratings Limited ("**Fitch**") is expected to rate: senior notes issued by RBS with a maturity of one year or more "A"; senior notes issued by RBS with a maturity of less than one year "F1"; and dated subordinated notes and undated tier 2 notes issued by RBS will be rated on a case-by-case basis.

Moody's Investors Service Limited ("**Moody's**") is expected to rate: senior notes issued by RBS with a maturity of one year or more "A2"; senior notes issued by RBS with a maturity of less than one year "P-1"; and dated subordinated notes and undated tier 2 notes issued by RBS will be rated on a case-by-case basis.

As defined by Standard & Poor's, an "A" rating means that the ability of the issuer to meet its financial commitment on the relevant notes issued by it is strong and an "A-1" rating means

that the ability of the issuer to meet its financial commitment on the relevant notes issued by it is strong. A “BBB” rating means that the financial commitment on the relevant notes exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the issuer to meet its financial commitment on the relevant notes issued by it. A “BB” rating means that the ability of the issuer to meet its financial commitment on the relevant notes issued by it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to the issuer’s inadequate capacity to meet its financial commitment on the relevant notes issued by it. As defined by Standard & Poor’s, an addition of a plus (+) or minus (-) sign shows relative standing within the major rating categories.

As defined by Fitch, an “A” rating indicates that the issuer has a strong capacity for payment of its financial commitments on the relevant notes issued by it. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. As defined by Fitch, an “F1” rating indicates that the issuer has the strongest capacity for timely payment of its financial commitments on the relevant notes issued by it.

As defined by Moody’s, an “A” rating means the capacity of the issuer to meet its obligations on the relevant notes issued by it is considered to be upper-medium grade subject to low credit risk. As defined by Moody’s, the addition of a “2” indicates that the obligation ranks mid-range in its generic rating category.

The rating definitions set out above constitute third-party information and were obtained in the English language from (i) the publication entitled “Standard & Poor’s Ratings Definitions - 1 November 2011” published by Standard & Poor’s (available at www.standardandpoors.com), (ii) the publication entitled “Rating Symbols and Definitions - July 2011” published by Moody’s (available at www.moody.com) and (iii) the publication entitled “Definitions of Ratings and Other Forms of Opinion - September 2011” published by Fitch (available at www.fitchratings.com). The information found at the websites referred to in the previous sentence does not form part of and is not incorporated by reference into this Offering Memorandum. The rating definitions set out above have been accurately reproduced from the sources identified above and, so far as RBS is aware and is able to ascertain from information published by the third parties referred to above, no facts have been omitted which would render the ratings definitions set out above inaccurate or misleading.

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 credit ratings included and referred to in this Offering Memorandum (to the extent they relate to RBS), including documents incorporated by reference herein, have been issued by Standard & Poor’s Credit Market Services Europe Limited, Fitch Ratings Limited and Moody’s Investors Service Limited, each of which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

Ratings - RBS N.V.

Standard & Poor’s is expected to rate: senior notes issued by RBS N.V. with a maturity of one year or more “A”; senior notes issued by RBS N.V. with a maturity of less than one year “A-1”; dated subordinated notes issued by RBS N.V. “BBB-”; and undated tier 2 notes issued by RBS N.V. “BB+”.

Fitch is expected to rate: senior notes issued by RBS N.V. with a maturity of one year or more “A”; senior notes issued by RBS N.V. with a maturity of less than one year “F1”; and dated

subordinated notes and undated tier 2 notes issued by RBS N.V. will be rated on a case-by-case basis.

Moody's is expected to rate: senior notes issued by RBS N.V. with a maturity of one year or more "A2"; senior notes issued by RBS N.V. with a maturity of less than one year "P-1"; and dated subordinated notes and undated tier 2 notes issued by RBS N.V. will be rated on a case-by-case basis.

As defined by Standard & Poor's, an "A" rating means that the ability of the issuer to meet its financial commitment on the relevant notes issued by it is strong and an "A-1" rating means that the ability of the issuer to meet its financial commitment on the relevant notes issued by it is strong. A "BBB" rating means that the financial commitment on the relevant notes exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the issuer to meet its financial commitment on the relevant notes issued by it. A "BB" rating means that the ability of the issuer to meet its financial commitment on the relevant notes issued by it faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to the issuer's inadequate capacity to meet its financial commitment on the relevant notes issued by it. As defined by Standard & Poor's, an addition of a plus (+) or minus (-) sign shows relative standing within the major rating categories.

As defined by Fitch, an "A" rating indicates that the issuer has a strong capacity for payment of its financial commitments on the relevant notes issued by it. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings. As defined by Fitch, an "F1" rating indicates that the issuer has the strongest capacity for timely payment of its financial commitments on the relevant notes issued by it.

As defined by Moody's, an "A" rating means the capacity of the issuer to meet its obligations on the relevant notes issued by it is considered to be upper-medium grade subject to low credit risk. As defined by Moody's, the addition of a "2" indicates that the obligation ranks mid-range in its generic rating category.

The rating definitions set out above constitute third-party information and were obtained in the English language from (i) the publication entitled "Standard & Poor's Ratings Definitions - 1 November 2011" published by Standard & Poor's (available at www.standardandpoors.com), (ii) the publication entitled "Rating Symbols and Definitions – July 2011" published by Moody's (available at www.moody's.com) and (iii) the publication entitled "Definitions of Ratings and Other Forms of Opinion - September 2011" published by Fitch (available at www.fitchratings.com). The information found at the websites referred to in the previous sentence does not form part of and is not incorporated by reference into this Offering Memorandum. The rating definitions set out above have been accurately reproduced from the sources identified above and, so far as RBS N.V. is aware and is able to ascertain from information published by the third parties referred to above, no facts have been omitted which would render the ratings definitions set out above inaccurate or misleading.

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 credit ratings included and referred to in this Offering Memorandum (to the extent they relate to RBS N.V.), including documents incorporated by reference herein, have been issued by Standard & Poor's Credit Market Services Europe Limited, Fitch Ratings Limited and Moody's Investors Service Limited, each of which is established in the European Union and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

CONDITIONS: GENERAL CONDITIONS

The General Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the Product Conditions. The Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be printed on any definitive Securities or attached to any Global Security representing the Securities.

1. DEFINITIONS

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

2. STATUS AND LIMITED RECOURSE

- (a) Each Security evidences an undivided beneficial ownership interest in the Trust Property subject to the terms of the Declaration of Trust, the Investment Agency Agreement, the Purchase Undertaking, the Murabaha Agreement and the Conditions, and is a limited recourse obligation of the Issuer. Each Security ranks pari passu, without any preference or priority, with all other Securities.
- (b) Proceeds of the Trust Property are the sole source of payments on the Securities. The Securities do not represent an interest in any of the Issuer, the Trustee or any of the Agents or any of their respective affiliates. Accordingly, the recourse of Holders in respect of claims against the Issuer as issuer relating to the Securities is strictly limited to the Trust Property held and there shall be no recourse in respect of any such claim to any asset other than the Trust Property and following realisation of the Trust Property any unsatisfied claim against the Issuer shall be extinguished. The net proceeds of the realisation of, or enforcement with respect to, the Trust Property may not be sufficient to make all payments due in respect of the Securities.
- (c) The Trust Property will be held on trust for Holders subject to and in accordance with the terms of the Declaration of Trust and the Investment Agency Agreement. By purchasing a Security, each Holder agrees that the Trustee will act as trustee and that the Investment Agent will act as investment agent in accordance with the terms of the Declaration of Trust and the Investment Agency Agreement and acknowledges and accepts the conflict of interest to which The Royal Bank of Scotland N.V. is subject in its various roles in respect of the Securities.
- (d) The Declaration of Trust provides that the Trustee shall make payment of the proceeds of realisation of the Trust Property to Holders of Securities.

3. EARLY TERMINATION

- (a) **Illegality.** The Issuer shall have the right to terminate the Securities if it shall have determined in its absolute discretion that for reasons beyond its control

either its performance of its obligations under the Conditions or performance of the Commodity Murabaha or the Purchase Undertaking shall have or will become unlawful in whole or in part as a result of any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power (“**Applicable Law**”).

- (b) Insolvency. The Securities will be automatically terminated if an Insolvency Event shall occur in relation to the Purchase Undertaker or the Murabaha Counterparty.

4. NOTICES

- (a) Validity. Unless otherwise specified in the Product Conditions, announcements to Holders will be valid if delivered by the Issuer to the Clearing Agent(s) with an instruction from the Issuer to the Clearing Agent(s) to communicate such announcement to the Holders.
- (b) Delivery. Any such announcement issued pursuant to General Condition 4(a) shall be deemed to have been given on the date of such delivery or, if earlier, the date of any publication as required by any relevant stock exchange or any Relevant Clearing System or, if published more than once, on the date of the first such publication.

5. HEDGING DISRUPTION

- (a) The return on the Securities is determined by Shariah compliant transactions and assets held in the Portfolio. However, The Royal Bank of Scotland plc as Murabaha Counterparty and RBS N.V as Purchase Undertaker (for the purpose of this Condition jointly referred to as “**Relevant Obligors**”) may enter into transactions for their own account to cover their Shariah compliant obligations under the Securities.
- (b) Notification. The Issuer shall as soon as reasonably practicable give instructions to the Calculation Agent to notify the Holders in accordance with General Condition 4(a): (i) if a Relevant Obligor determines that a Hedging Disruption Event has occurred; and (ii) of the consequence of such Hedging Disruption Event as determined by the Issuer pursuant to General Condition 5(d).
- (c) Hedging Disruption Event. A “**Hedging Disruption Event**” shall occur if the Issuer, acting in good faith and in a commercially reasonable manner, determines that it is or has become not reasonably practicable or it has otherwise become undesirable, for any reason, for a Relevant Obligor or any Hedge Provider wholly or partially (i) to hold, acquire, establish, re-establish, substitute, maintain, unwind or dispose of a relevant hedging transaction (a “**Relevant Hedging Transaction**”) or asset such Relevant Obligor deems necessary, appropriate or desirable to hedge its obligations in respect of the Shariah compliant transactions entered into to provide a return on the Securities or (ii) to realise, recover or remit the proceeds of any such transaction(s) or asset(s). The reasons for such determination by the Issuer may include, but are not limited to, the following:
 - (i) a Relevant Obligor or any Hedge Provider will, whether directly or indirectly, incur a material increase (as compared with circumstances existing on the Issue Date) in the amount of tax, duty, expense

(including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position) or fee (other than brokerage commissions) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Relevant Obligor or the Hedge Provider shall not be considered for the purposes of this subparagraph (i); or

- (ii) any material illiquidity in the market for, or any mandatory redemption in whole or in part of, the relevant instruments (the **“Disrupted Instrument”**) which from time to time are included in the reference asset to which the Securities relate; or
- (iii) a change in any applicable law or regulation (including, without limitation, any tax law) or the promulgation of, or change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority); or
- (iv) a material decline in the creditworthiness of a party with whom a Relevant Obligor has entered into any such Relevant Hedging Transaction; or
- (v) the general unavailability of: (A) market participants who will agree to enter into a Relevant Hedging Transaction; or (B) market participants who will so enter into a Relevant Hedging Transaction on commercially reasonable terms.

In the Conditions:

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

“Hedge Provider” includes but is not limited to a Relevant Obligor, any associate, subsidiary or affiliate thereof and/or The Royal Bank of Scotland plc and/or any other party(ies) and/or any special purpose vehicle(s) holding or entering into a Hedge Position in connection with a Relevant Obligor’s hedging arrangements in respect of the Securities.

- (d) Consequences. The Issuer, in the event of a Hedging Disruption Event, may determine:
 - (i) that the Relevant Obligor’s obligations under the Murabaha Agreement or the Purchase Undertaking shall not be observed. In such circumstances the Issuer will terminate the Securities, will liquidate the Portfolio and will pay to each Holder in respect of each Security held by such Holder the fair market value, where such fair market value will be the Retained Amount and a pro rata amount of the proceeds obtained from the liquidation of the Portfolio and the Commodity Murabaha at the best price reasonably obtainable in a

Shariah compliant manner taking into account any costs and expenses in relation to the liquidation;

- (ii) to make an adjustment in good faith to the relevant reference asset by removing the Disrupted Instrument at its fair market value (which may be zero). Upon any such removal the Issuer may: (A) hold any notional proceeds (if any) arising as a consequence thereof and adjust the terms of payment and/or delivery in respect of the Securities; or (B) notionally reinvest such proceeds in other reference asset(s) if so permitted under the Conditions (including the reference asset(s) to which the Securities relate);
- (iii) to make any other adjustment to the Conditions as it considers appropriate in order to maintain the theoretical value of the Securities after adjusting for the relevant Hedging Disruption Event.
- (d) The Issuer may also make adjustments to the Conditions or determine that the Relevant Obligor's obligations under the Murabaha Agreement or the Purchase Undertaking shall not be observed if it determines that an event has occurred which, whilst not a Hedging Disruption Event or other disruption event as specified in Product Condition 4, is likely to have a material adverse effect on such Relevant Obligor's Hedge Position. In such eventuality, the Issuer shall notify the Holders thereof and shall, in the case of an adjustment, offer to arrange for a redemption of the Securities held by any Holder during a period of not less than 10 calendar days before the adjustment becomes effective and, in the case of the determination, terminate the Securities and pay a redemption amount in each case in the manner provided in General Condition 5(d)(i). In the case of an adjustment, the redemption amount to be paid by the Issuer shall equal the sum of (i) the Retained Amount and (ii) the relevant proportion of the liquidation value of the Portfolio and the Commodity Murabaha determined as provided in General Condition 5(d)(i) above.

6. PURCHASES AND CANCELLATION IN LIEU OF PRESCRIPTION

- (a) Purchases. The Issuer or any affiliate may purchase Securities at any price in the open market or by tender or private treaty. Any Securities so purchased may be held or surrendered for cancellation, and Securities so held by the Issuer or any affiliate shall for all purposes be deemed to form part of the original series of Securities until such time as they are cancelled. Following the purchase and cancellation of any Securities, the Trust Property will be reduced proportionately in accordance with the Declaration of Trust and the Investment Agency Agreement.
- (b) Cancellation in lieu of prescription. Any Security which is capable of presentation and is not so presented by its due date for presentation shall be cancelled and (i) its value shall be donated to a charity selected by the Issuer or (ii) the Issuer may seek guidance from the Shariah Board concerning the proceeds, if not so presented within five years of such due date.

7. DETERMINATIONS AND MODIFICATIONS

- (a) Determinations.

- (i) In making any determinations and calculations under these Conditions, the Issuer and the Calculation Agent shall act at all times in good faith and in a commercially reasonable manner. All such determinations and calculations by the Issuer and the Calculation Agent shall, in the absence of manifest error, be final and binding.
 - (ii) Whilst it is intended that the Issuer and the Calculation Agent will employ the methodology described in the Conditions to make determinations in respect of the Securities, no assurance can be given that market, regulatory, judicial or fiscal circumstances or, without limitation, any other circumstances will not arise that would necessitate a modification or change in such methodology in order that the Securities replicate as closely as possible investments in the assets underlying the Securities and its components. The Issuer and the Calculation Agent may make any such modification or change to such methodology that it considers necessary to reflect such circumstances.
 - (iii) Calculations made by the Issuer or the Calculation Agent in respect of the Securities shall be made on the days specified herein; however, notwithstanding the foregoing or anything else contained in these Conditions, should the Issuer or the Calculation Agent determine that in order to give effect to the methodology described in these Conditions it is necessary to make calculations on a day or days other than that specified, then each of the Issuer and the Calculation Agent is permitted to make such calculations on such calendar day or days as it shall determine.
 - (iv) Due to timing considerations, process requirements and other matters that would, in the opinion of the Issuer or the Calculation Agent, be relevant in relation to the implementation of asset allocation models, the Issuer or the Calculation Agent may need to make appropriate adjustments to the methodology set out in the terms and conditions as it considers necessary in order to reflect the timing and amounts that would be applicable were the Issuer or the Calculation Agent physically implementing the methodology set out in the Securities.
- (b) Modifications. The Issuer may, without the consent of the Holders or any of them, modify any provision of the Conditions which is: (i) of a formal, minor or technical nature; (ii) made to correct a manifest error; or (iii) in its absolute discretion, not materially prejudicial to the interests of the Holders. Notice of any such modification will be given to the Holders in accordance with General Condition 4 but failure to give, or non-receipt of, such notice will not affect the validity of any such modification.

8. SUBSTITUTION

- (a) Substitution of Issuer. The Issuer may at any time without the consent of the Holders substitute for itself as issuer of the Securities with regard to any and all rights, obligations and liabilities under and in connection with the Securities:
 - (A) The Royal Bank of Scotland plc, registered in Scotland under No. 90312, with its registered office at 36 St Andrew Square, Edinburgh EH2 2YB, ("**RBS plc**" or the "**Substitute**") subject to the Issuer

having given at least 30 days' prior notice of the date of such substitution to the Holders in accordance with General Condition 4; or

- (B) any entity which (i) acquires all or substantially all of the undertaking and/or assets of the Issuer or (ii) acquires the beneficial ownership of the whole of the issued voting stock and/or share capital of the Issuer or (iii) into which the Issuer is amalgamated, merged or reconstructed and where the Issuer is not the continuing company (such entity, a "**Successor in Business**" or the "**Substitute**") subject to the Issuer having given at least 30 days' prior notice of the date of such substitution to the Holders in accordance with General Condition 4; or
- (C) the holding company of the Issuer (the holding company currently being The Royal Bank of Scotland Group plc, company number SC045551) (the "**Holding Company**" or the "**Substitute**") subject to the Issuer having given at least 30 days' prior notice of the date of such substitution to the Holders in accordance with General Condition 4; or
- (D) any entity other than RBS plc, a Successor in Business or the Holding Company (also, the "**Substitute**"), subject to: the Issuer having given at least 30 days' prior notice of the date of such substitution to the Holders in accordance with General Condition 4; and the Issuer or RBS plc having issued a legal, valid and binding guarantee of the obligations and liabilities of the Substitute under the Securities for the benefit of each and any of the Holders;

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

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

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

9. TAXATION

The Issuer shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other similar payment which may arise as a result of the ownership, transfer or exercise of any Securities. In relation to each Security the relevant Holder shall pay all Expenses as provided in the Product Conditions. All payments or, as the case may be, deliveries in respect of the Securities will be subject in all cases to all applicable fiscal and other laws and regulations (including, where applicable, laws requiring the deduction or withholding for, or on account of, any tax duty or other charge whatsoever). The Holder shall be liable for and pay any tax, duty or charge in connection with the ownership of and/or any transfer, payment or delivery in respect of the Securities held by such Holder. The Issuer shall have the right, but shall not be

obliged, to withhold or deduct from any amount payable such amount, as shall be necessary to account for or to pay any such tax, duty, charge, withholding or other payment.

10. REPLACEMENT OF SECURITIES

If any Security is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Agent (or such other place of which notice shall have been given to Holders in accordance with General Condition 4) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Securities must be surrendered before replacements will be issued. This General Condition will not apply to Securities issued in dematerialised form.

11. ADJUSTMENTS FOR EUROPEAN MONETARY UNION

- (a) Redenomination. The Issuer may, without the consent of any Holder, on giving notice to the Holders in accordance with General Condition 4 elect that, with effect from the Adjustment Date specified in such notice, certain terms of the Securities shall be redenominated in euro. The election will have effect as follows:
 - (i) where the Settlement Currency is the National Currency Unit of a country which is participating in the third stage of European Economic and Monetary Union pursuant to the Treaty, such Settlement Currency shall be deemed to be an amount of euro converted from the original Settlement Currency into euro at the Established Rate, subject to such provisions (if any) as to rounding as the Issuer may decide and as may be specified in the notice, and after the Adjustment Date, all payments in respect of the Securities will be made solely in euro as though references in the Securities to the Settlement Currency were to euro;
 - (ii) where the Conditions contain a rate of exchange or any of the Conditions are expressed in a National Currency Unit (the “**Original Currency**”) of a country which is participating in the third stage of European Economic and Monetary Union pursuant to the Treaty, such rate of exchange and/or any other terms of the Conditions shall be deemed to be expressed in or, in the case of a rate of exchange, converted for or, as the case may be into, euro at the Established Rate; and
 - (iii) such other changes shall be made to the Conditions as the Issuer may decide to conform them to conventions then applicable to instruments expressed in euro.
- (b) Adjustment to Conditions. The Issuer may, without the consent of the Holders, on giving notice to the Holders in accordance with General Condition 4 make such adjustments to the Conditions as the Issuer may determine to be appropriate to account for the effect of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Conditions.
- (c) Euro Conversion Costs. Notwithstanding General Condition 11(a) and/or General Condition 11(b), none of the Issuer, the Calculation Agent nor any

Agent shall be liable to any Holder or other person for any commissions, costs, losses or expenses in relation to or resulting from the transfer of euro or any currency conversion or rounding effected in connection therewith.

- (d) Definitions Relating to European Economic and Monetary Union. In this General Condition, the following expressions have the meanings set out below.

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

“**Established Rate**” means the rate for the conversion of the Original Currency or, as the case may be, the Settlement Currency (including compliance with rules relating to rounding in accordance with applicable European community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

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

“**Treaty**” means the treaty establishing the European Community, as amended.

12. AGENTS

- (a) Principal Agent and Agents. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint further or additional Agents, provided that no termination of appointment of the principal agent (the “**Principal Agent**”) shall become effective until a replacement Principal Agent shall have been appointed and provided that, if and to the extent that any of the Securities are listed on any stock exchange or publicly offered in any jurisdiction, there shall be an Agent having a specified office in each country required by the rules and regulation of each such stock exchange and each such jurisdiction and provided further that, if and to the extent that any of the Securities are in registered form, there shall be a Registrar and a Transfer Agent (which may be the Registrar), if so specified in the relevant Product Conditions. Notice of any appointment, or termination of appointment, or any change in the specified office, of any Agent will be given to Holders in accordance with General Condition 4. Each Agent acts solely as agent of the Issuer and does not assume any obligation or duty to, or any relationship of agency or trust for or with, the Holders or any of them. Any calculations or determinations in respect of the Securities made by an Agent shall (save in the case of manifest error) be final, conclusive and binding on the Holders. For the avoidance of doubt, the Investment Agent is not an Agent for the purpose of this Condition.
- (b) Calculation Agent. The Issuer acting through its address specified in the Product Conditions or such other Calculation Agent as specified in the Product Conditions shall undertake the duties of calculation agent (the “**Calculation Agent**” which expression shall include any successor

calculation agent or assignee as approved by the Issuer) in respect of the Securities unless the Issuer decides to appoint a successor Calculation Agent in accordance with the provisions below.

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

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

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

13. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

14. GOVERNING LAW AND JURISDICTION

- (a) The Conditions and any non-contractual obligations arising out of or in connection with the Securities, are governed by and shall be construed in accordance with English law.
- (b) The courts of England have exclusive jurisdiction to settle any dispute (including any dispute relating to any non-contractual obligations) (a “**Dispute**”) arising from or in connection with the Securities).
- (c) Subparagraph (b) is for the benefit of the Holders only. As a result, nothing prevents any Holder from taking proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, Holders may take concurrent Proceedings in any number of jurisdictions.
- (d) The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

15. METHOD OF PAYMENT

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

16. COMMISSIONS, FEES AND REBATES

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

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

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

17. EVENTS OF DEFAULT

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

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

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

PRODUCT CONDITIONS

The Product Conditions which follow relate to the Securities and must be read in conjunction with, and are subject to, the General Conditions (whether or not attached to this document). The Product Conditions and the General Conditions together constitute the Conditions of the Securities and will be attached to the Global Security representing the Securities.

1 DEFINITIONS

“**Agent**” means RBS N.V., acting through its London branch, 250 Bishopsgate, London EC2M 4AA, United Kingdom or such other branch as it may from time to time determine as principal agent (the “**Principal Agent**”) and any other Agent appointed pursuant to the provisions of General Condition 12 (together the “**Agents**”);

“**Aggregate Retained Amount**” means the sum of the Retained Amount in respect of all Securities;

“**BoNY**” means BNY Corporate Trustee Services Limited of One Canada Square, London E14 5AL;

“**Business Day**” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and a day on which the Clearing Agents are open;

“**Calculation Agent**” means RBS N.V., London branch, or such other branch as it may from time to time determine, and including any successor Calculation Agent;

“**Clearing Agents**” means Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* or such further or alternative clearing agent(s) or clearance system(s) as may be approved by the Issuer from time to time and notified to the Holders in accordance with General Condition 4 (and each a “**Clearing Agent**”);

“**Commodity Murabaha**” means the transaction entered into pursuant to the Murabaha Agreement;

“**Components**” means the indices that comprise the Index from time to time, from which it derives its level;

“**Custodian**” means the institution at its specified office appointed as custodian by the Trustee pursuant to the Custody Agreement;

“**Custody Account**” means the segregated account or accounts held by the Custodian for the Trustee pursuant to the Custody Agreement;

“**Custody Agreement**” means the custody agreement dated 4 January 2005 between the Trustee, the Investment Agent and the Custodian as amended from time to time;

“**Declaration of Trust**” means the declaration made on or about the Issue Date by the Trustee and the Issuer as amended from time to time;

“Disrupted Day” has the meaning given to it in the Index Strategy;

“Dow Jones Islamic Market World Index” means the Dow Jones Islamic Market World Index as published by www.djindexes.com and in respect of which the Shariah Board is able to satisfy itself, through such means as it may determine to be appropriate, which may include, but are not limited to receiving compliance reports from Dow Jones in respect of each of the underlying constituents of the Dow Jones Islamic Market World Index, that such underlying constituents are Shariah compliant;

“Early Termination Date” means the date on which the early termination of the Securities becomes effective as specified in the notice notifying Holders when the Issuer has terminated the Securities pursuant to the occurrence of an Early Termination Event or an event as described in General Condition 3(a);

“Early Termination Event” means (i) the Issuer determines that the Trustee is unable to hold assets in the Portfolio that are Shariah compliant, or the Portfolio, the Declaration of Trust, the Investment Agency Agreement, the Purchase Undertaking or the Murabaha Agreement have become non-Sharia compliant in whole or in part for any reason or (ii) any change in law or regulation (including, without limitation, any tax law), or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority) which is likely to materially increase the cost to the Issuer of performing its obligations under the Securities occurs;

“Early Termination Settlement Amount” means, in respect of each Security and following an Early Termination Event, an event described in General Condition 3(a) or an Insolvency Event in relation to the Purchase Undertaker or the Murabaha Counterparty, an amount determined by the Calculation Agent (promptly following the date on which such event occurs) as being equal to the sum of (a) such Security's pro rata share of the liquidation value of the Portfolio and the Commodity Murabaha and (b) the Retained Amount. For this purpose, **“liquidation value of the Portfolio and the Commodity Murabaha”** shall be an amount equal to the sum of (i) the amount that the Issuer is entitled to receive from the Murabaha Counterparty following the early termination of the Commodity Murabaha; (ii) any payment received by the Issuer from the Purchase Undertaker in respect of the Investments purchased pursuant to the Purchase Undertaking (if exercised) or, if not exercised, the proceeds obtained from the liquidation of the Investments at the best price reasonably obtainable in a Shariah compliant manner taking into account any costs and expenses in relation to the liquidation; and (iii) any cash forming part of the Portfolio;

“Expenses” means all taxes, duties and/or expenses, including all applicable depository, transaction or exercise charges, stamp duties, stamp duty reserve tax, issue, registration, Securities transfer and/or other taxes or duties, arising in connection with (i) the exercise of such Security and/or (ii) any payment due following exercise or otherwise in respect of such Security;

“Final Index” means the level of the Index published by the Index Sponsor at the Valuation Time on the Valuation Date;

“Final Settlement Amount” means, in respect of each Security, the sum of (i) the Nominal Amount and (ii) the Variable Profit. The Final Settlement Amount will be rounded to the nearest two decimal places, 0.005 being rounded downwards and shall not be less than zero;

“Holder” has the meaning in Product Condition 2 provided that RBS.N.V. shall be deemed not to be a Holder with respect to any Issuer Securities or Repurchased Securities for so long as they are Issuer Securities and Repurchased Securities respectively;

“Index” means the RBS VC Aurum IV index (USD) ER 15% (Bloomberg RBSDARU4 Index);

“Index Sponsor” means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the Index and (b) announces (directly or through an agent) the level of the Index on a regular basis during each Trading Day;

“Index Strategy” means the methodology and rules use to construct, calculate and maintain the Index as published by the Index Sponsor and as may be amended from time to time;

“Initial Index” means 823.18, being the level of the Index published by the Index Sponsor on 13 February 2012;

“Insolvency Event” in relation to a person, means that such person (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4)(A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (I) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (II) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) above (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

“Investment Agency Agreement” means the investment agency agreement made on or about the Issue Date between the Investment Agent and the Trustee;

“Investment Agent” means The Royal Bank of Scotland plc acting through its Singapore branch, or such other branch as it may from time to time determine, in its capacity as investment agent pursuant to the Investment Agency Agreement;

“Investments” means Shariah compliant securities selected from the Dow Jones Islamic Market World Index or any successor, alternative or substitute index approved by the Shariah Board at its sole discretion, which discretion may or may not be exercised during the term of the Securities. To the extent that the assets are purchased on the basis of an index other than

the Dow Jones Islamic Market World Index, the Shariah Board shall, prior to any investment being made and at such time during the term of the Securities as the Shariah Board shall deem necessary, review the relevant index components for Shariah Compliance;

“Issue Date” means 15 February 2012;

“Issuer” means The Royal Bank of Scotland N.V. (**“RBS N.V.”**) incorporated in the Netherlands with its statutory seat in Amsterdam acting through its London branch or such other branch as it may from time to time determine;

“Maturity Date” means 15 February 2017;

“Market Disruption Event” means an event which causes a Disrupted Day;

“Murabaha Agreement” means the deferred commodity purchase agreement entered into by the Issuer and the Murabaha Counterparty on the Issue Date as amended or replaced from time to time;

“Murabaha Counterparty” means The Royal Bank of Scotland plc, acting through its London branch or such other branch as it may determine;

“Nominal Amount” means, in respect of each Security, USD100;

“Payment Day” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business (including dealings in foreign exchange and foreign exchange currency deposits) in the principal financial centre for the Settlement Currency;

“Portfolio” means the Investments acquired with (i) the Securities Issue Net Proceeds, (ii) any Resale Net Proceeds and (iii) the net proceeds (calculated in a manner equivalent to (i) and (ii) above) of each other issue of Relevant Securities (together, in each case, with any unutilised cash portion of such net proceeds) and, in all cases, held by the Custodian under the Custody Agreement for so long as they are so held together with any Investments acquired (or cash arising from sales of Investments) from time to time in accordance with the terms of the Declaration of Trust and the Investment Agency Agreement and held by the Custodian under the Custody Agreement but, for the avoidance of doubt, excludes Investments and cash removed from the Portfolio pursuant to the Investment Agency Agreement and also excludes dividends and other income arising in respect of those Investments and that cash as provided in the Investment Agency Agreement;

“Purchase Undertaker” means RBS N.V., acting through its London branch or such other branch as it may from time to time determine;

“Purchase Undertaking” means the undertaking made on or about the Issue Date by the Purchase Undertaker;

“RBS N.V.” means The Royal Bank of Scotland N.V., acting through its London branch or such other branch as it may from time to time determine;

“Relevant Securities” means Securities issued by the Issuer which are expressed to be Shariah compliant and are constituted by a declaration of trust and investment agency in terms which are substantially similar to the Declaration of Trust and the Investment Agency Agreement including an obligation to invest the net proceeds of the Securities in investments which are Shariah compliant;

“Repurchased Securities” means Securities which have been issued by the Issuer (not being Issuer Securities) and have subsequently been repurchased by the Issuer in the secondary market provided that such Securities shall cease to be Repurchased Securities if and when they are resold by the Issuer (without prejudice to their becoming Repurchased Securities again if subsequently repurchased by the Issuer);

“Resale Net Proceeds”, in respect of any Repurchased Securities which are subsequently resold, means the amount of the Securities Issue Net Proceeds in respect of that Repurchased Securities assuming it not to have been an Issuer Security;

“Retained Account” means a non interest bearing account with the Retained Account Bank opened in the name of the Trustee in accordance with the Declaration of Trust, into which the Trustee shall deposit the Aggregate Retained Amount on the Issue Date;

“Retained Account Bank” means The Royal Bank of Scotland N.V., acting through its London branch or such other branch as it may from time to time determine;

“Retained Amount” means, in respect of each Security, USD5;

“Securities” means the Capital Protected Islamic Certificates linked to the Index and each a **“Security”** (ISIN: XS0547246164, Common Code: 54724616);

“Securities Issue Net Proceeds” means the aggregate proceeds of the issue of the Securities, net of issue fees and expenses and any fees payable to the Investment Agent on the Issue Date in connection with the purchase of Investments, provided that where, after the Issue Date, Securities remain held by the Issuer (**“Issuer Securities”**) the Securities Issue Net Proceeds in respect of such Issuer Securities only shall be zero until such time (if any) as the Issuer Securities are first sold by the Issuer, whereupon the Securities Issue Net Proceeds shall be increased by the amount determined by the Calculation Agent in its sole and absolute discretion to be equal to the difference between (i) the amount that would have been classified as the Securities Issue Net Proceeds had the Issuer Securities concerned (and any other Issuer Securities sold by the Issuer after issue) been sold by the Issuer on the Issue Date and (ii) the amount that was most recently determined to be the Securities Issue Net Proceeds;

“Settlement Currency” means USD;

“Settlement Date” means either in respect of:

- (i) redemption at maturity, the later of (a) the Maturity Date or (b) 10 Business Days following the Valuation Date; and
- (ii) a redemption following an Early Termination Event or an event described in General Condition 3 under Product Condition 3, 10 Business Days following the Early Termination Date;

“Shariah Board” means the Shariah supervisory board of Al Hilal Bank;

“Shariah compliant” means, in relation to an asset, right or contract, that such asset, right or contract is classified as complying with and being maintained in accordance with Shariah principles, as evidenced at the time of acquisition of such asset or right or entry into such contract by confirmation from Al Hilal Bank of the approval of the Shariah Board covering the acquisition of such asset or right or the entry into such contract;

“Trading Day” means any day that is (or, but for the occurrence of a Market Disruption Event, would have been) a day on which the Index Sponsor should calculate and publish the level of the Index according to its rules;

“Trust” means the trust established by the Declaration of Trust;

“Trustee” means RBS N.V., in its capacity as trustee for the Holders, (or following any substitution of the Issuer pursuant to General Condition 8, the relevant Substitute or such other entity as the Issuer may notify to the Holders in accordance with General Condition 4) and, following the occurrence of an Insolvency Event in relation to RBS N.V., or BoNY;

“Trust Documents” means the Declaration of Trust, the Investment Agency Agreement, the Purchase Undertaking, the Murabaha Agreement, the Conditions, the Custody Agreement and any other agreements and documents delivered or executed in connection therewith;

“Trust Property” means (i) the Portfolio; (ii) the rights, title and interest of the Trustee in and to the Retained Account; (iii) the rights of the Issuer and the Trustee under the Trust Documents, (iv) the interest of the Issuer and the Trustee in the Custody Account and the Designated Account (as defined in the Purchase Undertaking); and (v) all other rights and assets from time to time the subject of the Trust;

“Valuation Date” means 13 August 2016, or, if such date is not a Trading Day, the first Trading Day thereafter unless, in the determination of the Calculation Agent, a Market Disruption Event has occurred on that day in which case, the Valuation Date shall be the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Calculation Agent determines that there is a Market Disruption Event occurring on each of the 5 Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case (i) the last day of the fifth Trading Day shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the Variable Profit having regard to the then prevailing market conditions, the last reported level of the Index and such other factors as the Calculation Agent determines to be relevant;

“Valuation Time” means the time at which the Index Sponsor publishes the closing level of the Index or such other time as the Issuer may select in its absolute discretion and notify to Holders in accordance with General Condition 4;

“Variable Profit” means, in respect of each Security, an amount per Security equal to:

$$\text{USD100} \times \text{Max} [0\%, (\text{Final Index} / \text{Initial Index}) - 1].$$

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

2 FORM

The Securities will be issued in bearer form and represented by a global security (the **“Global Security”**) which will be deposited with a Clearing Agent or the depositary for one or more Clearing Agents and will be transferable only in accordance with the applicable law and the rules and procedures of the relevant Clearing Agent through whose systems the Securities are transferred. Each person (other than another Clearing Agent) who is for the time being shown in the records of the relevant Clearing Agent as the owner of a particular amount of the Securities (in which regard any certificate or other document issued by the relevant Clearing Agent as to the amount of the Securities standing to the credit of the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be

treated by the Issuer and each Agent as the holder of such amount of the Securities (and the term “**Holder**” shall be construed accordingly) for all purposes, other than with respect to any payment or delivery obligations, the right to which shall be vested as regards the Issuer and the Agents, solely in the bearer of the Global Security.

3 RIGHTS AND PROCEDURES

- (a) Redemption on the Maturity Date. Unless previously terminated early, redeemed or repurchased and cancelled, each Security will be redeemed on the Settlement Date at the Final Settlement Amount.
- (b) Early Termination. If an Early Termination Event or an event described in General Condition 3(a) occurs prior to the Maturity Date, the Issuer may redeem the Securities, in whole but not in part, at the Early Termination Settlement Amount by giving Holders at any time from (and including) the Issue Date until (but excluding) the Maturity Date notice of its intention to redeem the Securities.

Any such notice shall be given in accordance with the provisions of General Condition 4, and shall specify the Early Termination Date, the Early Termination Settlement Amount payable and the Settlement Date.

If an Insolvency Event in relation to the Purchase Undertaker or the Murabaha Counterparty occurs, prior to the Maturity Date, the termination will be automatic (and without the need for any notice) and the Early Termination Date will be the first day on which the Insolvency Event occurred. Following an Insolvency Event, each Security shall be redeemed at the Early Termination Settlement Amount on the relevant Settlement Date.

- (c) Issuer Securities and Repurchased Securities. Immediately prior to the redemption of the Securities pursuant to this Product Condition 3 or otherwise, the Issuer shall surrender for cancellation for nil value all Issuer Securities and Repurchased Securities held by it at that time.
- (d) Payment Day. If the date for payment of any amount in respect of the Securities is not a Payment Day, the Holder shall not be entitled to payment until the next following Payment Day under the following business day convention.
- (e) General. In the absence of gross negligence or wilful misconduct on its part, none of the Issuer, the Calculation Agent, the Trustee nor any Agent shall have any responsibility for any errors or omissions in the calculation of any Final Settlement Amount, Early Termination Settlement Amount or any other amount.
- (e) Method of Payment. Subject as provided below, payments will be made via the Clearing Agents in accordance with the rules of the Clearing Agents. All payments will be subject to applicable fiscal and legal requirements applicable thereto.
- (f) Presentation and Surrender. Payment of the Final Settlement Amount, Early Termination Settlement Amount or any other amount will be made against surrender of the Global Security by or on behalf of the Holder at the specified office of the relevant Agent. The Issuer shall record all payments made to the relevant Agent and such record shall be *prima facie* evidence that the payment in question has been made. Each of the persons shown in the records of a Clearing Agent as the holder of a particular nominal amount, or purchase price as applicable, of the Securities, must look solely to the relevant Clearing Agent for his share of each such payment so made by the Issuer to or to the order of the bearer of the Security.

- (g) **Settlement Risk.** Settlement of the Securities is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Agent shall incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, regulations or practices. Neither the Issuer nor the Agents shall under any circumstances be liable for any acts or defaults of any Clearing Agent in relation to the performance of its duties in relation to the Securities.
- (h) **Portfolio.** If any asset included in the Portfolio ceases to be Shariah compliant, the Trustee or its agent may substitute such asset with a new Investment. The Trustee, or its agent, may also, at any time and at its sole and absolute discretion, substitute the securities in the Portfolio provided that: (i) at all times the securities shall be Shariah compliant; and (ii) any such change is determined by the Trustee to be in the best interests of Holders.
- (i) **Trust Property.** All dividends and other income arising in respect of the Portfolio and any income received by the Trustee from any cash forming part of the Trust Property shall be payable to the Investment Agent by way of additional fees for its services as investment agent under the Investment Agency Agreement.

4. ADJUSTMENTS

- (a) **Market Disruption Event.** The Calculation Agent shall as soon as reasonably practicable under the circumstances notify the Holders in accordance with General Condition 4 if it determines that a Market Disruption Event has occurred. The Calculation Agent may make adjustments to the Conditions in order to account for a Market Disruption Event if it considers it appropriate to do so.
- (b) **Adjustments to the Index.** The Calculation Agent shall give notice as soon as practicable to the Holders in accordance with General Condition 4 of any determination made by it pursuant to paragraphs (i), (ii), or (iii) below:
 - (i) If the Index is (A) not calculated and announced by the Index Sponsor but is calculated and published by a successor to the Index Sponsor (the “**Successor Sponsor**”) acceptable to the Calculation Agent; or (B) replaced by a successor index using, in the determination of the Calculation Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then (in either case) the Index will be deemed to be the index so calculated and announced by such Successor Sponsor or that successor index, as the case may be.
 - (ii) If, on or prior to the Valuation Date, (A) the Index Sponsor or, if applicable, the Successor Sponsor makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in the Components and other routine events) (an “**Index Modification**”); (B) the Index Sponsor at any time permanently cancels the Index and no successor index exists (an “**Index Cancellation**”); or (C) the Index Sponsor or, if applicable, the Successor Sponsor fails to calculate and/or publish the Index (an “**Index Disruption** and, together with an Index Modification and an Index Cancellation, an “**Index Adjustment Event**”), then the Calculation Agent shall either:

- (A) determine the Variable Profit using, in lieu of a published level(s) for the Index on the Valuation Date, the level for the Index as determined by the Calculation Agent in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the Index Adjustment Event but using only those Components that comprised the Index immediately prior to the Index Adjustment Event; or
 - (B) make such determinations and/or adjustments to the Conditions as it determines appropriate to account for the Index Adjustment Event which may include, without limitation, delaying any determination until the next Trading Day on which it determines that no Index Adjustment Event exists and delaying the Settlement Date to account for such delay or determination.
- (c) **Adjustments Generally.** The Calculation Agent may make adjustments to the terms of the Securities if an event which affects the Index or the Portfolio requires it. This may include, but is not limited to the following:
 - (i) an event which has a concentrating or diluting effect on the theoretical value of the Portfolio; or
 - (ii) any adjustments required because it has become unlawful in any applicable jurisdiction for the Issuer to sell or purchase any of assets in the Portfolio.

Where deemed necessary the Issuer will take appropriate Shariah advice on such adjustments.

The Issuer reserves the right to make adjustments or to distribute to the Holders any rights in connection with the Securities as it reasonably believes are appropriate in circumstances where an event or events occur which the Issuer (in its absolute discretion and notwithstanding any adjustments previously made to the Securities) believes should in the context of the issue of Securities and its obligations hereunder, give rise to such adjustment or distribution, provided that such adjustment is considered by the Calculation Agent to be appropriate generally (without considering the individual circumstances of any Holder or the tax or other consequences of such adjustment in any particular jurisdiction) or is required to take account of provisions of the laws of the relevant jurisdiction or the practices of an exchange.

**THE ISSUER, TRUSTEE, PRINCIPAL AGENT, CALCULATION AGENT, PURCHASE
UNDERTAKER AND RETAINED ACCOUNT BANK**

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