



Trading Warrants

Product Disclosure Statement – Part 1

14 January 2014



PDS Part 1 – Key commercial terms

The Royal Bank of Scotland plc: ABN 30 101 464 528, AFSL: 241114 (a public limited company incorporated in Scotland).

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Date: 14 January 2014

This Product Disclosure Statement (“PDS”) is provided in two parts:

**Part 1 – Key commercial terms (“PDS Part 1”); and
Part 2 – General Information (“PDS Part 2”),
(collectively referred to as “PDS”).**

PDS Part 1 and PDS Part 2 together form the PDS. Potential Holders should read the entire PDS (that is, both PDS Part 1 and PDS Part 2), including the Terms (as set out in Section 12 of PDS Part 2), before making any investment decision. All references to this PDS are references to the entire PDS, unless PDS Part 1 or PDS Part 2 is specified.

The Royal Bank of Scotland plc is a foreign Authorised Deposit-Taking Institution under the Banking Act 1959 (Cth). The obligations of The Royal Bank of Scotland plc do not represent deposits or other funds of The Royal Bank of Scotland plc. The obligations of The Royal Bank of Scotland plc are unsecured obligations which (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations of The Royal Bank of Scotland plc, and in a winding up you may not receive these amounts.

PDS Part 1 – Summary

This PDS offers one or more series of warrants (called “Warrants”). The Warrants issued pursuant to this PDS are call or put options which provide exposure to an underlying Reference Asset, being a Security, Index, Futures Contract, Spot Commodity or Exchange Rate (“Reference Asset”). The Warrants are to be traded on the market operated by the ASX Limited (“ASX”) over Reference Assets as specified in PDS Part 1.

PDS Part 1 sets out the key commercial terms of the Warrants offered under this PDS including details of the ASX Code, Reference Asset, Issue Size, Reference Parcel, Strike Price, Specified Number, Expiry Date and whether the Warrant is a FX Hedged Warrant (i.e. for Warrants where the Strike Price currency is a currency other than Australian Dollars) or a Barrier Warrant (and to the extent relevant, the Barrier Level which, if reached, will result in the automatic termination of the Barrier Warrant).

The style of the Warrant (i.e. American Style or European Style) is set out in PDS Part 1 for the Series and may be adjusted in accordance with the Terms. For each issue of Warrants, PDS Part 1 will be re-issued and must be read in conjunction with PDS Part 2.

PDS Part 1 should be read and construed in conjunction with PDS Part 2 of this PDS for each Series of Warrants. In the event of any inconsistency in Part 1 or Part 2 of the PDS, PDS Part 1 shall take precedence.

PDS Part 2 constitutes the general terms and conditions that govern the issue of Call Warrants and Put Warrants issued by The Royal Bank of Scotland plc (“RBS” or the “Issuer”) from time to time.

No person is authorised by the Issuer to give any information or to make any representation not contained in this PDS. Any information or representation not contained in this PDS must not be relied upon as having been authorised by or on behalf of the Issuer. Nothing in this PDS is, or may be relied upon as, a representation as to the future performance of the Warrants.

The Issuer may in its absolute discretion, extend or shorten the Offer Period. If this happens, the Offer Close Date, the Issue Date and one or more consequential dates may vary. If the Issuer changes the Offer Period, it will post a notice informing Holders of the change on the following website: www.rbs.com.au/warrants. The Issuer reserves the right to accept and reject any Application in its absolute discretion, including before and after the Offer Close Date.

Please note that cooling off rights do not apply in respect of an investment in the Warrants.

The meanings of capitalised terms appearing in this PDS are explained in Section 11 “Interpretation of this PDS” of PDS Part 2.

To obtain a copy of the entire PDS, contact your stockbroker or financial adviser, or call RBS Warrants on 1800 450 005. Alternatively, a copy may be available online at <http://www.rbs.com.au/warrants>.

If you have accessed an electronic version of this PDS, the Issuer will send a paper copy of the PDS to you free of charge, upon request. Please refer to the “Directory” at the back of PDS Part 2 for the Issuer’s contact details.

The Issuer has made an application to the ASX for the admission of new Warrants to quotation on the ASX. Existing Warrants are already quoted on the ASX.

1. Summary of Warrants

What are the Warrants?

The Warrants are financial products. The Warrants are classified as 'derivatives' within the meaning of section 761D of the Corporations Act. They are also classified as 'warrants' within the meaning of Schedule 10 to the ASX Operating Rules. The Warrants are structured as either put options or call options.

What are the key features of the Warrants?

You may only purchase Warrants directly on the ASX through your broker. No applications for Warrants can be made directly to the Issuer as all the Warrants in a particular Series will be initially issued to the Original Holder.

The Warrants enable Holders to gain exposure to the relevant Reference Asset specified in this PDS Part 1, which may be a Futures Contract, Spot Commodity, Exchange Rate, Index or Security.

The Warrants are tradable on the ASX (meaning that Holders can sell their Warrants on the ASX). You can exercise your Warrants during the Exercise Period by lodging a valid Exercise Notice with the Issuer.

Physically Settled Warrants (available in relation to Warrants linked to Reference Assets that are ASX listed Securities only) give the Holder the right (but not the obligation) to either require RBS to deliver the Reference Parcel to them (in the case of Call Warrants) or require RBS to purchase the Reference Parcel from them (in the case of Put Warrants) by exercising their Warrants during the Exercise Period. Cash Settled Warrants give the Holder the right to receive a Cash Amount if the Final Value is greater than the Strike Price (in the case of Call Warrants) or if the Final Value is less than the Strike Price (in the case of Put Warrants).

The Warrants may have the FX Hedge feature which allows Holders to have exposure to Reference Assets denominated in a foreign currency without exposure to foreign exchange risk. Warrants with the FX Hedge feature are identified in the Summary Table below as FX Hedged Warrants.

For further information on the FX Hedge feature, please refer to PDS Part 2 Section 3.24 "How does the FX Hedge feature work?" and Section 3.25 "What if the FX Hedge feature does not apply?"

The Warrants may be Barrier Warrants, meaning that a Barrier Level will apply to them. If the Barrier Level is triggered, this will constitute a Barrier Event and the Barrier Warrants will terminate and Holders will receive no money in respect of the Barrier Warrant.

For further information regarding the features of Warrants, please refer to PDS Part 2 Section 3 "Put Warrants and Call Warrants – Product features" and for more information regarding the benefits of investment in Warrants you should refer to PDS Part 2 Section 4 "Benefits of the Warrants". Please also refer to "What are the key risks

of the Warrants" below. For a description of the risks associated with Warrants, refer to Section 5 "Risk Factors" in PDS Part 2.

What are the key benefits of the Warrants?

Depending on the particular features of the Warrants offered, Holders may be able to purchase a Warrant for the purpose of protecting a Holder's existing exposure to a Reference Asset, or speculating on whether the value of a Reference Asset will increase or decrease.

In particular, the Warrants provide potential Holders with various potential benefits including (among other things) the following:

- Reference Asset exposure - the Warrants allow Holders to gain exposure to various types of Reference Assets including Futures Contracts, Spot Commodities, Exchange Rates, Indices or Securities;
- ASX listed - the Warrants are listed on the ASX which means Holders may invest for varied timeframes;
- portfolio protection - where a Holder owns a Reference Asset that is a Security, Put Warrants may allow a Holder to hedge their current holding of that Security;
- Leverage - profits from investing in Warrants may exceed the initial Capital Outlay;
- limitation of loss - a Holder's loss is limited to the Capital Outlay;
- FX Hedged Warrants - FX Hedged Warrants allow Holders to have exposure to Reference Assets denominated in a foreign currency without exposure to foreign exchange rate risk; and
- ability to speculate - the Warrants allow Holders to speculate on whether the value of the Reference Asset will increase or decrease.

Please refer to Section 4 "Benefits of the Warrants" in PDS Part 2 for more information on the benefits of investing in Warrants.

What are the key risks of the Warrants?

This Section is an outline of risks but does not purport to disclose all of the risks or other relevant considerations relating to an investment in Warrants. The Warrants are considered by RBS to be suitable only for Holders who understand the risks involved and are prepared to potentially sustain a complete loss of the Capital Outlay. RBS recommends that potential Holders obtain independent financial advice before subscribing for Warrants from an accredited derivatives adviser.

Investing in the Warrants involves a high degree of risk. The Warrants are speculative and potential Holders should be aware that the overall return on the Warrants may be zero and Holders may lose all of the purchase price paid for the Warrants. The Warrants may return less

than the return Holders could earn on other investments, including direct investments in the relevant Reference Asset (if applicable).

In addition, other key risks of an investment in the Warrants include:

- leverage risk;
- counterparty risk in relation to RBS;
- early expiry, if an Extraordinary Event occurs or, in relation to Barrier Warrants, the relevant Barrier Level is triggered;
- where the Reference Assets are not denominated in Australian Dollars, overseas country risk will apply, and in cases where the Warrants are not FX Hedged Warrants, exchange rate risk will also apply;
- delisting or suspension of trading of the Warrants from the ASX or the Reference Asset from the ASX or the relevant overseas exchange, which will constitute an Extraordinary Event;
- the possibility that the value of the relevant Reference Asset decreases resulting in a decrease in the value of the Warrants you have invested in, and other general market risks; and
- the terms of the Warrants may change, including following an Adjustment Event or an Extraordinary Event.

The above is only a summary of some of the risks associated with investment in the Warrants. For further information in relation to the risks of an investment in the Warrants, please see PDS Part 2 Section 5 “Risk factors”. Holders should consult their financial adviser and/or stockbroker to ascertain the suitability of investing in Warrants as part of the Holder’s particular investment strategy.

How can you acquire Warrants?

In order to acquire the Warrants, Holders must purchase the Warrants on the ASX at the price at which the relevant Warrants are trading.

What fees are payable in respect of the Warrants?

No fees are payable directly to RBS where the Warrants are purchased on the ASX, however, Holders must pay the applicable brokerage and other fees charged by their broker or financial adviser.

The Capital Outlay of each Series of a Warrant is not set out in this PDS. The Subscription Price for each Series will be determined by RBS based on the price of the Reference Asset at the time of the initial offer of the Warrants to the Original Holder.

In relation to the Warrants offered under this PDS Part 1:

- the information in the PDS Part 2, Section 6, “Commissions and payments to financial advisers” is not applicable and taken to be deleted; and
- the Issuer will not pay:
 - any commissions to distributors; or
 - fees to financial advisers who advise Holders.

When does a Warrant Terminate?

- if it is exercised by a Holder (this can only be done during the Exercise Period by lodging with the Issuer a valid Exercise Notice

– please see sections 3.16, 3.18 and 3.20 of PDS Part 2 for further detail);

- an Extraordinary Event occurs (see Section 11.1 “Glossary” of PDS Part 2 and clause 9 of the Terms for the meaning of Extraordinary Event);
- the Barrier Level is triggered (for Barrier Warrants only) (in this circumstance, a Holder will receive no payment and will lose their entire Capital Outlay – please see Section 5.6 of PDS Part 2 for further detail);
- if no valid Exercise Notice in respect of the Warrant has been received by RBS by the Closing Time on the Expiry Date of the Warrant (or if the contract for transfer arising from the giving of the valid Exercise Notice terminates (e.g. because the person who gave the Exercise Notice did not become registered as a Holder of the Warrant or because the proceeds of the cheque for the Strike Price and applicable Transfer Taxes and Expenses does not clear before the time specified in the Terms)); or
- as otherwise set out in clause 8 of the Terms.

Potential outcomes in relation to the Warrants

The following is a list of the potential outcomes in relation to an investment in the Warrants:

- in certain circumstances, Holders may lose their entire Capital Outlay and receive no payment on the expiry or termination of a Warrant (please refer to section 5 “Risk Factors” in PDS Part 2 for further information);
- in relation to Physically Settled Warrants where the Holder lodges a valid Exercise Notice during the Exercise Period, RBS will either transfer any Reference Parcel to the Holder (in the case of Call Warrants) or acquire the Reference Parcel from the Holder (in the case of Put Warrants);
- in relation to Cash Settled Warrants where the Holder lodges a valid Exercise Notice during the Exercise Period, RBS will pay any positive Cash Amount to the Holder. The Cash Amount is determined by reference to the Strike Price and the Final Value and may vary if it is a Put Warrant or a Call Warrant;
- where a Warrant terminates because no valid Exercise Notice has been lodged by the Expiry Date or for any other reason set out in Section 3.16 “When does a Warrant terminate?”, Holders may receive an Early Termination Amount;
- in relation to a Barrier Warrant in respect of which the Barrier Level has been triggered, the Warrant will terminate and the Holder will receive nothing;
- in relation to a Barrier Warrant in respect of which the Barrier Level has not been triggered, the Holder may sell their Warrant on the ASX prior to the Expiry Date or exercise their Warrant during the Exercise Period; or
- where a Holder sells their Warrants on the ASX prior to the Expiry Date, the Holder will receive the amount at which the Warrants are sold on market, less any applicable brokerage fees. Holders should note that this amount could be more or less than the initial investment amount.

Are the Warrants a suitable investment for you?

An investment in the Warrants may be suitable for Holders who:

- accept that leverage can enhance their returns, but can also magnify their losses;
- have a particular view that the value of a Reference Asset will increase (for Call Warrants) or decrease (for Put Warrants) in value over a particular time frame; and
- are willing to accept the risk that a Barrier Level may be triggered in relation to Barrier Warrants.

Potential Holders should, in conjunction with their financial adviser, make an assessment of whether the Warrants are a suitable investment for them having regard to their personal situation and investment needs and objectives, before deciding to invest.

2. Key commercial terms¹

This is a brief description of the key commercial terms only. The terms of the Warrants and the rights and obligations of the Holder and the Issuer are governed by the Terms (as set out in Section 12 of PDS Part 2). Potential Holders should read this entire PDS, and in particular the Terms, prior to making any decision to invest.

Issuer:	The Royal Bank of Scotland plc
Date of PDS 1:	14 January 2014
Date of PDS 2:	31 August 2012
Registrar:	Link Market Services Limited
Offer Open Date:	14 January 2014
Expected Commencement of Trading on the ASX:	14 January 2014
Offer Close Date²:	The last Business Day before the Expiry Date of the Warrants.
Closing Time:	12:00pm
Valuation Time:	12:00pm

1. If any date referred to in this PDS is not a Trading Day / Business Day, then the immediately following Trading Day / Business Day will apply as appropriate (unless an Adjustment Event occurs). The dates referred to in this PDS are indicative only. The Issuer may, in its absolute discretion, extend or shorten the Offer Period. If this happens, the Offer Close Date and one or more consequential dates may vary. If the Issuer changes the Offer Period, it will post a notice informing potential Holders of the change on the following website: www.rbs.com.au/warrants. The Issuer reserves the right to accept and reject any Application, in its absolute discretion, including before and after the Offer Close Date.

2. The Issuer reserves the right to close the Offer of any or all Series of Warrants on an earlier date without prior notice. If the Issuer exercises its right to close the Offer of a Series of Warrants early, it will post a notice informing potential Holders of the change on the following website: www.rbs.com.au/warrants.

Summary Table of Call Warrants

Please note that the information in the table below is valid on the date of PDS Part 1 and may thereafter be varied in accordance with the Terms.

ASX Code	Reference Asset	Reference Asset / Strike Price Currency	Issue Size	American Style or European Style	Relevant Exchange	Source	Reference Parcel	Strike Price	Specified Number of Warrants per Security	Expiry Date	FX Hedged Warrant (Y/N)	Settlement Currency	Physical / Cash Settlement
ANZVRD	Australia New Zealand Banking Group Limited	AUD	900,000	European	ASX	ASX	1 Ordinary Share	32.00	4	27 Mar 2014	N	AUD	Cash
BHPVRD	BHP Billiton Limited	AUD	785,000	European	ASX	ASX	1 Ordinary Share	38.00	4	27 Mar 2014	N	AUD	Cash
CBAVRD	Commonwealth Bank of Australia	AUD	375,000	European	ASX	ASX	1 Ordinary Share	78.00	4	27 Mar 2014	N	AUD	Cash
FMGVRD	Fortescue Metals Group Ltd	AUD	1,200,000	European	ASX	ASX	1 Ordinary Share	6.25	2	27 Mar 2014	N	AUD	Cash
NABVRD	National Australia Bank Limited	AUD	800,000	European	ASX	ASX	1 Ordinary Share	35.00	4	27 Mar 2014	N	AUD	Cash
NCMVRB	Newcrest Mining Limited	AUD	1,700,000	European	ASX	ASX	1 Ordinary Share	8.00	4	27 Mar 2014	N	AUD	Cash
NCMVRC	Newcrest Mining Limited	AUD	1,600,000	European	ASX	ASX	1 Ordinary Share	9.00	4	27 Mar 2014	N	AUD	Cash
RIOVRC	Rio Tinto Limited	AUD	550,000	European	ASX	ASX	1 Ordinary Share	70.00	6	27 Mar 2014	N	AUD	Cash
WBCVRE	Westpac Banking Corporation	AUD	850,000	European	ASX	ASX	1 Ordinary Share	33.00	4	27 Mar 2014	N	AUD	Cash

Many of the variables stated in the Summary Table of Warrants above are subject to adjustment in accordance with the Terms of the Warrants. In addition, if further Warrants in a Series are admitted to trading status by the ASX upon the application of the Issuer, the Issue Size under the PDS may increase.

How to purchase Warrants

You may only purchase Warrants directly on the ASX through your broker. No applications for Warrants can be made directly to the Issuer as all the Warrants in a particular Series will be initially issued to the Original Holder.

Please read PDS Part 1 and PDS Part 2 in entirety for further information.

PDS Part 1 provides specific terms for the issue of the Warrants. PDS Part 2 provides more general information in relation to the Warrants.

If you have accessed an electronic version of this PDS, the Issuer will send a paper copy of the PDS to you free of charge upon request. For further information and current pricing details, please contact your broker or financial adviser or the Issuer on 1800 450 005. Information is also available from www.rbs.com.au/warrants.

About RBS

The Issuer is a public limited company incorporated in Scotland with registration number SC090312 and was incorporated under Scots law on 31 October 1984. RBS is authorised by, amongst others, the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom. RBS has registered with ASIC as a foreign company with ABN 30 101 464 528. RBS' registered office in Australia is provided in the Directory at the back of PDS Part 2.

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

The principal subsidiary undertakings of RBS plc are: National Westminster Bank Plc; RBS Citizens Financial Group, Inc.; Coutts & Company; RBS Securities Inc. and Ulster Bank Limited.

As at 31 December 2012, RBS had net assets of GBP 59.425 billion. This figure is updated from time to time at www.rbs.com.au/warrants.

The value of the Warrants and the ability of the Holder to receive any amounts or deliveries due to them (including without limitation any Cash Amount, Reference Parcel or Early Termination Amount) depends on, among other things, the ability of RBS to perform its obligations in accordance with the Terms of Issue. The financial performance of RBS may affect its ability to meet such obligations. The obligations of RBS are unsecured obligations which (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations of RBS.

Financial information for the RBS Group is available at www.rbs.com.au/warrants, additional information can be located at www.investors.rbs.com, however, please note that no other RBS

Group entity is guaranteeing the obligations of RBS in respect of this Series of Warrants and therefore any financial information regarding other RBS Group entities is not directly relevant to your decision whether or not to invest in Warrants. You should instead focus on the financial information relating to RBS itself and not the RBS Group.

RBS announced on 13 June 2013 that it will be refocusing its Markets division to concentrate on its core wholesale fixed income product strengths across rates, currencies, asset-backed products and credit and debt capital markets. As part of this exercise, RBS plans to exit all structured retail investor products (which includes new primary market issuance of products offered to retail investors such as Self Funding Instalments), equity derivatives as well as peripheral market-making activities. The businesses that RBS plans to exit will be transferred to a business unit of RBS managed in the Markets division where it is intended that they will be divested through a sales process or otherwise exited through a managed wind-down process. Updated information will be provided, when available at www.rbs.com.au/warrants. RBS intends to continue to provide secondary market liquidity for all relevant products, including Self Funding Instalments, where it is legally or contractually required to do so. RBS remains committed to meeting its existing obligations to its customers including Holders.

The reference in the PDS Part 2:

- Section 5.26 "Change of Law" to "and is regulated by the Financial Services Authority in the United Kingdom" is taken to be deleted and replaced with ". RBS is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom."

Warrants are not deposits

RBS is a foreign Authorised Deposit-Taking Institution under the Banking Act 1959 (Cth). The obligations of RBS in respect of the Warrants do not represent deposits or other funds of RBS. The obligations of RBS are unsecured obligations which (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations of RBS, and in a winding up you may not receive these amounts.

No other information

No circumstance has arisen and no other information has become available since the date of PDS Part 1 that may materially affect a Holder's assessment of the Issuer's capacity to fulfill the obligations specified in the Terms of Issue, or the risks, rights and obligations associated with the Warrants.

Status of this document

This Product Disclosure Statement is issued for the purposes of the Corporations Act. It is not a prospectus or other disclosure document lodged under Chapter 6D of the Corporations Act.

This PDS is not required by the Corporations Act to be lodged with ASIC and has not been lodged with ASIC. RBS will notify ASIC that this PDS is in use in accordance with section 1015D of the Corporations Act. ASIC takes no responsibility for the contents of this PDS or for the Warrants.

The ASX has not authorised or caused the issue of this PDS, and takes no responsibility for the contents of this PDS. The ASX makes no representation as to whether this PDS complies with the Corporations Act or ASX Operating Rules.

RBS may deal in Warrants and the underlying Reference Assets

RBS and its related entities may conduct transactions as principal and as agent in various securities and assets, including Warrants and Reference Assets. RBS (through its broker or their nominee) will facilitate a market in Warrants. These trading activities may affect (positively or negatively) the price at which the Reference Assets or the Warrants trade in the secondary market.

Copies of this PDS may be obtained by contacting RBS on 1800 450 005.

More information in relation to the Reference Assets

Information relating to each Reference Asset which is an ASX-listed security can be found on the ASX website and the website for the relevant security.

Disclaimer:

The Royal Bank of Scotland plc is a public limited company incorporated in Scotland with registration number SC090312 and is registered in Australia as a foreign company (ABN 30 101 464 528) and is an Australian Financial Services Licensee under the Corporations Act (Licence No. 241114). No member of the RBS Group guarantees the performance of the obligations of The Royal Bank of Scotland plc under this PDS. The obligations of The Royal Bank of Scotland plc are unsecured obligations which (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations of The Royal Bank of Scotland plc, and in a winding up you may not receive these amounts. The Royal Bank of Scotland plc is a foreign Authorised Deposit-Taking Institution under the Banking Act 1959 (Cth). However, the obligations of The Royal Bank of Scotland plc do not represent deposits or other funds of The Royal Bank of Scotland plc and The Royal Bank of Scotland plc does not stand in any way behind the capital value and/or performance of the Warrants.

No member of the RBS Group, to the maximum extent permitted by law and the ASX Operating Rules, accepts any liability or responsibility whatsoever for any:

- i. direct or indirect loss (including any lost profits); or
- ii. direct, indirect, special, incidental, consequential, punitive, or exemplary damages,

arising from the Warrants or any use of this PDS (or its contents). This PDS is the proprietary information of The Royal Bank of Scotland plc, and may not be reproduced, distributed or published for any purpose without the prior written consent of The Royal Bank of Scotland plc.

In preparing this PDS (which comprises PDS Part 1 and PDS Part 2), The Royal Bank of Scotland plc has not taken into account a Holder's individual objectives, financial situation or particular needs. Before a potential Holder makes an investment decision they should consider the appropriateness of an investment in or advice relating to the Warrants in light of their particular investment needs, objectives and financial circumstances. The Royal Bank of Scotland plc, to the maximum extent permitted by law, accepts no liability or responsibility whatsoever for any loss arising from any use of this PDS or its contents. The Royal Bank of Scotland plc does not accept any liability or responsibility for, and makes no representation or warranty as to the affairs of any Reference Asset (or the constituents of any Reference Asset) identified in this PDS. Holders should obtain independent advice on the nature, activities and prospects of the Reference Asset and the merits of an investment in the Warrants. Nothing in this PDS is a recommendation by The Royal Bank of Scotland plc, its associates, its related entities or any other person to invest in the Warrants or in the Reference Asset.

The Royal Bank of Scotland plc and/or its affiliates, connected companies, employees or clients may have an interest in financial instruments of the type described in this PDS and/or related financial instruments. Such interest may include dealing, trading, holding, acting as market-makers in such instruments and may include providing banking, credit and other financial services to any company or issuer of securities or financial instruments referred to herein. The Royal Bank of Scotland plc or its associates may receive fees, brokerage or commissions for acting in these capacities.

This PDS has been prepared by The Royal Bank of Scotland plc from publicly available information only. No entity has been a party to its preparation or furnished any information specifically to The Royal Bank of Scotland plc for the purpose of its preparation, except to the extent expressly stated in the PDS. Similarly, information in this PDS concerning an entity has not been independently verified. The Royal Bank of Scotland plc has not used information concerning an entity or its subsidiaries other than that which is in the public domain.

Nothing in this PDS can be relied upon as implying that there has been no change in the affairs of an entity or The Royal Bank of Scotland plc since the dates as at which information is given in this PDS.

No person is authorised by The Royal Bank of Scotland plc to give any information to investors or make any representation not contained in this PDS.

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To find out more about Trading Warrants,
log on to www.rbs.com.au/warrants or call 1800 450 005





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Product Disclosure Statement – Part 2

31 August 2012



Table of contents

PDS Part 2 – General information

1. Important information.....	14
2. What are the key benefits and key risks of investing in Warrants?.....	17
3. Put Warrants and Call Warrants - Product features	19
4. Benefits of the Warrants	20
5. Risk factors	27
6. Fees & commission.....	33
7. Worked examples	34
8. General information.....	38
9. Description of the Reference Assets	41
10. Taxation information.....	43
11. Interpretation of this PDS.....	46
12. Terms of Issue.....	57
13. Warrant Exercise Notice – Call Warrants	71
14. Warrant Exercise Notice – Put Warrants	73

PDS Part 2 – General information

Date: 31 August 2012

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PDS Part 2 – Summary

This PDS Part 2 relates to the offer of one or more series of warrants (called “Warrants”). The Warrants issued pursuant to this PDS are Put Warrants and Call Warrants as specified in PDS Part 1.

This is a Product Disclosure Statement (“PDS”) for the purposes of Part 7.9 of the Corporations Act, the Corporations Regulations and the ASX Operating Rules. This PDS Part 2 should be read and construed in conjunction with PDS Part 1 for each Series of Warrants. This PDS is not required to be (and will not be) lodged with ASIC. Potential Holders should read the entire PDS (that is, both PDS Part 1 and PDS Part 2), including the Terms, before making any investment decision.

The Warrants issued pursuant to this PDS are call or put options which provide exposure to an underlying Reference Asset, being a Security, Index, Futures Contract, Spot Commodity or Exchange Rate. The Warrants are to be traded on the market operated by the ASX Limited (“ASX”) over Reference Assets as specified in PDS Part 1.

PDS Part 1 for a Series of Warrants sets out the key commercial terms of the Warrants offered under this PDS including the details of the Reference Asset, Issue Size, Reference Parcel, Strike Price, Specified Number, whether the Warrants are FX Hedged Warrants (i.e. for Warrants where the Reference Assets (or in the case of an Index, the assets comprising the Index) are denominated in a currency other than Australian Dollars but the corresponding foreign exchange exposure is not passed onto the Holder), whether or not Holders have foreign exchange exposure), whether or not the Warrant is a Barrier Warrant, exercise style of the Warrant (i.e. American Style or European Style), settlement style (i.e. Cash Settled Warrant or Physically Settled Warrant), Expiry Date and ASX Codes. PDS Part 1 may be adjusted in accordance with the Terms. For each Series of Warrants, PDS Part 1 will be re-issued and must be read in conjunction with PDS Part 2.

This PDS Part 2 constitutes the general terms and conditions that govern the issue (from time to time) by the Issuer, of Call Warrants and Put Warrants.

Potential Holders should note that if further Warrants in a Series are admitted to trading status by the ASX upon the application of the Issuer, the Issue Size under PDS Part 1 may increase.

1. Important information

1.1 Issuer

This PDS Part 2 is dated 31 August 2012 and has been prepared and is issued by The Royal Bank of Scotland plc (ABN 30 101 464 528) (“Issuer”). The Issuer holds an Australian financial services licence (“AFSL”) No. 241114. Both PDS Part 1 and PDS Part 2 have been prepared by the Issuer from publicly available information only.

1.2 Defined terms

The meanings of all capitalised terms used in this PDS are explained in Section 11.1 “Glossary” of this PDS Part 2.

1.3 Preparation of PDS

No Reference Company or Index Sponsor has been a party to the preparation of PDS Part 1 and PDS Part 2 or furnished any information specifically to the Issuer for the purpose of the preparation of this PDS. Similarly, information in this PDS concerning a Reference Asset or Index Sponsor has been prepared from information available in the public domain and has not been independently verified by the Issuer, and the Issuer will not be held responsible for any inaccuracies.

References to particular Reference Assets are included only to indicate the basis upon which growth is calculated, not to indicate any association between RBS and the Reference Asset, or endorsement of the product by the Reference Company or Index Sponsor. The Warrants are not in any way sponsored, sold or promoted by any relevant stock market, relevant index, related exchange, Reference Company or Index Sponsor, and they make no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the relevant stock market and/or the figure at which the relevant stock market, relevant index, or related exchange stands at any particular time on any particular day or otherwise. They shall not be liable (whether in negligence or otherwise) to any person for any error in the relevant stock market, relevant index or related exchange and shall not be under any obligation to advise any person of any error therein.

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

The Issuer and any RBS Group entity or their Affiliates may currently, or from time to time in the future, engage in business with a Reference Company or Index Sponsor or in relation to a Reference Asset. The Issuer and any RBS Group entity and their Affiliates are providers

of investment banking and broking services, and may have, may currently, or may in the future (from time to time) act as an adviser or broker to one or more of the Reference Companies or Index Sponsors for which they may receive fees or commissions.

The Issuer and any RBS Group entity, therefore, do not accept any liability or responsibility for, and make no representation or warranty, express or implied, as to the accuracy or completeness of any information about a Reference Asset, Reference Company or Index Sponsor in this PDS. Potential Holders should make their own enquiries about a Reference Asset, Reference Company or Index Sponsor. For summary information about the Reference Asset, Reference Company or Index Sponsor, please refer to PDS Part 1.

The contents of PDS Part 1 and PDS Part 2 are correct as at the dates of PDS Part 1 and PDS Part 2. There may be changes in the affairs of a Reference Company or Index Sponsor or the Issuer since the dates as at which information is given in this PDS. Please refer to “Updated Information” below for details concerning updates.

1.4 Description of the Reference Assets

The rights and liabilities attaching to the Reference Assets are set out in the offer/disclosure document(s) (if any) and the constituent documents (if any) of the respective Reference Assets. Potential Holders may obtain a copy of any such documents by contacting the respective Reference Asset issuer, Reference Company or Index Sponsor. Potential Holders should refer to the description of the Reference Assets, including the website references for the Reference Asset and the Relevant Exchange, set out in PDS Part 1 for further information on the Reference Assets.

Potential Holders should note that the Issuer has the ability to substitute a Reference Asset upon the occurrence of an Adjustment Event. For further information please refer to Section 12 “Terms of Issue”, clause 10 “Adjustments – discretion of Issuer”.

RBS or its Affiliates may currently or from time to time in the future, engage in business with a Reference Company, Index Sponsor or in respect of a Reference Asset (such as acting as an adviser or broker).

1.5 No representation

Nothing in this PDS is, or may be relied upon as, a representation or promise as to the financial performance of the Warrants, the Reference Asset or the business or financial affairs of the Issuer, a Reference Company or an Index Sponsor.

No person is authorised by the Issuer to give any information to Holders or make any representation not contained in this PDS.

1.6 Jurisdiction

This PDS is not an offer or invitation in relation to Warrants in any place in which, or to any person to whom, it would not be lawful to make that offer or invitation. The distribution of this PDS outside Australia may be restricted by the laws of the places where it is distributed and therefore, persons into whose possession this PDS comes should seek advice on and observe those restrictions. Failure to comply with relevant restrictions may violate those laws.

The Warrants have not been, and will not be, registered under the U.S. Securities Act of 1933 and may not be offered or sold in the United States of America or to a citizen or resident of, or Reference Company created under the laws of, the United States or to any other person or Reference Company within the definition of the term "U.S. Person".

A transferee of Warrants or the Reference Assets must not be (a) a U.S. Person; (b) a corporation which is not a U.S. Person in which U.S. Persons hold 10% or more of either voting power or value; (c) a partnership which is not a U.S. Person in which a U.S. Person is a partner, or (d) a trust which is not a U.S. Person whose grantor or any of whose beneficiaries is a U.S. Person. Except with the consent of RBS, neither the rights to any Warrants nor the rights to any Reference Assets may be owned by, and any rights to any Warrants or rights to any Reference Assets must not be sold, offered or transferred to, any of the persons enumerated in (a-d) above.

Please refer to section 11.1 "Glossary" of PDS Part 2 for the definition of "U.S. Person".

1.7 Updated information

This PDS Part 2 is current as at the date of this PDS Part 2. Information in this PDS may be updated from time to time. Where information that is not materially adverse to Holders changes, RBS will update the information by posting a notice on its website at www.rbs.com.au/warrants. Where information may be materially adverse, RBS may post a notice on its website, or send Holders a notice, or publish a notice in the newspaper, as it determines appropriate and as permitted by the Corporations Act. In some circumstances RBS will issue a supplementary PDS. You can also obtain a paper copy of updated information (including any supplementary PDS) on request by contacting RBS on 1800 450 005 free of charge within Australia.

1.8 No personal or financial product advice

None of the Issuer or its Affiliates and their directors, officers or employees make any recommendation as to the suitability of the Warrants for any Holder or make any representation or give any assurance as to the performance of the Warrants or Reference Assets or any particular rate of overall return. This PDS does not contain personal investment advice and is not financial product advice.

You should seek your own financial, taxation and investment advice before investing in the Warrants. Before making an investment on the basis of this PDS, you should consider, in conjunction with your financial and taxation advisers, whether an investment in the Warrants is appropriate in view of your particular investment needs, objectives, financial and taxation circumstances and your personal needs. It is important that you read the entire PDS (i.e. both PDS Part 1 and PDS Part 2) before making any decision to invest in the Warrants.

1.9 Risk factors

In considering the prospects of the Warrants, it is important that you consider the risk factors that could affect the financial performance of your investment. **A summary of the risk factors that the Issuer thinks Holders should consider are referred to in Section 5 "Risk Factors" in PDS Part 2.** A summary of the key risks is also provided in Section 2 "What are the benefits and key risks of investing in Warrants?"

1.10 Counterparty risk

As the Warrants do not confer any interest in the underlying Reference Assets, the value of the Warrants depends on RBS's ability to perform its obligations under the Terms.

These obligations are unsecured contractual obligations of RBS and, in the event of an insolvency of RBS, Holders will (save for certain obligations required to be preferred by law) rank equally with RBS's other unsecured creditors. RBS's obligations in respect of the Warrants are not guaranteed by any party.

Investors must make their own assessment of RBS's ability to meet its obligations in respect of the Warrants.

Financial information for the RBS Group is available at www.rbs.com.au/warrants, additional information can be located at www.investors.rbs.com, however, please note that no other RBS Group entity is guaranteeing the obligations of RBS in respect of this Series of Warrants and therefore any financial information regarding other RBS Group entities is not directly relevant to your decision whether or not to invest in Warrants. You should instead focus on the financial information relating to RBS itself and not the RBS Group.

A Holder takes the credit risk and counterparty risk that RBS will not be able to or will not continue to perform its obligations owed to Holders under this PDS. For example, RBS's obligations include but are not limited to the market making obligations in respect of the Warrants. If RBS is not able to perform any of its obligations in a timely fashion and in accordance with the provisions of this PDS, it may affect the value of the Warrants.

1.11 No cooling off

Please note that cooling off rights do not apply in respect of an investment in the Warrants.

1.12 Ethical considerations

The Issuer does not take into account any labour standards or environmental, social or ethical considerations in the selection, retention or realisation of any element of the Warrants.

A Reference Asset may or may not take into account any labour standards or social, environmental or ethical considerations. Should a potential Holder wish to know whether the Reference Asset takes into account these factors, that potential Holder should make their own enquiries regarding the relevant Reference Asset. For example, potential Holders could refer to the relevant Reference Asset's offer/disclosure document or to any other information issued by the relevant Reference Asset.

1.13 Status of this document

This PDS Part 2 is dated 31 August 2012 and has been prepared by the Issuer.

This PDS has not been lodged with ASIC and is not required by the Corporations Act to be lodged with ASIC.

This is a PDS for the purposes of the ASX Operating Rules.

The Issuer will notify ASIC that this PDS is in-use in accordance with Section 1015D of the Corporations Act. ASIC and the ASX take no responsibility for the contents of this PDS or for the Warrants.

1.14 Electronic copy

If you have accessed an electronic version of this PDS, the Issuer will send you a paper copy of the PDS to you free of charge upon request (see Section 8 of PDS Part 2 for the contact details of the Issuer).

1.15 Nature of the Warrants

The Warrants are “derivatives” for the purposes of chapter 7 of the Corporations Act and will also be “warrants” under chapter 7 of the Corporations Act. However, the Reference Asset for a Series may be a derivative, security or other type of financial product and is unlikely to be a warrant.

1.16 IDPS disclosure

RBS authorises the use of this PDS as disclosure for Holders who wish to access the Warrants through an IDPS or IDPS-like scheme or a nominee or custody service, where the operator is appropriately licensed and has provided us with a written undertaking in accordance with ASIC requirements.

If you are a Holder gaining exposure to a Warrant through a Holder directed portfolio service (or IDPS) or IDPS-like scheme, you do not yourself become a Holder of the Warrant. Instead, it is generally the operator of the IDPS or IDPS-like scheme who invests for you who has the rights of a Holder. You should be able to request reports on your investment from the operator, and you should direct any enquiries to them.

2. What are the key benefits and key risks of investing in Warrants?

It is important that you read the entire PDS (i.e. both PDS Part 1 and PDS Part 2) before making any decision to invest.

You should also seek your own financial, taxation and investment advice before investing in the Warrants. Before making an investment on the basis of this PDS, you should consider, in conjunction with your financial and taxation advisers, whether an investment in the Warrants is appropriate in view of your particular investment needs, the suitability of the investment, your objectives and your financial and taxation circumstances.

Key Benefits

The Warrants provide potential Holders with various potential benefits including the following:

- **Reference Asset exposure.** The Warrants allow Holders to gain exposure to various types of Reference Assets including Futures Contracts, Spot Commodities, Exchange Rates, Indices or Securities. The Reference Asset applicable to a particular Series is specified in PDS Part 1.
- **ASX listed.** The Warrants are listed on the ASX which means Holders may invest for varied timeframes.
- **Portfolio protection.** Where a Holder owns a Reference Asset (that is a Security), Put Warrants may allow a Holder to hedge their current holding of that Security.
- **Leverage.** Profits from investing in Warrants may exceed profits realisable from an investment in the Reference Asset. Please note the additional risks associated with leverage set out below.
- **Limitation of loss.** A Holder's loss is limited to the Capital Outlay.
- **FX Hedged Warrants.** FX Hedged Warrants allow Holders to have exposure to Reference Assets denominated in a foreign currency without exposure to foreign exchange rate risk.
- **Ability to speculate.** The Warrants allow Holders to speculate on whether the value of the Reference Asset will increase or decrease.

Please refer to Section 4 "Benefits of the Warrants" in PDS Part 2 for more information on the benefits of investing in Warrants.

Key Risks

The Warrants are speculative. Some of the significant risks associated with investing in the Warrants are outlined below. Like any investment that offers the potential for profit, there is a corresponding potential for loss. Holders should be aware that the Warrants may decrease

in value at a greater rate than a direct investment in the Reference Asset. Further information on the below listed risks as well as other significant risks and other risks which may be applicable to investing in the Warrants are outlined in Section 5 "Risk Factors" of PDS Part 2. **Potential Holders should ensure that they have closely read Section 5 "Risk Factors" of PDS Part 2 before investing.** The Issuer recommends that potential Holders obtain independent financial advice regarding these risks before purchasing the Warrants.

- **Counterparty risk.** The Warrants are unsecured contractual obligations of RBS. RBS may not be able to meet its obligations under the Warrants. Please see Section 5 "Risk Factors" in relation to counterparty risks relating to hedging, capital and liquidity. Please refer to "About RBS" in PDS Part 1. Financial information for the Issuer is available at www.rbs.com.au/warrants and additional information can be located at www.investors.rbs.com.
- **Leverage risk.** Leverage increases the impact of both increases and decreases in the value of the Reference Asset on the value of the Warrants. Therefore, leverage can magnify losses sustained when investing in the Warrants.
- **Extraordinary Event and risk of early termination.** Certain events may occur which RBS may designate (with the consent of the ASX) as Extraordinary Events. If an Extraordinary Event occurs, the Warrants may terminate early (i.e. prior to the Expiry Date) and RBS will not receive or make delivery of the Reference Parcel, or pay the Cash Amount. Instead, Holders may receive an Early Termination Amount which may be of a lower value than the Reference Parcel or Cash Amount.
- **Adjustment Event risk.** If an Adjustment Event occurs, RBS (with the ASX's consent) may make various changes to the Terms of the Warrants. Such changes may have an adverse affect on the value of the Warrants. Potential Holders should note that the Issuer has the ability to substitute a Reference Asset or amend the Strike Price upon the occurrence of an Adjustment Event. For further information please refer to Section 12 "Terms of Issue", clause 10 "Adjustments – discretion of Issuer".
- **Risk of trigger of Barrier Level (Barrier Warrants only).** In relation to a Barrier Warrant, if the relevant Barrier Level is triggered, the relevant Warrant will automatically terminate. Holders will receive nothing and will lose their entire investment (Capital Outlay) in the Barrier Warrant. Please refer to Section 5.6 "Barrier Level and Barrier Warrants" for further explanation of the Barrier Level.
- **Illiquidity risk.** While the Warrants will be traded on the ASX, there is no firm indication of how the Warrants will trade in the secondary market and if the market for warrants generally will

be liquid or illiquid. A liquid market is usually one in which there is sufficient trading activity to satisfy both buyers and sellers.

An illiquid market is generally one in which it is difficult to convert Warrants into cash with minimum loss. Accordingly, in an illiquid market there is a risk that Holders may not be able to sell their Warrants at a price they wish to.

- **Exchange rate risk (if not FX Hedged).** If a Reference Asset is denominated in a foreign currency and the Warrant is not an FX Hedged Warrant, Holders will be exposed to changes in exchange rates which may adversely affect the value of their Warrants.
- **Foreign country and emerging market risk.** The Reference Asset for a Series of Warrants may provide exposure to a foreign country or emerging market. Such markets may have particular risks associated with them including economic, political, financial and social conditions. Emerging markets may be less thoroughly regulated and prone to greater volatility than developed markets. These factors may cause the prices of assets in, or affect by, emerging markets to fluctuate.
- **General market risk.** Potential Holders should note that prevailing and anticipated economic conditions and interest rates could all affect the market price of the Warrants.
- **Reference Asset risk.** The value of a Reference Asset may decrease resulting in a decrease in the value of the Warrants.

3. Put Warrants and Call Warrants - Product features

This is only a summary of the main features of the Warrants. Potential Holders should read the whole of the PDS (that is, PDS Part 1 and PDS Part 2), including the Terms, before making any investment decision. If there is any conflict between this description and the Terms, the Terms prevail.

Statements in this PDS apply separately to each Series of Warrants unless specifically indicated.

3.1 What is a Warrant?

The Warrants will be “derivatives” for the purposes of chapter 7 of the Corporations Act and will also be “warrants” for the purposes of chapter 7 of the Corporations Act. Like most derivatives, the Warrants derive their value from another thing (i.e. the Reference Asset). Physically Settled Put Warrants and Call Warrants give the Holder the right to sell or buy the Reference Parcel for a particular price according to the Terms. See Section 3.2 “What is a Call Warrant” and Section 3.3 “What is a Put Warrant” below. Cash Settled Put Warrants and Call Warrants are intended to give the Holder the same or similar economic outcomes to Physically Settled Put Warrants and Call Warrants.

Style of Warrant

Warrants may be either American Style or European Style. American Style means they may be exercised on any Business Day on or before the Expiry Date. European Style means they may only be exercised on the Expiry Date.

Foreign Exchange Exposure

Warrants are ordinarily denominated in AUD but the Reference Asset may be denominated in another currency. This means Holders have exposure to foreign exchange risk between AUD (being the denomination of the Warrants) and the currency of the Reference Asset.

However, if specified in the Summary Table of Warrants in PDS Part 1, that the Warrant is a “FX Hedged Warrant”, then that means that FX Hedged Warrants are denominated in AUD and give Holders exposure to a Reference Asset denominated in another currency but without the risk of being exposed to foreign exchange rate movements between AUD and the currency of the Reference Asset. An FX Hedged Warrant does this by fixing the relevant exchange rate at the Issue Date so that the exchange rate is constant and the Holder is not exposed to any foreign exchange movements. Please refer to Section 7 “Worked Examples” for examples of FX Hedged Warrants and Section 5 “Risk Factors” for a more detailed explanation of the risks applicable to FX Hedged Warrants and the Warrants generally.

Barrier Warrants

Warrants may also be issued as Barrier Warrants with a Barrier Level. Holders need to be aware that if the Reference Asset trades at or beyond the Barrier Level, the Barrier Warrant will terminate. The timing of the termination and the valuation of the Reference Asset will be denoted by the Barrier Style for the particular Series of Barrier Warrants. The Barrier Level and the Barrier Style will be specified in the Summary Table in PDS Part 1 (if relevant).

Holders should note that where the Barrier Level is reached and the Warrant terminates (as described above), the Holder will lose their entire Capital Outlay in the Warrants.

3.2 What is a Call Warrant?

A Holder of a Physically Settled Call Warrant is entitled, but not obliged, to require RBS to deliver a Reference Parcel by exercising a Specified Number of Call Warrants during the Exercise Period. Physically Settled Warrants only relate to Reference Assets that are ASX listed Securities. For American Style Warrants, the Exercise Period is the period from 9:00am to the Closing Time on any Business Day up to and including the Expiry Date. For European Style Warrants, the Exercise Period is the period from 9:00am on the Expiry Date to the Closing Time on the Expiry Date only. To properly exercise a Call Warrant, the Holder must tender to RBS a valid Exercise Notice.

A Cash Settled Call Warrant gives the Holder the right to receive the Cash Amount which is an amount in Australian Dollars. The Cash Amount for a Cash Settled Call Warrant is payable only where the Final Value is greater than the Strike Price for the Series at the earlier of (a) for American Style Warrants, the time of exercise and (b) for European Style Warrants, the Expiry Date. A Holder that is entitled to a Cash Amount in relation to a Cash Settled Warrant will not be entitled to any Reference Parcel.

3.3 What is a Put Warrant?

The Holder of a Physically Settled Put Warrant is entitled, but not obliged, to require RBS to acquire or procure the acquisition of the Reference Parcel from the Holder by exercising a Specified Number of Put Warrants during the Exercise Period. Physically Settled Warrants only relate to Reference Assets that are ASX listed Securities. For American Style Warrants, the Exercise Period is the period from 9:00am to the Closing Time on any Business Day up to and including the Expiry Date. For European Style Warrants, the Exercise Period is the period from 9:00am on the Expiry Date to the Closing Time on the Expiry Date only. To properly exercise a Put Warrant, the Holder must tender to RBS a valid Exercise Notice.

RBS will pay the Strike Price for each Reference Parcel (provided that the Holder enables RBS to become the registered Holder of the Reference Asset comprising any Reference Parcel).

A Cash Settled Put Warrant gives the Holder the right to receive the Cash Amount which is an amount in Australian Dollars. The Cash Amount is payable only where the Final Value of the Reference Parcel is less than the Strike Price for that Series at the earlier of (a) for American Style Warrants, the time of exercise and (b) for European Style Warrants, the Expiry Date. A Holder that is entitled to a Cash Amount in relation to a Cash Settled Put Warrant will not be entitled to require RBS to acquire or procure the acquisition of the Reference Parcel.

3.4 What are the Reference Assets?

The Reference Assets that relate to each Series of Warrants are set out in the Summary Table in PDS Part 1. In general terms, the Reference Assets will be either:

- a. a Futures Contract;
- b. a Spot Commodity;
- c. an Index;
- d. an Exchange Rate; or
- e. Securities.

Please refer to Summary Table of Warrants and “Description of the Reference Assets” sections in PDS Part 1 and Section 9 “Description of the Reference Assets” in PDS Part 2 for more information.

Holders should note that the Issuer has the ability to substitute a Reference Asset upon the occurrence of an Adjustment Event. For further information please refer to Section 12 “Terms of Issue”, clause 10 “Adjustments – discretion of Issuer”.

3.5 Can the Reference Parcel change?

For Warrants where the Reference Asset is a Security, the Reference Parcel may vary if there has been a bonus or rights issue, a cash return of capital involving a buy-back or cancellation of a Reference Asset or if RBS determines (with the consent of the ASX) that a variation should be made. These adjustments will be made consistent with equivalent adjustments made in respect of exchange traded options from time to time, or otherwise as permitted by the ASX.

3.6 How do I apply for Warrants?

No application form is included with this PDS because Warrants, under this PDS, are not considered “relevant financial products” for the purpose of Section 1016A of the Corporations Act. This means that you are not able to apply for Warrants directly from the Issuer as the Warrants are issued by RBS to the Original Holder.

To purchase Warrants, you must contact your broker and arrange to purchase them on the market (see Section 3.8 “How do I trade Warrants” below).

You can obtain a copy of this PDS from RBS by contacting 1800 450 005.

The Issuer will initially issue the Issue Size in the specified Series set out in the Summary Table in PDS Part 1. The Issuer reserves the right,

without the consent of, or the giving of prior notice to, the Holders, to increase the maximum Issue Size by seeking the consent of the ASX to such increase at any time during the relevant Offer Period.

3.7 What do I pay to purchase the Warrants on the ASX?

To purchase Warrants on market, you must pay the price at which the Warrants are trading at that time on the ASX.

This PDS does not specify that price because the price is determined by reference to variable factors (including the current price of the Reference Asset, the volatility of that price and the time to expiry of the Warrants).

The amount a Holder pays to acquire the Warrants is referred to as the Capital Outlay.

For more information, please refer to Section 6 “Fees & commission”.

3.8 How do I trade Warrants?

Warrants are to be traded on the ASX. Warrants can be bought and sold on the ASX in the same way as any other warrants or shares. As the Warrants will be CHESS Approved Securities, on market transfers will be effected through CHESS.

Trading and transfers of Warrants will be effected through ASX Trade through the parties’ brokers or through CHESS in accordance with the Corporations Act, the ASX Operating Rules, ASX Clear Operating Rules, ASX Settlement Operating Rules and the Terms.

The Issuer reserves the right to buy-back Warrants that have been issued and to re-sell them after the initial issue of the Warrant.

3.9 What are my alternatives in relation to the Warrants?

In relation to your Warrants, you have the following alternatives:

- exercise the Warrants during the relevant Exercise Period by completing and submitting a valid Exercise Notice. (Please refer to Sections 3.20, 3.21 and 3.22 below for information about exercising Warrants and what you will receive. Please refer to section 3.18 “What constitutes a valid Exercise Notice”);
- sell your Warrants on the ASX for the market price at any time prior to the Expiry Date; or
- if no valid Exercise Notice is received in relation to a Warrant by the Expiry Date, Holders may be eligible for an Early Termination Amount. (Please refer to section 3.17 “When is a Holder eligible for an Early Termination Amount” for further detail).

3.10 What is the Strike Price?

In relation to a Physically Settled Warrant, the Strike Price represents the amount of money you would have to pay to RBS in order to take physical settlement of the Reference Parcel (plus any applicable Transfer Taxes and Expenses). In relation to a Cash Settled Warrant the Strike Price is relevant when calculating the Cash Amount.

3.11 Can the Strike Price change?

The Strike Price may be varied automatically if an Adjustment Event occurs. In limited cases, the Terms provide for an Adjustment to the Strike Price if there is a variation in the Reference Parcel taking effect after the exercise of the Warrant. Holders should note that an Adjustment to the Strike Price may decrease the value of the Warrants and all Holders should read Section 5 “Risk Factors” thoroughly before making any investment decision. For a full list of Adjustment Events, please refer to the definition of “Adjustment Event” in Section 11.1 “Glossary” and clause 10 of the Terms in PDS Part 2.

If there are no Holders of the relevant Warrant (other than the Issuer or Affiliate), the Strike Price may be adjusted by the Issuer on that Business Day and published by the Issuer in its daily pricing matrix made available on www.rbs.com.au/warrants and through the ASX Company Announcement Platform.

3.12 What is the Final Value?

The definition of Final Value is defined in the Terms (in PDS Part 2). The Final Value denotes how RBS will calculate the final value of the Reference Asset in relation to your Warrant.

3.13 What happens if the Barrier is triggered (Barrier Warrants only)?

For a Barrier Warrant, if the Reference Asset trades at or over the Barrier Level in respect of a Put Warrant, or at or under the Barrier Level in respect of a Call Warrant, the Barrier Level is said to be triggered and a Barrier Event occurs. If a Barrier Event occurs, in respect of a particular Series of Warrants, RBS will notify the ASX and will cease making markets in the Warrant. The time at which a Barrier Event may be triggered will depend on the Barrier Style, see Section 3.14 “What is the Barrier Style” below.

Following the notification, ASX will suspend the Barrier Warrant from trading and the Barrier Warrant will automatically terminate with effect from the time of Suspension of trading pursuant to the Terms.

3.14 What is the Barrier Style?

The time at which a Barrier Level may be triggered will depend on the Barrier Style. There are two Barrier Styles, “Single-Touch” and “On-Close”. The Barrier Style that applies to a Series of Barrier Warrants will be set out in the Summary Table in PDS Part 1.

Single-Touch Barrier Style

A Single-Touch Barrier Style means that **if at any time on any Trading Day**, prior to the Closing Time on the Expiry Date, the Reference Asset Price:

- is equal to or less than the Barrier Level in the case of a Call Warrant; or
- is equal to or greater than the Barrier Level in the case of a Put Warrant,

then the Warrant will automatically terminate and a Holder will not be entitled to any payment with respect to that Warrant and Holders will lose their Capital Outlay.

On-Close Barrier Style

An On-Close Barrier Style means that if the **Close of Trade Price at the close of trade on any Trading Day up to and including the Expiry Date** of the relevant Reference Asset:

- is equal to or less than the Barrier Level in the case of a Call Warrant; or
- is equal to or greater than the Barrier Level in the case of a Put Warrant,

then the Warrant will automatically terminate and a Holder will not be entitled to any payment with respect to that Warrant and Holders will lose their Capital Outlay.

3.15 Do the Warrants give rights to income and rights associated with the Reference Asset?

A Call Warrant does not confer on any Holder any entitlement to any income or rights (including voting rights) in respect of the Reference Asset. A Put Warrant does not confer on RBS any present entitlement to any income or rights (including voting rights in respect of the Reference Asset), except to the extent any adjustments are required on exercise of the Warrants.

3.16 When does a Warrant terminate?

If a Warrant terminates, it is automatically and permanently cancelled and all rights and obligations created by the Warrant are terminated (except in respect of any Early Termination Amount or for rights the Holder may have arising out of breach of the Terms by RBS).

A Warrant terminates:

- if an Extraordinary Event occurs (see Section 11.1 “Glossary” of PDS Part 2 and clause 9 of the Terms for the meaning of Extraordinary Event);
- if the Barrier Level is triggered and from the time of suspension by the ASX (for Barrier Warrants only) (in this circumstance, a Holder will receive no payment and will lose their entire Capital Outlay – please see Section 5.6 for further detail);
- once it has been successfully exercised by a Holder;
- if no valid Exercise Notice in respect of the Warrant has been received by RBS by the Closing Time on the Expiry Date of the Warrant;
- if the contract for transfer arising from the giving of the Exercise Notice terminates (e.g. because the person who gave the Exercise Notice did not become registered as a Holder of the Warrant or because the proceeds of any cheque for the Strike Price and applicable Transfer Taxes and Expenses did not clear before the time specified in the Terms)); or
- as otherwise set out in clause 8 of the Terms.

3.17 When is a Holder eligible for an Early Termination Amount?

If a Warrant terminates because:

- of an Extraordinary Event;
- of a compulsory acquisition of a Reference Asset (which constitutes an Adjustment Event and is nominated by the Issuer as an Extraordinary Event); or
- a valid Exercise Notice is not submitted before the Closing Time on the Expiry Date,

then the Holder of the terminated Warrant will be eligible for the Early Termination Amount. The Early Termination Amount does not apply to Barrier Warrants which are terminated due to the occurrence of a Barrier Event. Please refer to clauses 25 and 32 of the Terms for details about how the Early Termination Amount is calculated.

3.18 What constitutes a valid Exercise Notice?

An Exercise Notice is only valid if:

- a. it is in the form specified in Sections 13 or 14 of this PDS Part 2 or any other form specified by the Issuer; and
- b. it has been duly completed; and
- c. it is given by a Holder (or by a person who is entitled to be registered as the Holder by no later than the end of the third Business Day after the Exercise Day) on or before the Exercise Day; and
- d. in the case of an Exercise Notice given by a person not registered as the Holder, it states that the person giving the Exercise Notice claims to be entitled to be registered as the Holder; and
- e. it is accompanied by a cheque for the Strike Price (in the case of a Call Warrant) and for any Transfer Taxes, Expenses or any other amount payable by the Holder (if these costs are applicable); and
- f. such cheque (if required) clears within the timeframe set out in the Terms; and
- g. in the case of a Physically Settled Put Warrant, any relevant transfer documentation to enable the Issuer to become the registered Holder of the relevant Reference Parcel; and
- h. (for Physical Delivery) it contains suitable information about the Holder's broker in order for the Issuer to make delivery of the Reference Parcel; and
- i. the Warrants exercised have not terminated under clause 8.2 of the Terms by the time that the Exercise Notice is given; and
- j. it certifies that the person delivering the notice or any person on whose behalf the notice is being delivered is: (i) a person who is in Australia; or (ii) a person who is not in Australia who would not cause the Issuer to be in breach of the securities laws and/or taxation laws of any country if the Warrants are offered, issued or transferred to that person; and
- k. it complies with clauses 22, 23 and/or 27 of the Terms; and
- l. it otherwise complies with the Terms.

If an Exercise Notice given is invalid, RBS will notify the person who gave the invalid Exercise Notice.

If a number of Exercise Notices are given in respect of the same Warrants, RBS will determine which one of the Exercise Notices will be treated as valid. This is a risk associated with investing in the Warrants which is disclosed in Section 5.15 "Exercise of discretion by the Issuer".

3.19 Stamp duty and Transfer Taxes applicable to the exercise of a Warrant

RBS has received advice that as of the date of PDS Part 2:

- a. the issue of Warrants is not currently liable to stamp duty in any Australian state or territory;
- b. the transfer of a Warrant is not currently liable to stamp duty in any Australian State or Territory; and
- c. under current legislation, stamp duty is not payable in any Australian State or Territory on the exercise of a Call or Put Warrant.

This advice is based on the assumption that at all relevant times (including for example the dates of issue of the Warrants, the date of exercise of a Warrant and the date of transfer of the Securities) the Warrants are quoted on the ASX and that any Reference Assets that are Securities are ASX listed ordinary shares quoted on the ASX and the Securities will not represent 90% or more of the issued capital of any of the Securities companies.

However, Holders should note that Transfer Taxes and Expenses may be payable in respect of Physically Settled Warrants for the transfer of the Reference Parcel to the Holder (for Call Warrants) and the transfer of the Reference Parcel to the Issuer (for Put Warrants) (in which case such Transfer Taxes and Expenses will be payable by the Holder).

3.20 How do I exercise the Warrant?

A Warrant can only be exercised during the Exercise Period. To exercise a Warrant, the Holder must provide the Issuer with a valid Exercise Notice in respect of the Warrant. For American Style Warrants, the Exercise Period is the period from 9:00am to the Closing Time on any Business Day up to and including the Expiry Date. For European Style Warrants, it is the period from 9:00am to the Expiry Date to the Closing Time on the Expiry Date only.

3.21 How do I exercise Call Warrants?

The Holder is liable for any Transfer Taxes and Expenses arising on the exercise of a Call Warrant. A Holder wishing to exercise a Physically Settled Call Warrant will pay the applicable Transfer Taxes and Expenses to the Issuer upon exercise of the Call Warrant. A Holder wishing to exercise a Cash Settled Call Warrant will not have to pay the applicable Transfer Taxes and Expenses to the Issuer upon exercise of the Call Warrant because these costs will be considered in the calculation of the Cash Amount.

A Holder wishing to exercise a Physically Settled Call Warrant must lodge a valid Exercise Notice during the Exercise Period. A Holder proposing to exercise Call Warrants can find out the amount of the Transfer Tax on any Business Day by contacting RBS on 1800 450

005. A Holder wishing to exercise a Cash Settled Call Warrant must lodge a valid Exercise Notice during the Exercise Period.

As explained in Section 3.2 “What is a Call Warrant”, for American Style Warrants the Exercise Period is the period from 9:00am to the Closing Time on any Business Day up to and including the Expiry Date. For European Style Warrants, the Exercise Period is the period from 9:00am on the Expiry Date to the Closing Time on the Expiry Date only.

For Physically Settled Call Warrants, if the funds supplied by the Holder for the Strike Price and applicable Transfer Taxes and Expenses are not cleared by the end of the third Business Day after the Exercise Day, then RBS is not obliged to deliver the Reference Parcel to the Holder.

RBS is obliged, if a valid Exercise Notice is given by the Holder and subject to the previous paragraph being satisfied, to transfer to the Holder the Reference Parcel by the Completion Day (i.e. the fifth Business Day after the Exercise Day).

In the event that Call Warrants are Cash Settled, the Calculation Agent will determine the Cash Amount in accordance with clause 8.2 of the Terms and RBS will make a payment to the Holder within 5 Business Days of the Completion Day in Australian Dollars to fulfil its obligations under the Warrants in respect of the Cash Amount. Where the Cash Amount is determined to be negative, the Cash Amount payable will equal zero.

3.22 How do I exercise Put Warrants?

A Holder may exercise Put Warrants by completing and lodging a valid Exercise Notice, together with any necessary documents such as a transfer form with RBS during the Exercise Period. As explained in Section 3.3 “What is a Put Warrant?” for American Style Warrants, the Exercise Period is the period from 9:00am to the Closing Time on any Business Day up to and including the Expiry Date. For European Style Warrants, the Exercise Period is the period from 9:00am on the Expiry Date to the Closing Time on the Expiry Date only.

A person who exercises Physically Settled Put Warrants must do everything necessary to transfer the Reference Parcel to RBS, or as it directs by the Completion Day (i.e. the fifth Business Day following the Exercise Day). A person who attempts to exercise Physically Settled Put Warrants but fails to do everything necessary required of the Transferor to transfer the Reference Parcel will still be entitled to receive the Early Termination Amount but may also be liable to pay compensation to RBS (for example, compensation may be payable if RBS has entered into an arrangement to on-sell the Reference Parcel and is subsequently required to obtain the Reference Parcel from elsewhere at a price greater than the price for which RBS had arranged to on-sell the Reference Parcel). The method of settlement will depend on how the exercising Holder holds its Reference Assets which are to be delivered to RBS following the exercise.

If a Physically Settled Put Warrant is validly exercised, RBS will complete the contract arising on the Exercise Day by paying the net amount (Strike Price less any Transfer Taxes and Expenses) to the exercising Holder by dispatching a cheque for the net amount within 5 Business Days after the Completion Day, if the successful transfer of the Reference Assets and confirmation by RBS of the exercising Holder’s right to exercise the Put Warrants occurs. RBS will arrange for the payment (or reimbursement of payment) of any Transfer Taxes

and Expenses following the exercise of the Put Warrants. RBS will provide a written statement of any Transfer Taxes and Expenses deducted from the Strike Price when paying the Strike Price.

In the event that the Put Warrants are Cash Settled, the Calculation Agent will determine the Cash Amount in accordance with clause 8.2 of the Terms and RBS will make a payment to the Holder within 5 Business Days of the Completion Day in Australian Dollars to fulfil its obligations under the Put Warrants in respect of the Cash Amount. Where the Cash Amount is determined to be negative, the Cash Amount payable will equal zero.

3.23 What happens if I do not exercise my Warrants?

If you do not exercise your Warrants, the Warrants will continue to provide exposure to the Reference Asset until the Closing Time on the Expiry Date or until the Warrant otherwise terminates. Please refer to Section 3.16 “When does a Warrant terminate” for details about the termination of a Warrant.

If you do not exercise your Warrants by Closing Time on the Expiry Date you may be eligible for an Early Termination Amount. Please refer to Section 3.17 “When is a Holder eligible for an Early Termination Amount?” for further detail.

3.24 How does the FX Hedge feature work?

Where the Reference Asset of a Warrant is (or the underlying assets of a Reference Asset that is an Index are) denominated (in whole or in part) in a currency other than Australian Dollars and in the absence of an FX Hedge, Holders of the Warrants will be exposed to changes in the foreign exchange rate between the foreign currency and Australian Dollars (in addition to their exposure to the performance of the Reference Asset).

If the Warrants are specified as FX Hedged Warrants in the Summary Table in PDS Part 1, the FX Hedge feature applies and the Holder will have a fixed foreign currency exposure in respect of the value of the Warrants. For FX Hedged Warrants, the exchange rate between the foreign currency in which the Reference Asset is denominated and Australian Dollars is fixed. A FX Hedged Warrant will have the Strike Price specified in Australian Dollars at the fixed exchange rate in the Summary Table in PDS Part 1.

The FX Hedge feature for a Warrant may bring a higher or lower return for Holders of the FX Hedged Warrants than they would otherwise receive if the Warrant did not have the FX Hedge feature. In particular, Holders should note that:

- a. if the FX Hedged Warrant has a fixed exchange rate which is set lower than the Settlement Exchange Rate that would otherwise apply at the time the Warrant is exercised, the FX Hedge feature will ensure the Holder receives a higher return in AUD on exercise than it would have otherwise received if there was no FX Hedge feature; and
- b. if the FX Hedged Warrant has a fixed exchange rate which is set higher than the Settlement Exchange Rate that would otherwise apply at the time the Warrant is exercised, the FX Hedge feature will ensure the Holder receives a lower return in AUD on exercise than it would have otherwise received if there was no FX Hedge feature.

A worked example showing the application of the FX Hedge feature for FX Hedged Warrants is set out in Section 7 “Worked Examples” (see Example 3).

3.25 What if the FX Hedge feature does not apply?

For Warrants with a Reference Asset denominated in a currency other than Australian Dollars (i.e. the Strike Price Currency is a currency other than Australian Dollars) but which are not FX Hedged Warrants, the Holders of the Warrants are exposed to changes in the foreign exchange rate between the Strike Price Currency and Australian Dollars (in addition to their exposure to the performance of the Reference Asset).

For these Warrants, the Cash Amount payable to Holders following the Expiry Date will be converted from the Strike Price Currency to Australian Dollars at the Settlement Exchange Rate. The Settlement Exchange Rate is determined by the Calculation Agent at the relevant time. (Please refer to the definition of “Settlement Exchange Rate” in Section 11.1 “Glossary”).

The value of AUD against the foreign currency of a Reference Asset not denominated in AUD will fluctuate and is affected by changes in the Australian and international, political and economic conditions and by many other factors. As a result, the value of the Warrants and related payments in AUD will vary with the prevailing exchange rates in the marketplace.

If the value of AUD appreciates against the foreign currency over the life of the Warrant, the value in AUD of the Holder’s return in AUD on exercise of the Warrant will decrease.

If the value of AUD depreciates against the foreign currency over the life of the Warrant, the value in AUD of a Holder’s return in AUD on exercise of the Warrant will increase.

A worked example showing the application of the Settlement Exchange Rate is set out in Section 7 “Worked Examples” (see Example 4).

3.26 How does the Specified Number work?

The Specified Number is used to calculate the Capital Outlay and the Cash Amount for a Warrant.

For Warrants with a Specified Number greater than 1, the value of the Warrant will not move on a one-to-one basis with the value of the Reference Asset, but will move in proportion with the Specified Number in relation to movements in value of the Reference Asset. In other words, for Warrants with a Specified Number greater than 1, the Cash Amount will be reduced proportionately based on the inverse of the Specified Number.

While the Capital Outlay is quoted on a per Warrant basis, the Strike Price is quoted on a per Reference Asset basis. It is therefore important to know the Specified Number of the particular Series of Warrants before investing. The Specified Number of a Warrant may be varied in certain circumstances, e.g. where an Adjustment Event occurs.

The Specified Number is also the number of Physically Settled Warrants that must be exercised to require the transfer of the Reference Parcel to a Holder. The Holder must exercise a set of Warrants which is at least equal to the Specified Number.

For a Warrant where the Reference Asset is an Index, Spot Commodity or a Futures Contract, the Specified Number is also used to convert the level of the Index, Spot Commodity or Futures Contract into a dollar amount for the price of the Warrant.

For further information as to how the Specified Number works, please see the worked examples in Section 7 “Worked Examples” (see Examples 6 and 7).

3.27 Rolling of Futures Contract

Futures Contracts over an asset generally have periodic expiry dates (for example, quarterly expiry dates). In relation to Warrants which have a Futures Contract as the Reference Asset, the expiry date of the Futures Contract available at the Issue Date may not match the Expiry Date of the Warrants.

Where the Futures Contract expires prior to the Expiry Date of the Warrants, the price used to determine the value of the Futures Contract for the purposes of the Warrant will need to be changed to the price of a Futures Contract over the same asset with the same terms but with a later expiry date in order to preserve the pricing intention of the Warrant. This is referred to as a “Rollover” of the Futures Contract.

Prior to the expiry date of a relevant Futures Contract, RBS will substitute the expiring Futures Contract with the Futures Contract with the closest expiry date, subject to there being sufficient liquidity in this Futures Contract. (Where liquidity is limited, RBS may Rollover the Futures Contract into one with a longer term expiry for the purposes of determining pricing for the Warrant).

At the time of the Rollover, the market price of the “old” and “new” Futures Contracts will **not** be the same. The price of the Warrant is not affected by the Futures Contract Rollover as an Adjustment is made by the Calculation Agent to the Strike Price which reflects the difference in the market price of the “old” and “new” Futures Contracts. Following the Adjustment of the Strike Price due to a Rollover, the new Strike Price for the relevant Warrants will be available on the website at www.rbs.com.au/warrants.

Please refer to the Section 5.12 “Liquidity of Futures Contracts” for more detail on the liquidity of Futures Contracts and the risks associated with Rollovers.

3.28 What if RBS fails to perform its obligations under the Terms?

If a Holder validly exercises Call Warrants and does not, in accordance with the PDS, receive the Reference Parcel or the Cash Amount, or validly exercises Put Warrants and does not, in accordance with the PDS, receive the aggregate Strike Price (less any Transfer Taxes and Expenses) or the Cash Amount, then RBS will be obliged to pay to that Holder an amount of liquidated damages as required by the Terms. RBS is only so obliged if the Holder gives written notice to RBS requiring it to make this payment.

If the Holder gives such a notice to RBS, RBS must then make the payment required by the Terms, after which RBS is under no further obligation to deliver (in the case of Call Warrants) or to acquire and to take delivery of (in the case of Put Warrants) the relevant Reference Parcel. Alternatively, Holders could elect to pursue other available remedies against RBS.

3.29 Will the Terms change?

Variations to the Terms are possible in the following circumstances:

- with the consent of the ASX if a variation is necessary in the opinion of RBS to comply with any statutory or other requirement of law or a requirement of the ASX;
- if a variation is authorised by a resolution of Holders;
- with the consent of the ASX, the change is necessary in the reasonable opinion of RBS to rectify any defect, manifest error or ambiguity contained in these Terms or to effect a modification of a formal, minor or technical nature, and does not materially prejudice the interests of the Holders and, in the Issuer's opinion, is not unfair (as defined in section 12 BG of the ASIC Act);
- with the consent of the ASX, the change is not ambiguous and does not materially prejudice the interests of Holders and is not unfair (as defined in Section 12 BG of the ASIC Act);
- with the consent of the ASX in the case of an Adjustment Event or an Extraordinary Event;
- with the consent of the ASX, in the circumstances contemplated under clause 33.2 of the Terms; or
- as otherwise authorised in the Terms.

3.30 Telephone recording

By applying for or holding a Warrant, a potential Holder agrees to the tape recording by RBS or any agent of RBS of any telephone conversation.

3.31 How do I obtain a copy of the Terms?

The Terms are set out in Section 12 "Terms of Issue" of this PDS Part 2. A Holder may also obtain a copy of the Terms (incorporating any changes made under clause 15.3 "Changes" of the Terms) by contacting RBS on 1800 450 005. RBS will supply a copy of the Terms free of charge to the Holder within ten days of the request.

4. Benefits of the Warrants

There are many benefits associated with investing in the Warrants, including (but not limited to):

- Protecting your portfolio (Put Warrants linked to Reference Assets which are Securities) – If a Holder holds the assets comprising the Reference Parcel, or an asset that is correlated in price to the relevant Reference Asset, then Put Warrants may allow a Holder to hedge their current holding of Securities that comprise a Reference Parcel to reduce the risks associated with the value of their current holding. This is because Put Warrants allow a Holder to lock-in a selling price for the Reference Parcel (i.e. the Strike Price);
- Leverage or gearing – The potential to make profits exceeding the profits realisable from an investment in the Reference Asset. Please note, although leverage can enhance returns, leverage can also magnify losses;
- Limitation of loss – The maximum loss a person may suffer with a Call Warrant or Put Warrant is the initial amount paid for the Warrant, being the Capital Outlay. Depending on the size of a person's exposure to a Reference Asset, and the amount of any change in value of a Reference Asset, a person could lose more money by investing directly in a Reference Asset compared with an investment in the same number of Warrants.
- FX Hedged Warrants – FX Hedged Warrants allow you to gain exposure to Reference Assets denominated in foreign currency without being exposed to foreign currency exchange fluctuations;
- Ability to Speculate (for Reference Assets that are Securities only) – Unlike buying shares or other assets, where a Holder expects the relevant price of the Security to increase, Warrants allow Holders to speculate on whether the Reference Parcel price will increase or decrease in value;
- Ability to gain exposure to varied assets – The Warrants allow Holders to gain exposure to various Reference Assets which may be Futures Contracts, Spot Commodities, Indices, Exchange Rates or Securities. Investing directly in some of these assets may be difficult or impossible for Holders;
- Shorter time frames – The Warrants lend themselves to shorter investment time frames. You may choose to invest in the Warrant for a matter of days, weeks or months. This is because you can sell your Warrants on the ASX, and, for American Style Warrants, exercise them at any time;
- Increased Leverage – Barrier Warrants provide Holders with greater leverage than non-Barrier Call or Put Warrants. This is because the Capital Outlay for Barrier Warrants is smaller than non-Barrier Warrants, and the effect of leverage is magnified. While a higher level of leverage magnifies profits, you should note that it may also magnify any losses; and
- No minimum investment amount – There is no minimum investment amount when purchasing Warrants on the ASX.

An investment in the Warrants may suit you if you:

- accept that leverage may enhance your returns, but conversely may magnify your losses;
- have a particular view that a Reference Asset will increase or decrease in value over a particular time frame;
- are looking to invest for the shorter term; and
- in relation to Barrier Warrants, are willing to accept the risk of the Barrier Level being triggered. (see Section 5.6 “Barrier Level and Barrier Warrants” for more detail regarding this risk).

5. Risk factors

5.1 Introduction

Investing in the Warrants involves a significant degree of risk.

This Section is an outline of risks but does not purport to disclose all of the risks or other relevant considerations relating to an investment in Warrants. The Warrants are considered by RBS to be suitable only for Holders who understand the risks involved and are prepared to sustain a complete loss of their Capital Outlay. RBS recommends that potential Holders obtain independent financial advice before subscribing for Warrants from an accredited derivatives adviser. Potential Holders in the Warrants should also read the ASX booklet "Understanding Trading and Investment Warrants".

It is impossible in a document of this type and is not the objective of this document to take into account the investment objectives, financial situation and particular needs of each potential Holder. Accordingly, nothing in this PDS should be construed as a recommendation by RBS or any associate of RBS or any other person concerning investment in the Warrants, Reference Assets or any other Security, Index, Foreign Currency, Futures Contract or Spot Commodity. Potential Holders should not rely on this PDS as the sole or principal basis for any investment decision in relation to Warrants or Reference Assets including any Security, Index, Foreign Currency, Futures Contract or Spot Commodity.

5.2 Warrants are speculative

An investment in Warrants involves the risk that the Warrants may expire with significantly less value or with no value at all.

The Warrants are speculative and involve a significant degree of risk, including the risk of losing the entire Capital Outlay.

Holders should be aware that the return on a Warrant:

- may be zero and Holders may lose all of their Capital Outlay (the amount paid to purchase the Warrant);
- may be less than the return the Holder could earn on other investments;
- may be reduced by any Transfer Taxes and Expenses applicable at the time of expiry, exercise or termination of a Warrant; and
- will not reflect exactly the return Holders would realise if they owned the Reference Assets as, amongst other things, Holders will have no interest in any Reference Asset and will not be entitled to receive distributions from time to time in respect of the underlying Reference Assets.

Potential Holders who do not wish to speculate on the movement of the Reference Assets should not invest in Warrants.

Holders are warned that the price of the Warrant may fall in value as rapidly as it may rise and the Warrants may become significantly less valuable over time. Accordingly, you may lose some, or all, of the Capital Outlay paid for the Warrants.

5.3 The Warrants may not be a suitable investment for all potential Holders

Each potential Holder in a Warrant must determine the suitability of that investment in light of their own circumstances. In particular, each potential Holder should:

- a. have sufficient knowledge and experience to make a meaningful evaluation of a Warrant, the merits and risks of investing in a Warrant and the information contained or incorporated by reference in this PDS;
- b. have sufficient financial resources and liquidity to bear all of the risks of an investment in a Warrant;
- c. understand thoroughly the terms of a Warrant and be familiar with the behaviour of any Reference Asset; and
- d. 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 the investment and their ability to bear the applicable risks.

The Warrants are complex financial instruments. A potential Holder should not invest in a Warrant unless they have the expertise (either alone or with a financial adviser) to evaluate how a Warrant will perform under changing conditions, the resulting effects on the value of a Warrant and the impact this investment will have on the potential Holder's overall investment portfolio.

5.4 General market risks

General movements in local and international stock markets, prevailing and anticipated economic conditions, Holder sentiment and interest rates could all affect the market price of Warrants. These risks are generally applicable to any investment on the ASX, but are greater in the case of leveraged products such as the Warrants.

Performance will be influenced by economic and industry conditions. In particular, Holders should understand that an investment in Warrants may be negatively affected by global economic, financial, natural, environmental and political events and developments, and that such events and developments, among other things, may have a material effect on the value of the Reference Asset and, therefore, the Warrants.

5.5 Termination of Warrants before the Expiry Date (Extraordinary Event)

If an Extraordinary Event occurs, the Issuer may, with the ASX's consent, nominate a date on which the affected Warrant terminates. This means that the affected Warrant will terminate before the Expiry Date.

If the Warrants are terminated, even if an Exercise Notice has been delivered, the Issuer will not be required to deliver Reference Assets (in the case of Call Warrants) or to take delivery of Reference Assets (in the case of Put Warrants) or to pay the Cash Amount except as required by the Terms.

If Warrants terminate early, Holders may receive an Early Termination Amount.

Please refer to the definition of "Extraordinary Event" in Section 11.1 "Glossary" and clause 9 of the Terms in this PDS Part 2 for more information.

5.6 Barrier Level and Barrier Warrants

If the Barrier Level of a Barrier Warrant (either Single-Touch Barrier Style or On-Close Barrier Style) is triggered, the relevant Warrant will automatically terminate, and Holders will lose their entire investment (Capital Outlay) in the Barrier Warrant. Holders will not be entitled to any payment or delivery (as applicable) with respect to that Warrant.

The Barrier Warrant will terminate if the Reference Asset Price at any time on any Trading Day, prior to the Closing Time on the Expiry Date (in the case of a Single Touch Barrier Style Warrant) or if the Close of Trade Price of the relevant Reference Asset on any Trading Day up to and including the Expiry Date (in the case of a On Close Barrier Style Warrant):

- is equal to or less than the Barrier Level in the case of a Call Warrant; or
- is equal to or greater than the Barrier Level in the case of a Put Warrant.

5.7 Adjustment Events

If an Adjustment Event occurs, the Issuer may, with the ASX's consent, make various changes to the Terms of the Warrants (including the substitution of a Reference Asset or the variation of the Strike Price). The Holder's consent is not required.

Adjustment Events include (but are not limited to):

- Force Majeure Events;
- the Issuer's Hedging Positions being delayed, terminated, adjusted, postponed or changed;
- Market Disruption Events,
- mergers and disposals;
- changes in the Corporations Act or taxation laws;
- Suspension or termination of trading in the Reference Asset;
- material changes in the method of calculation or composition of the Reference Asset; and
- where the Reference Asset is suspended or ceases to be published or available.

Please refer to the definition of "Adjustment Event" in Section 11.1 "Glossary" and clause 10 of the Terms in this PDS Part 2 for more details.

5.8 Market Disruption Event

If a Market Disruption Event occurs (see PDS Part 2 Section 11.1 "Glossary" for the definition of Market Disruption Event), including:

- a Suspension of trading of the Warrants, one or more of the Reference Assets, components of the Reference Asset or in securities or futures generally on the ASX, Relevant Exchange, Related Exchange or a market associated with any of the Reference Assets;
- any of the Reference Assets or components of the Reference Asset, or prices relating to any of these cease to exist or is materially changed, fails to be calculated and published, or the method of calculation materially changes;
- the occurrence of any event which disrupts or impairs the ability of market participants to affect transactions in the Warrants or the Reference Asset or any securities, option contracts, spot or futures contracts or other derivative contracts relating to the Reference Asset or Warrant if in the opinion of the Issuer such event is material;
- the declaration of a general moratorium in respect of banking activities in the country where any index, Exchange or Relevant Exchange associated with the Reference Assets is located;
- any market disruption event (however described) relating to a Hedge Position; and
- any similar event the Issuer reasonably declares to be a Market Disruption Event, including a Force Majeure Event.

Calculations required for the Warrants may be delayed until the Market Disruption Event ends or the Warrants expire. A Market Disruption Event may, with the consent of the ASX, be declared to be an Extraordinary Event. Please refer to clause 9 of the Terms in PDS Part 2 for more information.

5.9 Counterparty risk - performance by RBS

The value of a Warrant depends on RBS's ability to perform its obligations under the Terms. The obligations include ensuring that the Holder acquires the Reference Parcel (in the case of Physically Settled Call Warrants) or by paying the Strike Price for a Reference Parcel transferred to RBS (in the case of Physically Settled Put Warrants), paying or receiving a Cash Amount in respect of Cash Settled Warrants, an Early Termination Amount or by paying liquidated damages in cash in certain circumstances in accordance with the Terms. The financial performance of RBS may affect its ability to meet such obligations. Accordingly, a risk of an investment in the Warrants includes counterparty risk in relation to RBS. A Holder takes the credit risk and counterparty risk that RBS will not be able to or will not continue to perform its obligations owed to Holders under this PDS. If RBS is not able to perform any of its obligations in a timely fashion and in accordance with the provisions of this PDS, it may affect the value of the Warrants.

RBS's contractual obligations are unsecured and will (save for certain obligations required to be preferred by law) rank equally with RBS's other unsecured contractual obligations and with its unsecured debt, other than liabilities mandatorily preferred by law.

RBS's obligations in respect of the Warrants are not guaranteed by any party.

"About RBS" in PDS Part 1 includes information about the business activities and financial position of RBS.

Potential Holders must make their own assessment of RBS's ability to meet their obligations in respect of the Warrants. While RBS is a company incorporated in Scotland, it has also registered as a foreign company with ASIC and it has an Australian registered office (which is provided in the Directory at the back of this PDS Part 2).

5.10 National Guarantee Fund – not a guarantor in all cases

Claims against the National Guarantee Fund may only be made in respect of secondary trading in Warrants between brokers on the ASX and can in no way relate to the primary issue of Warrants by RBS or settlement obligations of RBS arising from the exercise or expiry of a Warrant.

The capacity of RBS to settle all outstanding Warrants is not guaranteed by the ASX, National Guarantee Fund or ASX Clear.

5.11 Illiquidity of trading market

Potential Holders should be aware that there is no firm indication as to how the Warrants will trade in the secondary market, nor is there sufficient evidence as to whether the market will be liquid or illiquid. A liquid market is generally one in which there is sufficient trading activity to satisfy both buyers and sellers. An illiquid market is generally one in which it is difficult to convert Warrants into cash. Accordingly, in an illiquid market there is a risk that Holders may not be able to sell their Warrants at a price they wish to.

To ensure sufficient liquidity, RBS undertakes to the ASX that it will make a market by maintaining buy orders at market prices for the life of the Warrants.

If RBS market making is the only source of liquidity in the secondary market, and RBS does not comply with its market making obligations, then there would be no liquidity in the secondary market.

There are no spread or quantity obligations applied to the market making requirements. Market making activities will be subject to competitive pressures and in times of extreme volatility, the ability of market makers to maintain a market will be put under stress. Holders should be aware that in these situations, the presence of suitable quotes in the market cannot be assured.

In addition, the Issuer reserves the right to cease making a bid for any Warrants if there is a Market Disruption Event or Hedging Disruption. The Issuer will continue to cease providing a bid price on the ASX until such time that the condition(s) described above terminate. The Issuer will make an announcement on ASX and post a notice on its website shortly after the Market Disruption Event or Hedging Disruption initially occurs and separately when the normal market recommences after the Market Disruption Event or Hedging Disruption ceases.

5.12 Liquidity of Futures Contracts

As set out in Section 3.27 "Rolling of Futures Contracts", in relation to Warrants for which the Reference Asset is a Futures Contract, a Futures Contracts that will expire before the Expiry Date of the

Warrants may need to be substituted with new Futures Contracts which have a later expiry date (but otherwise the same terms) for the purposes of pricing a Warrant.

Generally, RBS will rollover the expiring Futures Contract into the new Futures Contract with the closest expiry date (subject to there being sufficient liquidity in this Futures Contract). Where liquidity is limited, RBS may rollover the Futures Contract into one with that has an expiry date that is not as close.

The Issuer will Rollover the Futures Contract as soon as there is, in the Issuer's opinion, sufficient liquidity in the market for the relevant Futures Contract. The Issuer will not know ahead of time when this will be, but will notify Holders (via the ASX Market Announcement Platform) of the Rollover as soon as it has been affected and before open of trading on the next Trading Day. If it is not possible for the Issuer to Rollover the Futures Contract for reasons that are out of the control of the Issuer, such as the unavailability of a Futures Contract to roll into, the current Futures Contract will expire and the Issuer can nominate this as an Extraordinary Event and terminate the Warrants.

5.13 Delisting or Suspension of Reference Assets

The delisting, withdrawal of quotation or Suspension of a Reference Asset may affect the validity of a Warrant or detract from the obligations of RBS under a Warrant if the relevant event constitutes a Market Disruption Event or an Extraordinary Event, or the Warrants themselves consequently have their trading status withdrawn or are Suspended.

5.14 Suspension of Warrant trading

Trading on the ASX may be halted or suspended. This may occur, amongst other events, whenever the ASX deems such action appropriate in the interests of maintaining a fair and orderly market in Warrants or in Reference Assets, or otherwise deems such action advisable in the public interest or to protect Holders.

The withdrawal or Suspension of the Warrants may, at the Issuer's discretion (acting in good faith and in a commercially reasonable manner), cause the Warrants to lapse if such withdrawal or Suspension is deemed, with the ASX's consent, to be an Extraordinary Event by the Issuer.

5.15 Exercise of discretion by the Issuer

Holdes should note that some provisions of the Terms confer discretions on the Issuer. These discretions include the discretion to nominate Extraordinary Events, determine that there has been an Adjustment Event and make corresponding adjustment to the Terms and to determine whether a material change has occurred to the relevant Reference Asset and to terminate the Warrants in whole or in part.

The exercise or non-exercise of these discretions could adversely affect the value of the Warrants.

Holdes do not have the power to direct the Issuer concerning the exercise of any discretion, although the Issuer may only exercise certain discretions with the consent of the ASX and, where applicable, subject to the unfair contracts regime in the ASIC Act. The discretions are set out in the Terms.

5.16 Factors affecting Warrant value and the amount required to acquire the Warrants

The PDS does not specify the amount required to purchase each Warrant because it will vary from time to time.

The market value (being the amount required to purchase a Warrant – that is, the “Capital Outlay”) is expected to be dependent upon such factors as:

- i. the Strike Price;
- ii. the Specified Number;
- iii. the price of the Reference Assets;
- iv. the volatility and liquidity of the Reference Asset;
- v. the time remaining to the Expiry Date;
- vi. interest rates; and
- vii. expected future dividends (which will only affect Warrants linked to Reference Assets that are a Security or an Index (where components include Securities)).

The following table sets out the effect on each of the above factors on the market value of a Warrant:

Factor	Movement	Effect on value of Call Warrant	Effect on value of Put Warrant
Strike Price	↑	↓	↑
Price of the Reference Asset	↑	↑	↓
Volatility	↑	↑	↑
Time to Expiry	↓	↓	↓
Interest Rates	↑	↑	↓
Expected Dividends (for Reference Assets that are a Security or Index)	↑	↓	↑

The market value of the Warrant may also be affected by movements in the following factors depending on the Reference Asset and whether it is offered in Australian Dollars or as an FX Hedged Warrant:

- i. foreign exchange rates; and
- ii. other inter-related and complex factors and general risks applicable to stock, commodity and currency markets on which Reference Assets or other securities are traded.

Other events which may also affect trading values of Warrants include de-listing or Suspension of Reference Assets, a Takeover Bid or tender offer in connection with the Reference Assets which are Securities, any events that may result in an Extraordinary Event,

or RBS’s ability to meet its obligations under the Terms and early expiry of the Warrants.

5.17 Conflicts of interest

Companies in the RBS Group will conduct transactions as principal and as agent in various securities, indices, foreign currencies, commodities and futures contracts, including Warrants and Reference Assets.

RBS, other members of the RBS Group, or their directors, employees or Affiliates may, subject to law, hold shares or units in members of the RBS Group and/or hold Warrants and Reference Assets (if applicable). The directors and employees of RBS and other members of the RBS Group may receive remuneration based on the issue or performance of the Warrants, in whole or in part.

Members of the RBS Group may have business relationships or alliances (including joint ventures) with, or relating to, issuers or managers of Reference Assets or the Reference Assets themselves and where the Reference Asset seeks to track an index or market, the constituents of that index or market. A member of the RBS Group may also be a substantial shareholder or manager (as relevant) of a Reference Asset. In addition, members of the RBS Group may from time to time advise a Reference Asset or their managers in relation to Warrants or activities unconnected with the Warrants which may or may not affect the value of the Reference Asset or Warrant. Such relationships and advisory roles may include but are not limited to:

- acting as manager or joint lead manager in relation to the offering or placement of rights, options or other securities including the Reference Asset (if it is a Security);
- advising in relation to mergers, acquisitions or takeover offers; and
- acting as general financial adviser in respect of, without limitation, corporate advice, financing, funds management and property and other services.

RBS may also have a commercial relationship with various senior executives of a Reference Asset, issuers or managers of the Reference Asset and where the Reference Asset tracks an index or market, the constituents of that index or market, and may sell financial products to, or advise, such senior executives in relation to Warrants and matters unconnected with the Warrants.

To facilitate a market in the Warrants, RBS intends to issue to its nominee some or all of the Warrants remaining unissued during the Offer Period and later procure the sale of these Warrants into the market.

These trading activities may affect (positively or negatively) the price at which Reference Assets or Warrants trade in the secondary market.

RBS has a conflicts of interest policy to ensure that it identifies and appropriately manages all conflicts of interest. RBS’ conflicts of interest policy relates to its monitoring, prevention and other compliance measures related to the management of conflicts of interest. At all times RBS attempts to prevent or manage conflicts of interest in accordance with its policy.

5.18 Exercise and registration

A person exercising a Warrant risks the Exercise Notice being invalid if the person is not, to the knowledge of, or in the reasonable opinion of RBS, the last of those persons who became entitled to be the Holder of the Warrants on the Exercise Day. If the Exercise Notice is of no effect for this reason, then the person exercising it has no entitlement to any Early Termination Amount or any other payment or transfer from RBS in relation to the Warrants.

If a number of Exercise Notices are given in respect of the same Warrants, RBS will determine which one of the Exercise Notices will be treated as valid. This is a risk associated with investing in the Warrants.

5.19 The Warrants and the Reference Assets

The Warrants are not the same as the Reference Assets. The returns from the Warrants will differ from that of the Reference Assets. This means that:

- the risks of investment in the Warrants are greater than in the case of a direct investment of the same amount in the Reference Assets; and
- the price of the Warrants is likely to vary more (in percentage terms) than the price of the Reference Assets.

Neither RBS nor any Holder acquires any interest (beneficial, relevant or otherwise) in any Reference Asset by virtue of the Warrants. Unless and until a Holder properly exercises a Warrant by tendering a valid Exercise Notice to RBS and only in respect of Physically Settled Call Warrants or Physically Settled Put Warrants, there is no agreement, arrangement, understanding or expectation that RBS will acquire any Reference Assets (including, without limitation, Securities) in relation to the Warrants.

In relation to a Warrant where the Reference Asset is a Security and such Reference Asset is held by or for, or otherwise controlled by RBS (whether or not as a Hedge Position in relation to the Warrant), the Holder has no right or relevant interest in such Reference Asset or any power in relation to them including, without limitation, any power to control or right to be consulted in relation to the disposal or trading of such Reference Asset by RBS or any decision by RBS with respect to the exercise by RBS of the right to vote attaching to such Reference Asset.

5.20 Takeover offer for Reference Assets of an entity (Warrants with Reference Assets which are Securities only)

If a Takeover Bid, takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding securities of a Reference Company, a Holder of Warrants which relate to those Securities may wish to exercise Physically Settled Call Warrants and participate in the offer. While in many cases this will mean that provisions of the Corporations Act will entitle the exercising Holder to accept a Takeover Bid, tender offer or other offer made for the relevant Securities, the terms of the particular bid and the provisions of the Corporations Act may mean that Securities acquired by the exercising Holder are not subject to the takeover. Holders should consult their solicitor or stockbroker in this regard. RBS does not provide any assurance that Securities acquired by a Holder will be able to participate in any Takeover Bid, tender offer or other offer

and does not undertake to deliver anything other than Securities in accordance with the Terms.

Compulsory acquisition may follow the conclusion of a successful Takeover Bid, tender offer or other offer and, in accordance with clause 9 of the Terms, the Issuer may nominate an Extraordinary Event (in which case the Warrants will terminate or the Issuer may substitute the Reference Asset).

5.21 Foreign currency risk

The Reference Assets that relate to Warrants under this PDS are denominated in either AUD or a foreign currency (i.e. a currency other than AUD). Where the Reference Asset is denominated in a currency other than AUD, the Warrants may be offered in AUD (and exposed to foreign exchange risk) or as FX Hedged Warrants.

Where the Reference Asset is not denominated in AUD you need to consider any foreign currency risk that the components of the Reference Asset might be exposed to. Reference Assets that are denominated in a currency other than Australian Dollars may be adversely affected by changes in the foreign exchange rates between AUD and currency that the Reference Asset is denominated in.

If the Reference Asset is denominated in a foreign currency and the Warrant is not an FX Hedged Warrant, Holders will have foreign exchange risk, i.e. movements in the foreign exchange rate may adversely impact the value of their Warrants. For example, an increase in the value of the Australian dollar would result in a decrease in the value of your Call Warrant (all other factors remaining equal).

See Section 3.25 for further information regarding Warrants to which the FX Hedge feature does not apply.

5.22 FX Hedged Warrants

If the Warrant is an FX Hedged Warrant it means that although the Reference Asset is denominated in a foreign currency, the Issuer will provide the Holder with exposure to the performance of the Reference Asset without the exchange rate risk.

To do this, the value of the Reference Asset will be converted from its currency to Australian Dollars on the Issue Date using a fixed exchange rate. A FX Hedged Warrant will have the Strike Price specified in Australian Dollars at the fixed exchange rate in the Summary Table in PDS Part 1.

The maintenance of a fixed exchange rate between Australian Dollars and the foreign currency in which the Reference Asset is denominated will affect the value of the Warrants.

For example, if the FX Hedge feature was not applicable, changes in foreign exchange rates could increase returns received by Holders. No assurance can be given as to whether or not, taking into account relative exchange rates and interest rate fluctuations between the two currencies, an FX Hedge feature in a Warrant would at any time enhance the return on the Warrant over a level of a similar product without such an FX Hedge feature.

Please also refer to Section 3.24 “How does the FX Hedge Feature work” and Section 7 “Worked examples” for more detail in relation to the FX Hedge feature.

5.23 Commodity risks

The Reference Asset for a Series of Warrants may provide exposure to commodities. For example, a Futures Contract may relate to a commodity and a Spot Commodity will relate to a commodity. There are specific risks involved with investments relating to commodities. In particular, potential Holders should understand that investments linked to commodity markets may be negatively affected by global economic, financial, natural, weather, environmental and political events and developments, and that such events and developments, among other things, may have a material effect on the value of the commodity and therefore also on the value of the Warrants.

5.24 Emerging markets risk

The Reference Asset for a Series of Warrants may provide exposure to emerging markets. For example, a Security may be listed on an exchange in a developing country or an Index may provide exposure to the sharemarkets of a developing country.

Such markets have particular risks associated with them including economic, political, financial and social conditions. Emerging markets may be less thoroughly regulated and prone to greater volatility than developed markets. These factors may cause the prices of assets in, or affected by, emerging markets to fluctuate.

Worldwide financial instability may have greater impact upon emerging markets than developed markets. A downgrading by international rating agencies may adversely affect emerging markets more so than developed markets.

5.25 Leverage

Investing in Warrants involves a higher degree of risk than an investment in the corresponding Reference Asset because (among other things) the Warrants are leveraged products. Leverage multiplies the effect of both increases and decreases in the value of the Reference Assets on the value of the Warrants. Leverage magnifies the amount of both the profits earned and losses sustained. The leverage provided by investing in the Warrants means that the risks of investment are greater than in the case of an investment of the same amount in Reference Assets.

5.26 Change of Law

The Terms of the Warrants are based on New South Wales law in effect as at the date of PDS Part 1. RBS is a public limited company incorporated in Scotland and is regulated by the Financial Services Authority in the United Kingdom. Changes in the law or its interpretation in Australia, Scotland or the United Kingdom, including taxation and corporate regulatory laws, practice or policy, could have a negative impact on the returns to Holders and may cause an Extraordinary Event or an Adjustment Event to occur.

5.27 Over-Issuance

As part of its issuing, market-making and/or trading arrangements, the Issuer may issue more Warrants than those which are to be subscribed or purchased by third party Holders. The Issuer (or any of its Affiliates) may hold such Warrants for the purpose of meeting any Holder interest in the future. Prospective Holders in the Warrants should therefore not regard the issue size of any Series of Warrants

as indicative of the depth or liquidity of the market for such Series of Warrants, or of the demand for such Series of Warrants.

5.28 Change to Terms

The Issuer may, following an Adjustment Event, make changes to the Terms. See Section 5.7 "Adjustment Events" above for a description of when an Adjustment Event may occur. The changes that can be made if an Adjustment Event occurs are set out in clause 10 of the Terms occurs include altering the Strike Price, the Specified Number, the Reference Asset, or any other term of the Warrant (but only with the ASX's prior consent).

Changes can also be made to the Terms if, with the ASX's consent, it is necessary or desirable in order to comply with any statutory or other legal requirements or to rectify a defect, manifest error or ambiguity, or if the change is of a formal, minor or technical nature and does not materially prejudice the interests of Holders and is not unfair (as defined in section 12BG of the ASIC Act). Please refer to clause 15 of the Terms.

Please refer to clause 15.3 of the Terms for details regarding when the Terms may be changed.

5.29 Taxation

Changes in the tax treatment of the Warrants or returns from the Warrants may affect Holder returns, see Section 10 "Taxation" for more information.

5.30 Cooling-off rights

There is no cooling-off period when you purchase Warrants.

6. Fees & commission

You must purchase the Warrants on the ASX at the price at which relevant Warrants are trading on the ASX. This is the Capital Outlay.

This PDS does not specify the price payable to purchase the Warrants on market because this is determined by reference to variable factors (including the current price of the Reference Asset, the volatility of that price and the time to expiry of the Warrants). The market value will vary accordingly, from time to time.

Brokerage

The Issuer will not charge brokerage for your Warrants transaction as Warrants cannot be purchased directly from the Issuer. Warrants can be purchased from any ASX broker, and your broker will advise you on the brokerage payable. Brokers should follow ASIC and ASX guidelines in relation to disclosure of those fees and commissions.

Expenses and Transfer Taxes

Expenses may be payable by a Holder on the exercise of a Warrant. Expenses will also be taken into account in calculating any Early Termination Amount.

Expenses include any reasonably incidental costs, including unwinding of hedging arrangements, Transfer Taxes and/or expenses and brokerage (if applicable) incurred by RBS in relation to the exercise or early termination of a Warrant.

The amount of any incidental costs related to the unwinding of hedging arrangements will depend on the circumstances. For example, if a Warrant is terminated early in its term and well before the Expiry Date, hedging unwind costs may be significant and will be affected by factors, including the price and volatility of the Reference Asset and the time to the Expiry Date. The actual impact of these factors and their impact on hedging unwind costs will vary and cannot be quantified as at the date of this PDS.

Expenses may be significant and can be up to 20% of the Cash Amount of a Warrant.

To properly exercise a Physically Settled Call Warrant, the Holder must tender to RBS a valid Exercise Notice before the end of the Exercise Period.

If a Physically Settled Put Warrant is validly exercised, RBS will complete the contract arising on the Exercise Day by paying the net amount (Strike Price less any Transfer Taxes and Expenses) to the exercising Holder by dispatching a cheque for the net amount within 5 Business Days after the Completion Day, if the successful transfer of the Reference Assets and confirmation by RBS of the exercising Holder's right to exercise the Put Warrants occurs. RBS will arrange for the payment (or reimbursement of payment) of any Transfer Taxes and Expenses following the exercise of the Put Warrants. RBS will provide a written statement of any Transfer Taxes and Expenses deducted from the Strike Price when paying the Strike Price.

A Holder wishing to exercise a Cash Settled Warrant will not have to pay the applicable Transfer Taxes and Expenses to RBS upon exercise of the Cash Settled Warrant because these costs will be considered in the calculation of the Cash Amount.

Commissions and payments to financial advisers

RBS may pay commissions or fees or other amounts to third parties in connection with the Warrants (including to distribution managers, financial advisers or brokers). These commissions may be recurring and are payable by RBS out of its own funds at no additional cost to a Holder and may be payable at any time during the term of the Warrants.

7. Worked examples

The examples below demonstrate various features of the Warrants and do not indicate the features or terms of any particular Series of Warrants available. Whether any of the features apply to a particular Warrant will be specified in the Summary Table in the PDS Part 1. All of the figures used below are used for illustrative purposes only. The outcome of these examples would be the same if a Reference Asset different to those set out below were used, assuming that all prices and the Strike Price Currency are identical to those set out in the examples.

1. Call Warrant Example

Assumptions

For the purposes of both Scenario 1 and Scenario 2 of this Call Warrant example, we have assumed a Series of Warrants with the following features:

- Call Warrant
- Reference Asset is share XYZ and is denominated in Australian Dollars
- Holder purchased the Warrant on market for \$1.50 and at the time the trading price of the Reference Asset was \$10.00
- Strike Price of \$10.00
- Strike Price Currency is Australian Dollars – therefore, the Settlement Exchange Rate is not relevant
- No FX Hedge feature
- Specified Number is 1
- There are no relevant Expenses or Transfer Taxes (however this will not be the case for all Warrants)

Scenario 1 – exercise of Call Warrant

On the exercise of the Call Warrant, the Final Value of the Reference Asset is \$15.00. Therefore the Final Value is greater than the Strike Price.

If the Warrant is **Cash Settled**, the Holder will receive the Cash Amount calculated as follows:

$$\text{Cash Amount} = \left[\frac{(\text{Final Value} - \text{Strike Price})}{\text{Settlement Exchange Rate} / \text{Specified Number}} \right] - \text{Expenses}$$

$$= \left[\frac{(15.00 - 10.00)}{1 / 1} \right] - 0$$

$$= \$5 \text{ per Warrant}$$

Therefore, the Holder makes a gain of \$5.00 per Warrant for a cost of \$1.50 i.e. a profit of \$3.50 per Warrant.

If the Warrants were **Physically Settled**, as part of lodging a valid Exercise notice, the Holder would have to tender a cheque for the

Strike Price for each Warrant exercised and any applicable Transfer Taxes during the Exercise Period. Following this, RBS would transfer the Reference Parcel to the Holder. The Reference Parcel comprises 1 Reference Asset for each set of Call Warrants exercised (each set consists of the Specified Number of Call Warrants).

Alternatively, if a valid Exercise Notice was not submitted during and prior to the close of the Exercise Period, the Holder may be entitled to receive an Early Termination Payment in accordance with clause 25 of the Terms.

In terms of **return on investment (ROI)**, the \$1.50 paid for the Warrant gives the Holder a gain of 233% (gain of \$3.50 relative to a \$1.50 investment). If the Holder had purchased one XYZ share for \$10.00 instead of the Call Warrant, they would have made a profit of \$5.00. The ROI from purchasing the underlying shares would only have been 50% (gain of \$5.00 relative to a \$10.00 investment). This indicates how leverage can enhance any returns (but can also increase losses).

In order for the Holder to make a financial gain, the Final Value of the Reference Asset and any Expenses and Transfer Taxes payable on exercise must rise above the sum of the Strike Price and the amount paid to purchase the Warrants (i.e. \$10.00 + \$1.50). Therefore, the break-even point for the Final Value for the Holder in this example is \$11.50.

Scenario 2 – non-exercise of the Call Warrant

On the Expiry Date, the Final Value of the Reference Asset (as calculated by the Issuer as if the Holder lodged a valid Exercise Notice) is \$5.00. Therefore the Final Value is less than the Strike Price and we assume that the Holder of a Physically Settled Warrant would not exercise their Call Warrant. In relation to a Cash Settled Warrant, no Cash Amount would be payable because the Final Value is less than the Strike Price.

Therefore, the Holder makes a loss limited to \$1.50 per Warrant (i.e. the price paid to purchase the Warrant). If the Holder had initially purchased an XYZ share for \$10.00 instead of buying a Warrant, they would have incurred a loss of \$5.00.

Please note that the Holder of a Call Warrant can close their position at any time during normal trading hours up until 4pm on Expiry Date by selling it back to the Issuer, subject to specific exceptions (see section 34.15 of the Terms).

2. Put Warrant Example

Assumptions

For the purposes of both Scenario 1 and Scenario 2 of this Put Warrant example, we have assumed a Series of Warrants with the following features:

- Put Warrant
- Reference Asset is share XYZ and is denominated in Australian Dollars
- Holder purchased the Warrant on market for \$1.50 and at the time the trading price of the Reference Asset was \$10.00
- Strike Price of \$10.00
- Strike Price Currency is Australian Dollars – therefore, the Settlement Exchange Rate is not relevant
- No FX Hedge feature
- Specified Number is 1
- There are no relevant Expenses or Transfer Taxes (however this will not be the case for all Warrants)

Scenario 1 – exercise of Put Warrant

On the exercise of the Put Warrant, the share price of the Reference Asset is \$7.00. Therefore, the Final Value is less than the Strike Price.

If the Warrant is **Cash Settled**, the Holder will receive the Cash Amount calculated as follows:

Cash Amount = [(Strike Price – Final Value) / Settlement Exchange Rate / Specified Number] – Expenses

$$= [(10.00 - 7.00) / 1 / 1] - 0$$

$$= \$3 \text{ per Warrant}$$

If the Warrant were **Physically Settled**, the Holder would have the right to sell a share XYZ to RBS at \$10.00. In this case, in addition to lodging a valid Exercise Notice, the Holder would have to transfer the Reference Parcel (comprising 1 Reference Asset for each set of Put Warrants exercised, each set consisting of the Specified Number of Put Warrants) to RBS and in return, RBS would transfer to the Holder the Strike Price less any Transfer Taxes payable.

Alternatively, if a valid Exercise Notice was not submitted during the Exercise Period, the Holder may be eligible to receive an Early Termination Payment in accordance with clause 32 of the Terms.

In terms of **return on investment (ROI)**, the \$1.50 paid for the Warrant gives the Holder a gain of 100% (gain of \$1.50 relative to a \$1.50 investment). If the Holder had short-sold XYZ shares instead of buying the Warrant, they would have made a gain of \$3.00 on an investment of \$10.00.

In order for the Holder to make a financial gain, the Final Value of the Reference Asset must fall below the Strike Price less the amount paid to purchase the Warrants (i.e. \$10.00 - \$1.50). Therefore, the break-even point for the Holder in this example is \$8.50.

Scenario 2 – Non-exercise of Put Warrant

On the Expiry Date, the Final Value of the Reference Asset (as calculated by the Issuer as if the Holder lodged a valid Exercise Notice) is \$15.00. We assume that the Holder of a Physically Settled Warrant would not exercise their Call Warrant as the Final Value is greater than the Strike Price. In relation to Cash Settled Warrants, no Cash Amount would be payable because the Final Value is greater than the Strike Price.

Therefore, the Holder makes a loss limited to \$1.50 per Warrant (i.e. the price paid to purchase the Warrant). If the Holder had short sold an XYZ share instead of buying a Warrant, they would have incurred a loss of \$5.00 on an initial investment of \$10.00.

3. FX Hedged Warrant Example

Assumptions

For the purposes of this example, we have assumed a Series of Warrant with the following features:

- Call Warrant
- Reference Asset is share ABC and is denominated in British pounds (GBP)
- Holder purchased the Warrant on market for \$1.50 and at the time the trading price of the Reference Asset was GBP5.00
- FX Hedge feature is applicable
- Strike Price of AUD\$10.00
- Although share ABC is denominated in GBP, this is an FX Hedged Warrant so the relevant exchange rate is fixed on the Issue Date and the Strike Price is denominated in Australian Dollars. The AUD/GBP exchange rate that is fixed on the Issue Date is 0.5000.
- Strike Price Currency is Australian Dollars – therefore, the Settlement Exchange Rate is not relevant
- Specified Number is 1
- There are no relevant Expenses or Transfer Taxes (however this will not be the case for all Warrants)

On the exercise of the Call Warrant, the trading share price of share ABC is GBP 7.00. This is converted to the Strike Price Currency (Australian Dollars) at the fixed AUD/GBP exchange rate that was fixed on the Issue Date (i.e. 0.5000). The Final Value of the shares in AUD is \$14.00 (7.00/0.5). Therefore the Final Value is greater than the Strike Price. The gain the Holder receives would be \$2.50 (i.e. the Final Value (\$14.00) less the Strike Price (\$10.00), less the \$1.50 paid for the Warrant).

As the Call Warrant was offered as an FX Hedge Warrant any movement in the AUD/GBP exchange rate during the period in which the Holder held the Warrant was irrelevant for the return on the Call Warrant.

If the Warrant is **Cash Settled**, the Holder will receive the Cash Amount calculated as follows:

Cash Amount = [(Final Value – Strike Price) / Settlement Exchange Rate / Specified Number] – Expenses

$$= [(14.00 - 10.00) / 1 / 1] - 0$$

$$= \$4 \text{ per Warrant}$$

Therefore, the Holder receives a gross payment of \$4.00 per Warrant for a cost of \$1.50 i.e. a profit of \$2.50 per Warrant.

If the Warrant were **Physically Settled**, as part of lodging a valid Exercise notice, the Holder would have to tender a cheque for the Strike Price for each Warrant exercised and any applicable Transfer Taxes during the Exercise Period. Following this, RBS would transfer the Reference Parcel to the Holder. The Reference Parcel comprises 1 Reference Asset for each set of Call Warrants exercised (each set consists of the Specified Number of Call Warrants).

Alternatively, if a valid Exercise Notice was not submitted during the Exercise Period, the Holder may be entitled to receive an Early Termination Payment in accordance with clause 25 of the Terms.

In terms of **return on investment (ROI)**, the \$1.50 paid for the Warrant gives the Holder a gain of 166% (gain of \$2.50 relative to a \$1.50 investment). If the Holder had purchased the XYZ shares for GBP5.00 instead of the Call Warrant, they would have made a profit of GBP2.00. The ROI from directly purchasing XYZ shares would have been 40% in GBP terms, however, the outcome in Australian dollar terms for such an investor would be greater or lower depending on movements in the AUD/GBP exchange rate during the investment period. If the AUD/GBP exchange rate shifted from 0.50 to 0.65 the outcome in Australian dollar terms for such an investor would be AUD0.77, made up of a purchase price of AUD10.00 (i.e. GBP5.00/0.50) and a sale price of AUD10.77 (i.e. GBP7.00/0.65) resulting in a net profit in AUD terms of AUD0.77.

Generally, if the AUD/GBP exchange rate increases from the date that the Warrant is purchased to the date of exercise, and an FX Hedged Warrant fixes the applicable AUD/GBP exchange rate at a lower rate, the Holder of the FX Hedged Warrant will receive a higher gross payment upon exercise than they would have if the Warrant did not have an FX Hedge feature.

Conversely, if the AUD/GBP exchange rate decreases from the date that the Warrant is purchased to the date of exercise, and an FX Hedged Warrant fixes the applicable AUD/GBP exchange rate at a higher rate, the Holder of the FX Hedged Warrant will receive a lower gross payment upon exercise than they would have if the Warrant did not have an FX Hedge feature.

4. Settlement Exchange Rate Example (non FX Hedged Warrant)

Assumptions

For the purposes of this example, we have assumed a Series of Warrant with the following features:

- Call Warrant
- Reference Asset is share ABC and is denominated in British pounds
- Holder purchased the Warrant on market for \$1.50 and at the time the trading price of the Reference Asset was GBP5.00
- Strike Price of GBP 5.00. As this is not an FX Hedged Warrant, the Strike Price is denominated in a foreign currency and will be converted to Australian Dollars at Maturity at the applicable Settlement Exchange Rate at the time.
- No FX Hedge feature
- Specified Number is 1
- There are no relevant Expenses or Transfer Taxes (however this will not be the case for all Warrants)

This Example 4 has substantially the same assumptions as Example 3 (FX Hedged Warrant) except that Example 3 is a non FX Hedged Warrant, so the Strike Price is set in GBP and it utilises a variable Settlement Exchange Rate (i.e. the currency exchange rate is not fixed). The outcomes between Examples 3 and 4 can be compared (i.e. FX Hedged Warrant vs non-FX Hedged Warrant).

When the Call Warrant is exercised, the Final Value of the Reference Asset is GBP 7.00 and the exchange rate is now 0.6500 (the

Settlement Exchange Rate). Therefore, the Final Value is greater than the Strike Price and we assume that the Holder exercises the Call Warrant by submitting a valid Exercise Notice. Assuming the Warrant is Cash Settled, the Holder will receive the Cash Amount calculated as follows:

$$\begin{aligned} \text{Cash Amount} &= [(\text{Final Value} - \text{Strike Price}) / \text{Settlement Exchange Rate} / \text{Specified Number}] - \text{Expenses} \\ &= [(7.00 - 5.00) / 0.65 / 1] - 0 \\ &= \text{AUD}\$3.08 \text{ per Warrant} \end{aligned}$$

Therefore, the Holder receives a gross payment of \$3.08 per Warrant for a cost of \$1.50 i.e. a profit of \$1.58 per Warrant.

As the Call Warrant was not offered as an FX Hedged Warrant any movement in the AUD/GBP exchange rate affects the value and final return of the Call Warrant.

For example, if this Warrant had been acquired as an FX Hedged Warrant, the outcome would have been as per the outcome in the example in paragraph 4 above, i.e. there would have been a net profit of \$2.50 for the FX Hedged Warrant.

5. Barrier Warrant Example

Assumptions

For the purposes of this example, we have assumed a Series of Warrant with the following features:

- Call Warrant
- Reference Asset is share XYZ and is denominated in Australian Dollars
- Holder purchased the Warrant on market for \$1.20 and at the time the trading price of the Reference Asset was \$10.00
- Strike Price of \$10.00
- Current price of the Reference Asset is \$15.00
- Barrier Level of \$10.00
- Strike Price Currency is Australian Dollars – therefore, the Settlement Exchange Rate is not relevant
- No FX Hedge feature
- Specified Number is 1
- There are no relevant Expenses or Transfer Taxes (however this will not be the case for all Warrants)

Scenario 1 – Single-Touch Barrier Style

If at any time on any Trading Day prior to the Closing Time on the Expiry Date, the trading price of the Reference Asset (Reference Asset Price) is equal to or less than \$10.00 (i.e. equal to or less than the Barrier Level) then a Barrier Event will occur. Following a Barrier Event, the Call Warrant will automatically terminate and the Holder will not be entitled to any payment with respect to the Barrier Warrant. Therefore, investors will lose their entire investment (being the purchase price of \$1.20 per Warrant).

If the Barrier Warrant was a Put Warrant, the Reference Asset Price must be greater than or equal to the Barrier Level in order for a Barrier Event to occur.

If a Barrier Event does not occur, the Warrants will continue until the Expiry Date and may be exercised as set out in the examples above.

Scenario 2 – On-Close Barrier Style

If at the close of trading on any Trading Day up to and including the Expiry Date, the trading price of the Reference Asset (Reference Asset Price), is equal to or less than \$10.00 (i.e. equal to or less than the Barrier Level) then a Barrier Event will occur for that Call Warrant. Following a Barrier Event, the Call Warrant will automatically terminate and the Holder will not be entitled to any payment with respect to the Barrier Call Warrant. Therefore, investors will lose their entire investment (being the purchase price of \$1.20 per Warrant).

If the Barrier Warrant was a Put Warrant, the Reference Asset Price must be greater than or equal to the Barrier Level in order for a Barrier Event to occur.

If a Barrier Event does not occur, the Warrants will continue until the Expiry Date and may be exercised as set out in the examples above.

6. Specified Number Call Warrant Example

Assumptions

We have assumed a Series of Warrants with the following features:

- Call Warrant
- Reference Asset is Index XYZ
- Strike Price of 1,500 (Index level)
- Strike Price Currency is Australian Dollars – therefore, the Settlement Exchange Rate is not relevant
- No FX Hedge feature
- Specified Number is 100
- There are no relevant Expenses or Transfer Taxes (however this will not be the case for all Warrants)

On the exercise of the Call Warrant, the Final Value of the Reference Asset is 1,700. Therefore the Final Value is greater than the Strike Price.

If the Warrant is **Cash Settled**, the Holder will receive the Cash Amount calculated as follows:

Cash Amount = [(Final Value – Strike Price) / Settlement Exchange Rate / Specified Number] – Expenses

$$= [(1,700 - 1,500) / 1 / 100] - 0$$

$$= \$2 \text{ per Warrant}$$

7. Specified Number Put Warrant Example

Assumptions

We have assumed a Series of Warrants with the following features:

- Put Warrant
- Reference Asset is Index XYZ
- Strike Price of 1,500 (Index level)
- Strike Price Currency is Australian Dollars – therefore, the Settlement Exchange Rate is not relevant
- No FX Hedge feature
- Specified Number is 100
- There are no relevant Expenses or Transfer Taxes (however this will not be the case for all Warrants)

On the exercise of the Put Warrant, the share price of the Reference Asset is 1,200. Therefore, the Final Value is less than the Strike Price.

If the Warrant is **Cash Settled**, the Holder will receive the Cash Amount calculated as follows:

Cash Amount = [(Strike Price – Final Value) / Settlement Exchange Rate / Specified Number] – Expenses

$$= [(1,500 - 1,200) / 1 / 100] - 0$$

$$= \$3 \text{ per Warrant}$$

8. General information

This Section outlines for potential Holders some general information in relation to the Warrants. It does not purport to identify all of those matters which might be of interest to potential Holders.

The PDS is of a general nature only and should not be regarded as constituting legal or taxation advice.

8.1 Admission to trading status on the ASX

An application has been made and approval has been given for the Warrants to be admitted to trading status by the ASX. The fact that the ASX has admitted the Warrants to trading status is not to be taken in any way as an indication of the merits of RBS or of the Warrants (and Reference Assets) now offered for subscription. The ASX does not warrant the accuracy or truth of the contents of this PDS.

In admitting the Warrants to trading status and not objecting to the Terms, the ASX has not authorised or caused the issue of this PDS or the making of offers or invitations with respect to the Warrants. The ASX takes no responsibility for the contents of this PDS. The ASX makes no representation as to whether this PDS and the Terms comply with the Corporations Act or the ASX Operating Rules.

To the extent permitted by the ASIC Act, the Corporations Act, the Competition and Consumer Act 2010 (Cth) or any other relevant law, the ASX will be under no liability for any claim of whatever kind, including for any financial or consequential loss or damage suffered by Holders or any other person, if that claim arises wholly and substantially out of:

- reliance on any information contained in this PDS; or
- any error in, or omission from, this PDS.

8.2 CHESS System

The Warrants will be CHESS Approved Securities, which means they have been declared eligible to participate in CHESS pursuant to the ASX Settlement Operating Rules.

On market transfers will be effected through CHESS. Holders will be provided with a holding statement (not a certificate) which sets out the number of Warrants they hold and includes their Holder Identification Number (HIN).

8.3 Market making

To ensure sufficient liquidity, the Issuer undertakes to the ASX that it will make a market by maintaining buy orders at market prices for the life of the Warrants. Please refer to Section 5.11 "Illiquidity of trading market" for more information on the limitations and risks associated.

8.4 RBS (Through its broker or their nominee) may apply for Warrants

RBS (through its broker or their nominee) may apply for Warrants to facilitate market making activities. If the total number of Warrants applied for by RBS (through its broker or their nominee) for market making purposes is less than the Maximum Subscription, RBS reserves the right (through its broker or their nominee) to apply for all or any of the remaining Warrants. RBS reserves the right to issue the Warrants to such persons.

8.5 Tax considerations

Subscribing for, purchasing, holding, dealing or exercising Warrants may have income tax or capital gains tax implications for individual Holders, please see Part 10 "Taxation Information" for more information. Potential Holders should take their own advice in this matter.

8.6 Legislation regulating disclosure by substantial shareholders and takeovers – associations arising as a result of Warrant trading

The acquisition of a Warrant (where the Reference Asset is a Security) relating to Securities may have implications for a Holder under the Corporations Act provisions regarding substantial holdings in securities and takeover provisions. Holders should seek their own advice about this as the precise implications depend on the Holder's particular circumstances including their own and other persons' existing Security holdings.

8.7 ASIC Class Orders applicable to Warrants

ASIC has issued various Class Orders which apply to the Warrants issued under this PDS:

- **ASIC Class Order 02/608 - Relief for on-market purchasers.** The sale of a Warrant may have implications for a Holder of such a Warrant under the Corporations Act provisions regarding the requirements for disclosure documents for sales of securities. Holders should seek their own advice in this regard. Any sale or purchase of Warrants on the secondary market does not require the issuer to provide a PDS to the Holder pursuant to ASIC Class Order 02/608.
- **ASIC Class Order 02/924 – No relevant interest for Holder of Call Warrants in respect of the takeover provisions.** The Holder of a Call Warrant for which the Reference Asset is a Security does not have a relevant interest in the Securities underlying the Call Warrant for the purposes of the takeover provisions of the Corporations Act.

- **ASIC Class Order 02/925 – No relevant interest and no association for Issuer of a Call Warrant.** The Issuer of a Call Warrant (where the Reference Asset is a Security) does not have a relevant interest in the Security underlying the Call Warrant and no association arises between the Holder and Issuer of a Call Warrant (merely because of the Call Warrant).
- **ASIC Class Order 02/926 - No relevant interest and no association for Issuer of a Put Warrant.** The Issuer of a Put Warrant (where the Reference Asset is a Security) does not have a relevant interest in the Security underlying the Put Warrant and no association arises between the Holder and Issuer of a Put Warrant (merely because of the Put Warrant).

8.8 Short selling

The acquisition of a Warrant (where the Reference Asset is a Security) may have implications for a Holder under the Corporations Act provisions regarding short selling. Holders should seek their own advice about this as the precise implications depend on the Holder's particular circumstances.

8.9 Foreign Acquisitions and Takeovers Act

Acquisitions and exercise of Warrants may also have implications for a Holder under the Foreign Acquisitions and Takeovers Act 1975 (Cth) ("FATA"). Potential Holders should seek their own legal advice in relation to all aspects of the proposed investment, including, but not limited, the nature and applicability of any restrictions contained in FATA in the context of the Warrants.

8.10 Personal Property Securities Act

The Issuer has included provisions within the Terms to ensure that relevant steps are taken in respect of the Warrants in the event that a security interest under the PPS Act will arise (if provided by the Holder) in relation to the Warrants.

8.11 Other matters to consider

The acquisition and exercise of Warrants could (as relevant) also have implications for Holders under other legislation. For example, legislation or government policy (or the constitution of a Reference Company where the Reference Asset is a Security) might restrict ownership of the Reference Assets which comprise the Reference Parcel. Potential Holders should seek their own advice in this regard.

8.12 Consents

Link Market Services Limited has given and not withdrawn its consent to be named in this PDS in the form and context in which it is named. Link Market Services Limited has not authorised, and should not be taken to have caused, the issue of any part of this PDS.

8.13 Important information regarding the Reference Assets

None of the Issuer or its Affiliates have the ability to control or predict the actions of any of the Reference Companies or Index Sponsors. No Reference Company or Index Sponsor is involved in, sponsors or endorses the offer of the Warrants in any way and

none has any obligation to consider the interest of the Holders of the Warrants in taking any corporate actions that might affect the value of the Warrants.

None of the Issuer or its Affiliates assume any responsibility for the adequacy of the information about any Reference Company or Index Sponsor. The Issuer is not responsible for any public disclosure of information of such Reference Company or Index Sponsor, whether contained in ASX filings or otherwise.

8.14 Cooling off

No cooling off rights apply to the issue of the Warrants.

8.15 Privacy

RBS collects your personal information in order to:

- provide and manage the financial products and services provided by RBS to you;
- comply with relevant laws; and
- keep you informed of new products and services.

RBS may use the information to send out information on RBS's other trading and investment products, such as instalment warrants. If you do not actively select not to receive any information on RBS's other trading and investment products, you are taken to have consented to the receipt of such information. If, at any time, you are receiving information from RBS about RBS products and do not wish to receive further correspondence, you will need to let RBS know by calling us on 1800 450 005.

RBS may disclose information about you to third parties where it is necessary for business purposes in managing a financial product or service and/or where RBS has service partners involved in providing financial products or services. On request, RBS will provide you with a copy of any personal information which RBS holds about you. RBS will inform you beforehand if there is any charge associated with providing this information to you. If you do not provide RBS with the personal information which RBS requests, RBS may not be able to provide a service, or RBS may be required by law to take particular actions such as deducting taxation at the top marginal rate. Further information about RBS's privacy practices can be found by requesting a copy of RBS's Privacy Policy by contacting RBS on 1800 450 005.

8.16 Additional information

This PDS is current as at 31 August 2012. Information in this PDS is subject to change from time to time.

Where information that is not materially adverse to Holders changes, RBS will update the information by posting a notice on its website at www.rbs.com.au/warrants. The Issuer may also be required by law to issue a Supplementary Product Disclosure Statement as a result of certain changes. Any Supplementary Product Disclosure Statement will be available on the Issuer's website at www.rbs.com.au/warrants. You can also obtain a paper copy of updated information or any Supplementary Product Disclosure Statement free of charge upon request on 1800 450 005.

Where a Supplementary Product Disclosure Statement is issued, RBS will also notify the ASX and make an appropriate announcement to the market.

Should RBS issue any ASX-traded managed investment warrants, it proposes to take advantage of ASIC relief provided by Class Order 03/957 (as amended by Class Order 04/188 and Class Order 07/151) and comply with its obligations concerning ongoing disclosure of material changes and significant events.

If you require up-to-date purchase prices of the Warrants, up-to-date financial statements and accounts relating to RBS and all other up to date information concerning the Warrants, please contact the Warrants Department on 1800 450 005 (toll free) or visit the website www.rbs.com.au/warrants. Paper copies of the information are available free on request.

8.17 Complaints and enquiries

If a Holder has an enquiry or concern about their investment, they should contact the RBS Warrants Department on 1800 450 005 or in writing to:

The Royal Bank of Scotland plc

Warrants Department
Level 23, 88 Phillip Street
Sydney NSW 2000

Or

GPO Box 4675
Sydney NSW 2001

If you have a complaint and it is not addressed to your satisfaction by the Warrants Department, you can then direct your complaint to the Head of Compliance using the addresses above.

RBS Compliance will acknowledge receipt of your complaint in writing. Your complaint will be investigated in accordance with the RBS Group Complaints Policy (which can be read at www.rbs.com.au). You will be informed in writing of the result of the Compliance investigation into your complaint.

If you are not satisfied with RBS's response to your complaint, you can then contact the Financial Services Ombudsman Service ("FOS").

FOS is independent from the Issuer. Contact FOS:

Telephone 1300 780 808
Email info@fos.org.au

Mail Financial Ombudsman Service
PO Box 3
Melbourne VIC 8007

FOS is a free, independent external dispute resolution service approved by ASIC to consider complaints. In order for a complaint to be considered by FOS, the claim must be less than A\$500,000 (unless we and you agree otherwise in writing).

9. Description of the Reference Assets

The Reference Asset of a Warrant could be any of the following:

- Securities;
- Futures Contracts;
- Spot Commodity;
- Indices; or
- Exchange Rates.

The Reference Asset that relates to a Series of Warrants is set out in PDS Part 1. You should familiarise yourself with the Reference Asset.

RBS does not take into account any labour standards or social, environmental or ethical considerations for the purpose of selecting, retaining or realising an investment. An investment in the Warrants requires the selection of the Reference Parcel only.

Securities

The Reference Asset for a Series may be a Security issued by a Reference Company.

Each Reference Company is listed on the Relevant Exchange specified in PDS Part 1. Information about the Reference Companies, including their security price and the volume of the trading, may be able to be obtained from several sources including the Reference Companies themselves, the Relevant Exchange, a broker or investment adviser and newspapers. Potential Holders should make their own inquiries about the Reference Companies and should refer to the websites listed in PDS Part 1.

The rights and liabilities attaching to the Security issued by a Reference Company are set out in the constitution of the relevant Reference Company. Potential Holders may be able to obtain a copy of the constitution by approaching the relevant Reference Company directly.

Should a Holder wish to know whether the Reference Company takes into account any labour standards or social, environmental or ethical considerations, they should make their own enquiries of the relevant Reference Company. Please refer to the relevant Reference Company's disclosure document or to any information disclosed in the relevant Reference Company's continuous disclosure obligations (if any).

Futures Contracts

The Reference Asset for a Series may be a Future Contract. Details of the contract specifications can be found on the relevant Price Source set out in the Summary Table in PDS Part 1 in relation to the specified Futures Contract.

The Futures Contract may relate to a commodity. A commodity generally refers to any agricultural product or raw materials.

Commodities are traded on commodities exchanges around the world in accordance with contract terms specified by that particular exchange. There are approximately fifty international commodity exchanges around the world, including the Chicago Mercantile Exchange, Euronext.liffe, London Metal Exchange and the New York Mercantile Exchange. Each commodities exchange will specify the terms of contract for the commodities traded on that exchange and may also include forwards, futures and options on futures in relation to the commodities.

For further information about a Futures Contract and any related commodity, please refer to PDS Part 1. The Issuer will also provide details of a Futures Contract on the ASX Market Announcement Platform.

Spot Commodity

The Reference Asset for a Series may be a Spot Commodity. Details of the spot commodity specifications can be found on the relevant Price Source set out in the Summary Table in PDS Part 1 in relation to the specified Spot Commodity.

The Spot Commodity will relate to a commodity. A commodity generally refers to any agricultural product or raw material such as metals and oil. Commodities may be traded on commodities exchanges around the world in accordance with contract terms specified by that particular exchange. Commodities may also be traded in the over-the-counter market. The over-the-counter commodities market is a decentralised market of commodities not listed on an exchange. There are approximately fifty international commodity exchanges around the world, including the Chicago Mercantile Exchange, Euronext.liffe, London Metal Exchange and the New York Mercantile Exchange. Each commodities exchange will specify the terms of contract for the commodities traded on that exchange and may also include forwards, futures and options on futures in relation to the commodities.

For further information about a Spot Commodity and the related commodity, please refer to PDS Part 1. The Issuer will also provide details of a Spot Commodity on the ASX Market Announcement Platform.

Exchange Rates

The Reference Asset for a Series may be an Exchange Rate.

The Exchange Rate is as quoted on the Price Sources specified in the Summary Table in PDS Part 1 (e.g. WM/Reuters). The level of the Exchange Rate applicable at any relevant time is determined by the Issuer by reference to the Price Source. This may differ to what a retail Holder might have access to in the retail foreign exchange market.

If the Warrant is a FX Hedged Warrant, the Exchange Rate will be fixed on the Issue Date.

Indices

The Reference Asset for a Series may be an Index. An Index is generally a compilation of stocks and other tradable assets that are compiled and tracked in a manner determined by the index rules set out in the methodology for that particular index. An index may represent the particular portion of a stock market (e.g. the S&P/ASX 200) or particular sector (e.g. the Gold and Precious Metals Index) or a strategy. Indices are reported via the level of an Index calculated and published by an Index Sponsor on a Price Source. For Warrants for which the Reference Asset is an Index, details of the Price Source and Index Sponsor are provided in the Summary Table in PDS Part 1 and the Reference Asset Table in PDS Part 1. Please refer to the relevant Price Source and familiarise yourself with the components of the Index, the rules and calculation methodology.

10. Taxation information

The Australian income tax consequences of being a Holder vary depending upon the Holder's tax character and activities. The summary below is based on the following assumptions:

- the Holder is an Australian resident operating from Australia for the purposes of this investment;
- the Holder does not buy a Warrant as part of a business of trading or dealing in securities or warrants, so that the Warrants and Reference Parcel are held as capital assets and is neither trading stock nor a revenue asset;
- where the Holder does not wish to hold the Warrant until the Expiry Date then they will sell the Warrant on the secondary market;
- all transactions will be denominated in Australian dollars.

The summary is based on Australian law and administrative practice in effect at the date of this PDS. However, the ultimate interpretation of the law rests with the Courts. The law, and the way the Commissioner of Taxation (**Commissioner**) administers the law, may change at any time.

This statement is provided only for the benefit of the Issuer and is necessarily general in nature. It does not take into account the specific taxation circumstances of each individual Holder. Holders should seek independent professional advice in relation to their own particular circumstances before making any investment decision as the consequences for a particular Holder may differ from this summary.

This summary has been prepared by Baker & McKenzie for the purposes of inclusion in this PDS and any opinions expressed in this tax summary are those of Baker & McKenzie and not RBS. Baker & McKenzie is not involved in the marketing of this transaction and its role should not be interpreted to mean that it encourages any party to invest.

All references to legislative provisions are to provisions of the Income Tax Assessment Act 1997 (**1997 Act**) and Income Tax Assessment Act 1936 (**1936 Act**), unless otherwise indicated.

CGT provisions

Purchase of Warrants

A Warrant is a CGT asset.

The cost base of a Warrant will comprise:

1. the consideration paid by the Holder to acquire the Warrants;
2. incidental costs of acquisition and disposal (e.g. brokerage fees);

3. non-deductible costs of ownership of the Warrant (e.g., interest which a Holder incurs as a result of borrowing funds to acquire the Warrant where the interest is not otherwise allowable as a tax deduction).

The reduced cost base of a Warrant should include item 1 and 2, but not item 3 referred to above.

Disposal of Warrants

A Holder will dispose of a Warrant if it is sold, expires or is terminated early.

A Holder will make a capital gain when the capital proceeds on disposal of the Warrant exceeds the cost base of acquiring those Warrants. A capital loss is made where the capital proceeds are less than the reduced cost base of the asset.

Where a Warrant terminates (other than as a result of a Barrier Event in the case of Barrier Warrants), the capital proceeds may be equal to the Early Termination Amount. In the case of the termination of a Barrier Warrant, the capital proceeds will be nil and the Holder will make a capital loss equal to the reduced cost base of the Barrier Warrant.

A Holder that is an individual, trust or complying superannuation entity that has held the Warrant for at least 12 months is entitled to a CGT discount. Individuals and trusts are entitled to a 50% discount and complying superannuation entities to a discount of 33^{1/3}%.

Issuer Buy-Back

The comments made in relation to the disposal of a Warrant are generally relevant where the Issuer buys back a Warrant from the Holder. However, there is a risk that any gain will be assessed as ordinary income in which case the Holder will not qualify for the concessional CGT rules. This will depend on the circumstances in which these events occur.

Cash Settlement

If a Warrant that is in-the-money is Cash Settled, the Holder will make a capital gain to the extent that the Cash Amount exceeds the cost base of the Warrant. A capital loss is made where the Cash Amount is less than the reduced cost base of the Warrant.

A Holder that is an individual, trust or complying superannuation entity that has held the Warrant for at least 12 months is entitled to a CGT discount. Individuals and trusts are entitled to a 50% discount and complying superannuation entities to a discount of 33^{1/3}%.

Physical settlement

Call Warrants

Any capital gain or loss on exercise of a Physically Settled Call Warrant is disregarded.

The amount paid to acquire the Warrant, and the amount paid to exercise the Warrant, are both included in the cost base and reduced cost base of the Reference Parcel.

Any capital gain or capital loss on any subsequent disposal of the Reference Parcel will be calculated taking into account the consideration received on disposal of the Reference Assets less the Reference Assets' cost base or reduced cost base.

In order for the Holder to qualify for the CGT discount on the disposal of the Reference Parcel, the Holder must have held the Reference Asset being disposed of for at least 12 months. The Reference Asset will be taken to have been acquired when the Call Warrant is exercised, not when the Call Warrant was acquired.

Put Warrants

The transfer of the Reference Parcel on exercise of a Physically Settled Put Warrant is a taxable event.

Any capital gain or capital loss on the disposal of the Reference Parcel will be calculated taking into account the consideration received on disposal of the Reference Assets less the Reference Assets' cost base or reduced cost base. The amount paid to acquire the Put Warrant, and the amount paid to acquire the Reference Parcel, will be included in the cost base and reduced cost base of the Reference Parcel disposed of on exercise.

A Holder that is an individual, trust or complying superannuation entity that has held the Reference Asset for at least 12 months is entitled to a CGT discount. Individuals and trusts are entitled to a 50% discount and complying superannuation entities to a discount of 33¹/₃%.

Holding the Warrants

A Holder of a Warrant will not have any entitlement to any income or rights in respect of the Reference Asset. Consequently, a Holder will not derive assessable income and no franking credits will be available to the Holder by virtue of holding the Warrants.

Holding period rule

Holders should bear in mind that the acquisition of a Put Warrant may impact on entitlements to franking credits on dividends paid on other shares that have a negative correlation to the Put Option.

This is because a shareholder is entitled to a franking credit on a franked dividend if, and only if, the shareholder has a 30% net position in the share during a pre-defined qualification period. Put Warrants may impact on the net position a Holder has in a share as they typically have a negative correlation to the underlying Reference Assets to which they relate. Holders should review this issue by reference to their own circumstances.

Holding the Reference Parcel

Shares

To the extent that dividends are derived from the Reference Parcel, the Holder will be treated as deriving dividend income.

Dividends received by the Holder should be included in their assessable income.

If the Reference Asset is a share in an Australian resident company, franking credits may be available in respect of the dividends on the Reference Asset (subject to various anti-avoidance rules) in which case Holders should:

1. include in their assessable income an additional amount equal to any franking credits attached to the dividends; and
2. claim a tax offset equal to this additional amount which can be offset against the Holder's income tax liability for that income year.

Holders that are either a resident individual or a complying superannuation fund may be entitled to a refund of any excess tax offsets that exceed the Holder's income tax liability for that year.

Proposed foreign accumulation fund provisions

Reforms were announced in the 2009-10 Federal Budget to Australia's foreign source income anti-tax deferral attribution rules. To this end, the Foreign Investment Funds (FIF) provisions were repealed from 1 July 2010 with an intention of being replaced with a narrower anti-deferral rules that applies to offshore accumulation or roll-up funds referred to as foreign accumulation funds (FAFs). On 17 February 2011 the Assistant Treasurer released for public consultation the exposure draft legislation on the FAF rules. Based on the current draft we do not expect the new FAF rules to apply to an option to acquire an interest in a foreign entity (like a Warrant). If the Holder acquires the Reference Parcel, certain amounts may be attributed to a Holder where, amongst other things, at least 80% of the market value of the foreign entity's assets are debt interests and 20% or more of its profits and gains are not distributed.

As these provisions are currently in exposure draft form, Holders should discuss the progress of these provisions with their own professional tax adviser.

Trust Units

Where the Reference Asset is an interest in a unit trust, the tax implications of holding such a Reference Asset will depend on the nature of the particular trust.

As a rule, Holders should include in their assessable income a portion of the trust's income. The amount will be determined by reference to the portion of the income of the trust to which they are entitled.

Where a Relevant Asset is a unit in a unit trust which is a 'public unit trust' or a 'corporate unit trust' under Divisions 6B or 6C of Part III of the 1936 Act, respectively, that unit trust will be treated as a company for taxation purposes and, therefore, any distributions made by the unit trust will be treated as dividends. As such, the tax treatment will be the same as that discussed above in "Distributions".

Taxation of Financial Arrangements

Division 230 contains the final stages of the taxation of financial arrangements (**TOFA**) reforms. There are a number of exclusions from TOFA. Specifically, the TOFA rules should not apply to superannuation entities with assets of less than \$100 million or individuals that hold a Warrant that is not regarded as a 'qualifying security'. In this regard, it is considered that a Warrant should not

be regarded as a qualifying security. As the taxation profile of each Holder is different, each Holder should seek their own independent taxation advice.

Part IVA

Part IVA includes the general anti-avoidance regime for income tax. Broadly, Part IVA can apply to a Holder's investment if any party has entered into this arrangement for the dominant purpose of enabling the Holder to obtain a tax benefit. A tax benefit can include deferring the recognition of assessable income to a later year of income or converting an assessable income amount into a discount capital gain.

A Holder in this product may obtain a tax benefit. Therefore, the application of Part IVA of the 1936 Act depends on whether, viewed objectively, a Holder would be taken to have borrowed money or invested in this product with the dominant purpose of obtaining a tax benefit. This depends on the circumstances of each Holder. Depending on the profile of the Holder, the Commissioner may need to weigh the commercial advantages of borrowing money and investing in the Warrant - including those set out in this PDS - against any tax benefits obtained.

Holders should discuss the potential application of Part IVA with their own tax adviser.

11. Interpretation of this PDS

11.1 Glossary

Unless the context otherwise requires, capitalised terms in the PDS and the Terms have the following meanings:

“Accretions” means all rights and entitlements attaching to the Reference Assets after the date of issue of the Warrant including, without limitation, all voting rights, all Dividends and all rights to receive Dividends and other distributions or Shares, notes, options or other Reference Assets exercisable, declared, paid or issued in respect of the Reference Assets.

“Adjustment” means an adjustment, amendment or variation of the Terms in accordance with clause 10 as a result of an Adjustment Event.

“Adjustment Event” means, in respect of a Reference Asset or the securities or components that make up the Reference Asset for a particular Series (where each of these or any element of them is a “Relevant Asset”) any of the following events:

- a. where the Relevant Asset is a security, debenture, CHESS depository interest or other financial product or an interest in a managed investment scheme, trust, fund or collective investment vehicle:
 - i. the actual or proposed adoption of any procedure, event or action which is or which is likely to result in any cash return of capital, pro-rata cash distribution, capital reduction, liquidator’s distributions, share buy-back, bonus issue, rights issue, arrangement, scheme of arrangement, compromise, merger, demerger, reconstruction, compulsory acquisition, redemption, cancellation, replacement, modification, subdivision or consolidation, Takeover Bid, special dividend, non cash dividend, share split or any other similar or like event;
 - ii. any event which is or which results in the actual or proposed administration, liquidation, winding up or termination of the issuer of the Relevant Asset or other similar or like event (however described);
 - iii. any event which is or which results in the actual or proposed de-listing of the Relevant Asset or the actual or proposed removal from quotation of the Relevant Asset or the actual or proposed Suspension from trading of the Relevant Asset; or
 - iv. any Takeover Bid is made or announced for all or any of the Relevant Assets;
 - v. a scheme of arrangement, quasi-scheme of arrangement or merger in the nature of a scheme of arrangement occurs in relation to an issuer of the Relevant Asset;
- vi. the declaration or payment by the issuer of the Relevant Asset of a non-cash Dividend or special Dividend;
- vii. the insolvency of the issuer of the Relevant Asset by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding up or any analogous proceeding affecting the issuer of the Relevant Asset;
- viii. nationalisation of the Relevant Asset;
- b. where the Relevant Asset is an index or a share that seeks to track an index :
 - i. the Relevant Asset is suspended or ceases to be published for a period of 24 hours or more;
 - ii. the Relevant Asset is not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor or provider;
 - iii. the Relevant Asset is replaced by a successor index using the same or substantially similar formula and method of calculation;
 - iv. there is a Suspension or limitation on trading of securities generally on a Relevant Exchange or Related Exchange for a period of 24 hours or more;
 - v. material information about the Relevant Asset is not published or made available;
 - vi. the Index Sponsor or any successor makes a material change in the formula for or the method of calculating the Relevant Asset or in any way materially modifies that Relevant Asset; or
 - vii. there is a Suspension or limitation on trading of securities or spot or futures contracts generally on a Relevant Exchange for a period of 24 hours or more;
- c. where the Relevant Asset is a fund;
 - i. a violation or change of any material terms of the fund’s offer documents or other constitutional documents;
 - ii. the main investment objective of the fund changes to a material extent;
 - iii. any change in the currency of denomination of the net asset value (“NAV”) of the relevant class or shares of the fund;
 - iv. the NAV of the fund, as calculated by its administrator, not being calculated or announced for any scheduled Fund Business Day within the time period when the Issuer would ordinarily expect such NAV to be available;

- v. any restriction or limitation or suspension or deferral of, redemptions of or subscription for shares in the fund (including the introduction or increase of any associated fee, cost or expense, or any mandatory redemption of shares of the fund);
 - vi. a material change in the tax or regulatory environment of the fund, or of the manager, investment manager or investment adviser (each a “**Manager**”) of the fund;
 - vii. a change in asset allocation by the fund, whether in strategy or choice of Manager(s);
 - viii. any review or investigation of the activities of the fund or any of its Managers, by a relevant regulator, in connection with suspected or alleged wrongdoing or breach of any rule or regulation, or other similar reason, or any disciplinary action taken by such regulator in consequence thereof;
 - ix. the Issuer is the beneficial owner of 25% or more of the shares of or interests in the fund or a relevant class of the fund;
 - x. any Accretion to the fund arises;
 - xi. any winding-up, liquidation of, or any termination of any loss of regulatory approval, license or registration of, the fund’s Manager, or any merger, de-merger, winding-up or liquidation of or affecting the fund; or
 - xii. any arrangement between the Issuer and the fund and/ or one or more of its Managers, including arrangements relating to subscriptions and redemptions, being changed or terminated;
- d. where the Relevant Asset is a spot or futures contract or commodity:
- i. Price Source Disruption. The failure by the Relevant Exchange to announce or publish the price for the Relevant Asset (or the information necessary for determining such price), or the temporary or permanent discontinuance or unavailability of such price by the Relevant Exchange; or
 - ii. Trading Suspension. The material Suspension of trading on the Relevant Exchange or any Related Exchange; or
 - iii. Rollover not possible. If it is not possible for the Issuer to Rollover the futures contract for reasons that are outside the control of the Issuer, such as the unavailability of a futures contract to roll into; or
 - iv. Disappearance of Price. The failure of trading to commence, or the permanent discontinuation of trading of the Relevant Asset on the Relevant Exchange; or
 - v. Material Change in nature of or pricing method. The occurrence of a material change in the basis for (including but not limited to the quantity, quality or currency), or method of calculating the price of the Relevant Asset; or
 - vi. Material Change in Content. The occurrence of a material change in the content, composition of the Relevant Asset; or
 - vii. De Minimis Trading. The number of contracts traded on the Relevant Exchange with respect to the Relevant Asset
- is such that the Issuer declares that its ability to enter into hedging transactions with respect to the Relevant Asset has been impaired due to a lack of, or a material reduction in, trading in the Relevant Asset on the Relevant Exchange; or
- viii. Tax Disruption. The imposition of, change in, or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the Relevant Asset (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority if the direct effect of such imposition, change or removal is to raise or lower the price of the Relevant Asset on the relevant valuation date as the case may be and/or on each of the three Trading Days following the relevant valuation date as the case may be from what it would have been without that imposition, change or removal; or
 - ix. Trading Limitation. The material limitation imposed on trading in the Relevant Asset with respect to it or any contract with respect thereto on any exchange or principal trading market; or
 - x. other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations;
- e. Where the Relevant Asset is an exchange rate:
- i. Price Source Disruption. If it becomes impossible to obtain the exchange rate on a relevant date, as the case may be, in the inter-bank market; or
 - ii. Governmental Default. If with respect to any security or indebtedness for money borrowed or guaranteed by any governmental authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (i) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (ii) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (iii) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such governmental authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or
 - iii. Inconvertibility/non-transferrability. The occurrence of any event which (i) generally makes it impossible to convert the currencies in the exchange rate through customary legal channels for conducting such conversion in the principal financial centre of the settlement currency or (ii) generally makes it impossible to deliver the settlement currency from accounts in the country of the principal financial

- centre of the settlement currency to accounts outside such jurisdiction or the settlement currency between accounts in such jurisdiction or to a party that is a non-resident of such jurisdiction; or
- iv. Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any governmental authority which deprives the Issuer (or any of its Affiliates), of all or substantially all of its assets in the country of the principal financial centre of the settlement currency; or
- v. Illiquidity. Any impossibility in obtaining a firm quote for the exchange rate or the settlement currency for an amount which the Issuer considers necessary to discharge its obligations under the Warrants; or
- vi. Other Events. Any other event similar to any of the above, which could make it impracticable or impossible for the Issuer to perform its obligations in relation to the Warrants;
- f. a security granted by the Relevant Asset, its manager or certain services providers becomes enforceable or any of their trading or dealing arrangements have become terminable because of default by them;
- g. the net asset value of the Relevant Asset is not calculated or published as required, or the timing of the calculation or publication changes, or the methodology used changes;
- h. information about the Relevant Asset is not published or provided as required;
- i. trading in the Relevant Asset is suspended or restricted;
- j. the Relevant Asset, its manager, its sponsor or certain service providers become insolvent by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the issuer of the Relevant Asset;
- k. there is an event in respect of the Relevant Asset, its sponsor or its manager by which:
- a. the entity will be merged with another entity (unless it will continue as an entity without reclassification or change of its shares or units); or
- b. there is a change in control of the entity;
- l. a securities lending agreement (if any) is terminated, adjusted or changed;
- m. a Change of Law occurs;
- n. a Hedging Disruption or Increased Cost of Hedging or the Issuer's hedging arrangements are suspended, terminated, adjusted, changed or delayed for any reason as determined by the calculation agent for those hedging arrangements or any Relevant Asset relevant to the hedging arrangement is suspended, terminated, adjusted, changed or delayed in any way or any calculation under the hedging arrangements is suspended, terminated, adjusted, changed, delayed, brought forward or calculated on a different day;
- o. where any Force Majeure Event occurs, or any other event occurs which the Issuer determines in good faith in the performance of its obligations having or becoming, in circumstances beyond its reasonable control, impossible, unlawful, illegal or otherwise prohibited;
- p. any actual or proposed event that may reasonably (in the Issuer's opinion) be expected to lead to any of the events referred to in paragraphs (a) to (o) above occurring;
- q. any event which results in the Issuer being unable to redeem, sell, dispose of, liquidate, acquire, purchase or transfer the Reference Assets;
- r. a material limitation of the ability of RBS to comply with the ASX Operating Rules (except in the case where that material limitation is caused by RBS);
- s. a Warrant ceasing to be an "Approved Financial Product" (as defined in the ASX Settlement Operating Rules);
- t. insolvency of the issuer or sponsor of the Reference Asset;
- u. a Market Disruption Event; or
- v. any other event has occurred which the Issuer determines acting in good faith and in a commercially reasonable manner, requires adjustment to the Terms of the Warrants.
- "Affiliate"** means, in relation to a person, any entity controlled, directly or indirectly, by the person; any entity that controls, directly or indirectly, the person; or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.
- "American Style"** means, in relation to the exercise style of the Warrant, a Warrant which can be exercised between 9:00am and the Closing Time on any Business Day from the date of issue up to and including the Expiry Date.
- "ASIC"** means the Australian Securities and Investments Commission.
- "ASIC Act"** means the Australian Securities and Investments Commission Act 2001 (Cth), as amended from time to time.
- "ASX"** means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691) or the market operated by ASX as the context requires.
- "ASX Clear"** means ASX Clear Pty Limited as approved as an Australian CS facility licensee under the Corporations Act or any clearing house or other entity which is substituted for it.
- "ASX Clear Operating Rules"** means the clearing rules of ASX Clear, as amended or substituted from time to time.
- "ASX Clearing and Settlement Rules"** means the ASX Settlement Operating Rules and the ASX Clear Operating Rules.
- "ASX Code"** means, in relation to each relevant Series, the trading code given to the Warrants by the ASX for that Series which, initially, is as set out in PDS Part 1.
- "ASX Operating Rules"** means the operating rules of the ASX, as amended from time to time.
- "ASX Settlement"** means ASX Settlement Pty Limited, as approved as the Securities Clearing House under the Corporations Act or any clearing house or other entity which is substituted for it.

“ASX Settlement Operating Rules” means the business rules as amended from time to time of ASX Settlement (or any clearing house or other entity which is substituted for it), as approved under the Corporations Act.

“ASX Trade” means the ASX Trade trading platform operated by ASX.

“Australian Clearing House” means the Australian Clearing House Pty Ltd;

“Australian Dollars” or **“AUD”** means the lawful currency of Australia.

“Barrier Date” is the date on which the Barrier Warrants terminate and are delisted.

“Barrier Event” means the triggering of a Barrier Level as set out in clause 8.4 of the Terms.

“Barrier Level” means, in relation to each Series, the price that appears in the Summary Table in PDS Part 1 that relates to that Series and as adjusted in accordance with clause 10 of the Terms, or, if there are no Holders of the relevant Warrant (other than the Issuer or a Related Body Corporate) as adjusted by the Issuer on any Business Day and published by the Issuer on www.rbs.com.au/warrants and through the ASX Market Announcement Platform.

“Barrier Style” means, in relation to each Series of Barrier Warrants, either Single-Touch or On-Close as set out in the Summary Table of PDS Part 1.

“Barrier Warrant” means a Call Warrant or a Put Warrant that also has a Barrier Level and Barrier Style as set out in the Summary Table in PDS Part 1.

“Business Day” has the meaning given to this term by the ASX Operating Rules.

“Call Warrant” means a Warrant specified in PDS Part 1 as a “Call Warrant”.

“Calculation Agent” means the Issuer or such other calculation agent as appointed by the Issuer in its absolute discretion.

“Capital Outlay” means the amount paid by a Holder to acquire their Warrants.

“Cash Amount” means an amount determined by the Calculation Agent in accordance with the following formula:

- i. for a Cash Settled Call Warrant for which the Reference Asset is a Security:

$[(\text{Final Value} - \text{Strike Price}) / \text{Settlement Exchange Rate} / \text{Specified Number}] - \text{Expenses};$

- ii. for a Cash Settled Call Warrant for which the Reference Asset is an Index, Spot Commodity or Futures Contract:

$[(\text{Final Value} - \text{Strike Price}) / \text{Specified Number} / \text{Settlement Exchange Rate}] - \text{Expenses};$

- iii. for a Cash Settled Call Warrant for which the Reference Asset is an Exchange Rate:

$[(\text{Final Value} - \text{Strike Price}) / \text{Specified Number} / \text{Settlement Exchange Rate}] - \text{Expenses};$

- iv. for a Cash Settled Put Warrant for which the Reference Asset is a Security:

$[(\text{Strike Price} - \text{Final Value}) / \text{Settlement Exchange Rate} / \text{Specified Number}] - \text{Expenses};$ and

- v. for a Cash Settled Put Warrant for which the Reference Asset is an Index, Spot Commodity or Futures Contract:

$[(\text{Strike Price} - \text{Final Value}) / \text{Specified Number} / \text{Settlement Exchange Rate}] - \text{Expenses};$

- vi. for a Cash Settled Warrant for which the Reference Asset is an Exchange Rate:

$[(\text{Strike Price} - \text{Final Value}) / \text{Specified Number} / \text{Settlement Exchange Rate}] - \text{Expenses};$

provided that the Cash Amount shall not be less than zero.

The Settlement Exchange Rate component in the above formulae is used to convert the Cash Amount into the Settlement Currency (Australian Dollars). This is only relevant where the Strike Price Currency and the Settlement Currency are different. The Settlement Exchange Rate component is not relevant for a Warrant which is an FX Hedged Warrant and so it follows that the above formulas would apply in relation to an FX Hedge Warrant by removing the Settlement Exchange Rate from those formulas.

The Cash Amount will be converted into the Settlement Currency at the Settlement Exchange Rate and rounded to the nearest two decimal places in the Settlement Currency, 0.005 being rounded downwards.

“Cash Settled Warrants”, “Cash Settled Call Warrant” or “Cash Settled Put Warrant” means a Warrant, Call Warrant or Put Warrant (respectively) specified as such in PDS Part 1 and where the Issuer is potentially liable only to pay a Cash Amount.

“Change” means, in respect of the Terms, any modification, variation, alteration or deletion of, or addition to, the Terms.

“Change of Law” means that due to the adoption of, or any change in any applicable law or regulation in any jurisdiction (including taxation legislation and the Corporations Act) or due to the promulgation or any change in the interpretation (by any court, tribunal or regulatory authority with competent jurisdiction) of any applicable law or regulation in any jurisdiction (including any action taken by a taxing authority) the Issuer determines in good faith that it has become illegal for any party to hold, acquire or dispose of the Warrants, the Reference Assets or the Issuer will incur a materially increased (as compared with the circumstances existing at the time the Warrants are listed on the ASX) cost in performing its obligations under the Terms (including due to any increase in tax liability decrease in tax benefit or other adverse effect on its tax position).

“CHESS” means the Clearing House Electronic Subregister System, a computer system which electronically transfers title between the buyers and sellers of ASX traded financial products on the ASX. It is a paperless system where Security ownership is recorded on an account in CHESS, rather than through the use of physical share certificates. CHESS also enables the electronic settlement of transactions between CHESS participants (i.e. stockbrokers and institutional Holders) and is operated by ASX Settlement, a wholly owned subsidiary of the ASX. All CHESS participants must abide by published rules known as ASX Settlement Operating Rules.

“Closing Time” means 12:00pm.

“Close of Trade Price” means:

- a. where the Reference Asset is a Security, the closing price or equivalent on the relevant Trading Day on the Relevant Exchange;
- b. where the Reference Asset is a Futures Contract, Spot Commodity, Index or Exchange Rate, the closing price as quoted on the Relevant Exchange or Price Source used by the Issuer for the Reference Asset at the close of market trading on the relevant Trading Day.

“Completion Day” means the day which is five (5) Business Days after the Exercise Day.

“Completion Event” means any of the following:

- a. for Barrier Warrants, a Barrier Event;
- b. exercise of a Warrant;
- c. an Expiry Event; or
- d. an Extraordinary Event.

“Corporations Act” means the *Corporations Act 2001 (Cth)*, as amended from time to time.

“Corporations Regulations” means the *Corporations Regulations 2001 (Cth)*, as amended from time to time.

“Default Rate” means, on any day, the Australian Bank Bill Swap Reference Rate (one month) rate displayed on the Reuters Monitoring system or, if there is a manifest error in the calculation of that rate or the rate is not displayed by 10:30am (Sydney time) on that day, the rate specified in good faith by RBS at or around that time on that day having regard to the extent possible, to the rates otherwise bid and offered for bills of that tenor at or around that time (including without limitation, the sets of bid and offer rates for bills of that tenor displayed on that page “BBSR” at that time on that day) which applies on that day to overdrafts with RBS.

“Dividends” means dividends or distributions (as the context requires) of the Reference Company, Index Sponsor or other issuer or sponsor of the relevant Reference Asset or anything which is treated as a dividend for the purposes of the Income Tax Assessment Act 1936 (Cth) and the Income Tax Assessment Act 1997 (Cth), as amended from time to time, and includes without limitation, any special or extraordinary dividends.

“Early Termination Amount” means the amount in Australian Dollars determined by RBS (acting in good faith and a commercially reasonable manner) as the value of a Warrant on the Termination Date (which may be zero), taking into account the impact that the event which caused the termination (whether under clause 25 or 32 of the Terms) has had, or is likely to have, on the value of the Reference Asset and the Warrant, the Strike Price, the volatility of the price or value of the Reference Asset, the level of interest rates, the time remaining until the Expiry Date, the future expected dividends of the relevant Reference Asset (if any) and the value of, and any losses or costs incurred by RBS in connection with, any Hedge Positions held by RBS or any other RBS entity in relation to the Warrant. In any event the Early Termination Amount will not be less than zero.

“European Style” means, in relation to the exercise style of the Warrant, a Warrant which can only be exercised between 9:00am and the Closing Time on the Expiry Date.

“Exchange Rate” means, if the Reference Asset is an exchange rate, the amount of secondary currency required to purchase one base currency or base commodity amount, as determined by the

Issuer by reference to the Price Source.

“Exercise Day” means:

- a. for an American Style Warrant:
 - i. which is a Call Warrant: if a valid Exercise Notice is received by RBS at the office on a Business Day during the Exercise Period before the Closing Time, that Business Day;
 - ii. which is a Put Warrant: if an Exercise Notice and any necessary documents such as a transfer form is received by RBS at the office on a Business Day during the Exercise Period before the Closing Time, that Business Day;

or if the valid Exercise Notice (Call Warrant) or transfer forms (Put Warrant) are received by RBS on a day which is not a Business Day, or on a Business Day but after the Closing Time, the Exercise Day will be the following Business Day, provided that day is during the Exercise Period; and

- b. for a European Style Warrant, the Exercise Day will be the Expiry Date, provided in the case of:
 - i. a Call Warrant: a valid Exercise Notice is received by RBS at the office before the Closing Time on the Expiry Date or within the 20 Business Days up to and including the Expiry Date;
 - ii. a Put Warrant: an Exercise Notice and any necessary documents such as a transfer form are received by RBS at the office before the Closing Time on the Expiry Date or within the 20 Business Days up to and including the Expiry Date.

“Exercise Notice” means a notice in the form set out in sections 13 or 14 of the PDS headed “Exercise Notice”.

“Exercise Period” means:

- a. for an American Style Warrant, the period from 9:00am to the Closing Time on any Business Day from the Issue Date of the Warrant up to and including the Expiry Date; and
- b. for a European Style Warrant, the period from 9:00am to the Closing Time on the Expiry Date.

“Expenses” means any reasonable incidental costs, including unwinding of hedging arrangements, Transfer Taxes and/or expenses and brokerage (if applicable) incurred by the Issuer in relation to Completion Event. These costs may be up to 20% of the total Cash Amount.

“Expiry Date” means, in relation to each Series, the date set out in PDS Part 1 for that Series.

“Extraordinary Event” means an event nominated by the Issuer in accordance with clause 9 of the Terms.

“Final Value” means

- a. where the Reference Asset is a Security, the average price in the Strike Price Currency at which RBS acquires or disposes of Securities equivalent to the Reference Asset in relation to the physical exercise of the relevant Warrant or, in the case of Warrants that are not Physically Settled, the value determined by RBS acting in good faith and a commercially reasonable manner to be the fair market value of the Reference Asset for this purpose;

- b. where the Reference Asset is an Index, the amount equal to the official closing level of the Index at close of trading on the Relevant Exchange or relevant Price Source on the Exercise Day where the level of the Reference Asset is as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction;
- c. c) where the Reference Asset is an Exchange Rate or Spot Commodity, the level of the Exchange Rate or Spot Commodity as determined by the Issuer in its reasonable discretion by reference to the Price Source on the Exercise Day where the level of the Reference Asset is as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction;
- d. d) where the Reference Asset is a Futures Contract, the amount equal to the official closing level of the Futures Contract at close of trading on the Relevant Exchange or relevant Price Source on the Exercise Day where the level of the Futures Contract is as determined by or on behalf of the Calculation Agent without regard to any subsequently published correction;
- e. e) in relation to all Reference Assets, if, in the determination of the Calculation Agent, a Market Disruption Event is occurring on the Exercise Day, the Final Value will be:
 - i. the official closing level published on the next Business Day on which the Market Disruption Even has ceased; or
 - ii. if, in the determination of the Calculation Agent, no such level can be determined or Market Disruption Event has occurred and is continuing for five consecutive Business Days, an amount determined by the Calculation Agent in good faith as the closing level of the Reference Asset on such date having regard to the then prevailing market conditions, the last reported level of the Index (if relevant) and such other factors as the Calculation Agent determines relevant.

“Force Majeure Event” means an event or circumstance beyond the reasonable control of the Issuer that prevents the Issuer from performing its obligations under the Terms.

“Fund Business Day” means any day in respect of which (i) the fund calculation agent calculated and publishes the relevant fund level or price or NAV and (ii) a notional Holder (in the same position as the Issuer) of shares or interests represented by the fund could purchase and sell or subscribe for and redeem such shares or interests.

“Future” or **“Futures”** or **“Futures Contract”** means the Futures Contract specified as such in the Summary Table in PDS Part 1 for the Series, subject to any applicable Adjustments as set out in these Terms, and as adjusted from time to time on each Rollover Date (if applicable (e.g. a Futures Contract may expire on the Expiry Date for the Warrant in which case adjustment is not required)) and notified by the Issuer in the daily pricing matrix made available on its website on www.rbs.com.au/warrants and through the ASX Market Announcement Platform. If there are no Holders and no unsettled trades, then the Issuer may Rollover or adjust the Futures Contract and will notify through its daily pricing matrix and the ASX Market Announcement Platform.

“FX Hedge” means the feature in respect of a Warrant where, notwithstanding the Reference Asset is denominated in a currency other than Australian Dollars, the Warrant is offered in Australian

Dollars (i.e. a Strike Price Currency of Australian Dollars) with the foreign exchange rate being fixed on the Issue Date.

“FX Hedged Warrant” means a Warrant to which the FX Hedge feature applies as specified in the Summary Table in PDS Part 1 for the relevant Series.

“GST” means Goods and Services Tax as defined in the A New Tax System (Goods and Services Tax) Act 1999.

“Hedging Disruption” means any event or situation, the result of which is the termination, adjustment or change of the Issuer’s hedging arrangement or a situation where on any date after the Issue Date up to and including the Expiry Date or any other relevant date, the Issuer is unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of its Hedge Position or any other transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Warrants, or (ii) realise, recover or remit the proceeds of its Hedge Position or any other such transaction(s) or asset(s).

“Hedge Position” means any purchase, sale, entry into, maintenance or Rollover of one or more Reference Assets positions, spot or futures contract positions, derivatives positions or other instruments or arrangements (howsoever described) by the Issuer or any Affiliate of the Issuer in order to hedge any of the Issuer’s obligations under the Terms.

“HIN” or **“Holder Identification Number”** means Holder Identification Number, as defined in the ASX Settlement Operating Rules.

“Holder” means in relation to a Warrant, the person whose name is for the time being entered in the Register as the Holder of the Warrant.

“Increased Cost of Hedging” means a situation in which the Issuer would, on any date on or after the Issue Date up to and including the Expiry Date or any other relevant date, incur a materially increased (as compared with circumstances existing on the Issue Date) amount of tax, duty, expense or fee (other than brokerage commissions) to:

- i. acquire, establish, re-establish, substitute, maintain, unwind or dispose of its Hedge Position or any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Warrants, or
- ii. realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer will not be deemed an Adjustment Event.

“Index” means, in relation to a Series of Warrants, the Index specified for those Warrants in PDS Part 1 as it may be varied by the Terms.

“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 relevant Index; and
- b. announces (directly or through an agent) the level of the relevant Index on a regular basis during each Trading Day,

and references to Index Sponsor shall include any successor Index Sponsor.

“Issue Date” means the date specified as such in PDS Part 1 for the

relevant Series.

“Issue Size” means the number of Warrants issued per Series as set out PDS Part 1. There is no minimum Issue Size. With the ASX’s consent, the Issue Size may, from time to time, be increased.

“Issuer” means The Royal Bank of Scotland plc (ABN 30 101 464 528) which in relation to the ASX Operating Rules is described as the Warrant Issuer.

“Market Disruption Event” means the occurrence or existing on any Business Day or Trading Day of any of the following events, in the determination of the Issuer:

- a. the Suspension or material limitation or disruption of trading in the Warrants, one or more of the Reference Assets, components of the Reference Asset or in securities or spot or futures contracts generally on a Relevant Exchange, Related Exchange or a market associated with any of the Reference Assets;
- b. any of the Reference Assets or components of the Reference Asset, or prices relating to any of these cease to exist or is materially changed, fails to be calculated and published, or the method of calculation materially changes;
- c. the occurrence of any event which disrupts or impairs the ability of market participants in general to effect transactions in (by reason of movements in price reaching or exceeding limits permitted by the relevant exchange or otherwise):
 - i. the Warrants on the ASX;
 - ii. the Reference Asset on the Relevant Exchange, Related Exchange or any other exchange on which the Reference Asset is listed; or
 - iii. any securities, option contracts, spot or futures contracts or other derivative contracts relating to the Reference Asset or Warrant on any Related Exchange, if, in the determination of the Calculation Agent, such Suspension or limitation is material;
- d. a general moratorium is declared in respect of banking activities in the country in which the Relevant Exchange or any Related Exchange is located;
- e. the Relevant Exchange closes prior to its scheduled closing time on a Business Day and the earlier closing time was not expected or announced with sufficient notice;
- f. any market disruption event (however described) under a Hedge Position; or
- g. any similar event the Issuer reasonably declares to be a Market Disruption Event, including a Force Majeure Event.

For the purposes of this definition, (1) a limitation on the hours and number of days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of the Relevant Exchange or any Related Exchange, (2) a limitation on trading imposed during the course of the day by reason of movements in price otherwise exceeding levels permitted by the Relevant Exchange or any Related Exchange may, if so determined by the Calculation Agent, constitute a Market Disruption Event, and (3) issues of materiality are to be determined in the reasonable discretion of the Issuer.

“Marketable Parcel” means any number of the Reference Assets permitted by the ASX Operating Rules and the ASX Settlement Operating Rules to be traded in a parcel on the ASX.

“Maximum Subscription” means, in relation to each Series, the number of Warrants set out in PDS Part 1 under the heading “Issue Size” or, if the ASX on the application of RBS made after the date of the PDS admits further Warrants for a Series to trading status on the ASX, the number for a Series set out in PDS Part 1 under the heading “Issue Size” plus the additional number of Warrants of that Series admitted to trading status after the date of this PDS.

“National Guarantee Fund” means the fund that provides compensation to Holders in certain circumstances, as set out in Division 4 of Part 7.5 of the Corporations Act.

“NAV” means Net Asset Value.

“Offer” means the offer of Warrants under this PDS.

“Offer Period” means the offer period between Offer Open Date and Offer Close Date as set out in PDS Part 1.

“Offer Open Date” means the date specified as such in PDS Part 1.

“Offer Close Date” means the date specified as such in PDS Part 1.

“On-Close” means the method of triggering a Barrier Warrant as set out in clauses 8.4(b) and 8.4(d) of the Terms.

“Original Holder” means, in relation to a Warrant, the first person whose name is entered in the Register as the Holder of that Warrant.

“PDS” or **“Product Disclosure Statement”** means the Product Disclosure Statement including PDS Part 1 and PDS Part 2, and any supplementary PDS prepared in relation to the Warrants.

“PDS Part 1” means Part 1 of the PDS.

“PDS Part 2” means Part 2 of the PDS.

“Physically Settled Warrant”, “Physically Settled Call Warrant” or **“Physically Settled Put Warrant”** means a Warrant, Call Warrant or Put Warrant (respectively) specified as such in PDS Part 1 where the Issuer’s obligation relates to completing the purchase or sale of the Reference Asset.

“PPS Act” means the Personal Property Securities Act 2009 (Cth) as amended from time to time.

“PPS Property” means all property over which the Holder is capable under the PPS Act of granting a security interest (as defined under the PPS Act) and that is property subject to the Terms of the Warrants.

“Price Source” means the publication, or such other origin of reference, including a Relevant Exchange or Related Exchange or Index Sponsor, containing or reporting the price (or prices or level from which the Final Value is calculated) which the Issuer uses to price the Reference Asset as set out in the Summary Table of PDS Part 1.

“Put Warrant” means a Warrant specified in the Summary Table in PDS Part 1 as a Put Warrant.

“RBS” means The Royal Bank of Scotland plc (ABN 30 101 464 528, AFSL 241114).

“RBS Group” means RBS and its Affiliates.

“Reference Asset” means:

- a. in respect of a Warrant for which the Reference Asset is a Security, the Security;
- b. in respect of a Warrant for which the Reference Asset is an Index, the Index;
- c. in respect of a Warrant for which the Reference Asset is an Exchange Rate, the Exchange Rate;
- d. in respect of a Warrant for which the Reference Asset is a Spot Commodity, the Spot Commodity; and
- e. in respect of a Warrant for which the Reference Asset is a Futures Contract, the Futures Contract.

“Reference Asset Price” means:

- a. where the Reference Asset is a Security, means the price as quoted on the Relevant Exchange during normal open market trading session (but excluding special crossings, option exercises and/or overseas sales);
- b. where the Reference Asset is a Spot Commodity, Futures Contract, Index or Exchange Rate, the price as quoted on the Relevant Exchange or Price Source for the Reference Asset during normal open market trading session as determined by the Issuer (but excluding special crossings, option exercises and/or overseas sales);

“Reference Company” means, in relation to a Warrant for which the Reference Asset is a Security, the corresponding entity whose Reference Assets are listed in the “Summary Table of Warrants” in PDS Part 1.

“Reference Parcel” means, in relation to each Series, the number and kind of Reference Assets or other securities (initially as set out in PDS Part 1) which:

- a. a Holder is entitled to have delivered to it upon the proper exercise of the Specified Number of Call Warrants; and
- b. RBS is entitled to have delivered to it upon the proper exercise of the Specified Number of Put Warrants.

as varied, if at all, under the Terms.

“Register” means the Register of Holders kept and maintained under clause 17 in the Terms.

“Registrar” means any person RBS may appoint, from time to time, to maintain the Register (initially specified in PDS Part 1).

“Relevant Date” means:

- a. in relation to a calculation for the purpose of clause 24 or clause 31, the Exercise Day; and
- b. in relation to a calculation for the purpose of clauses 25 or clause 32, the Termination Date.

“Related Exchange” means an options or futures exchange or quotation system on which options contracts or spot commodity or futures contracts or other derivative contracts relating to the Reference Asset or other assets comprising any relevant Reference Parcel are traded.

“Relevant Exchange” means the exchange or quotation system specified as such in the PDS as applicable to the Reference Asset for the relevant Series of Warrants or any successor to such exchange or quotation system.

“Rollover Date” means:

- a. where the Reference Asset is a Futures Contract – a date determined at the Issuer’s discretion but at least 10 Trading Days prior to the earliest date of either of the first notice date of the current Futures Contract or the last trade date of the current Futures Contract; or
- b. in any other case – a date determined by the Issuer, acting in good faith and a commercially reasonable manner.

“Rollover” means in relation to a Warrant with a Futures Contract as a Reference Asset, the replacement of an expiring Futures Contract within a liquid Futures Contract with the same terms, but a later expiry date.

“Security” means, in relation to a Series of Warrants for which the Reference Asset is a Security, the security set out in PDS Part 1 for that Series, as it may be varied by the Terms and which may be either:

- a. a share, interest in a managed investment scheme, debenture, CHESS depository interest or other financial product (as defined in the Corporations Act);
- b. a right or interest in any of the above; or
- c. a combination of any of the above stapled together, such that they cannot be dealt with separately.

“Settlement Currency” means Australian Dollars.

“Settlement Exchange Rate” means, where the Strike Price Currency is different to the Settlement Currency, the rate of exchange between the Strike Price Currency and the Settlement Currency as determined by the Calculation Agent by reference to such sources as the Calculation Agent may, acting in good faith and in a commercially reasonable manner, reasonably determine to be appropriate at such time.

“Series” means the Warrants which relate to particular Reference Assets and otherwise have identical rights and are described in PDS Part 1.

“Single-Touch” means the method of triggering a Barrier Warrant as set out in clauses 8.4(a) and 8.4(c) of the Terms.

“Specified Number” means in relation to each Series of Warrants, the number set out in PDS Part 1 for that Series as varied, if at all under the Terms.

“Spot Commodity” means the Spot Commodity specified as such in the Summary Table in PDS Part 1 for the Series, subject to any applicable Adjustments as set out in these Terms and notified by the Issuer in the daily pricing matrix made available on its website on www.rbs.com.au/warrants and through the ASX Market Announcement Platform.

“Strike Price” means in relation to a Series the amount specified in the Summary Table in PDS Part 1 for that Series and as adjusted in accordance with clause 10 of the Terms. If there are no Holders of the relevant Warrant (other than the Issuer or an Affiliate), the Strike Price may be adjusted by the Issuer on that Business Day and published by the Issuer on www.rbs.com.au/warrants and through the ASX Market Announcement Platform.

“Strike Price Currency” means the currency specified in the PDS for the relevant Series and if a currency is not specified, Australian Dollars.

“Subscription Price” means, in relation to each Warrant, the

amount paid for subscription of that Warrant.

“Suspension” means any temporary cessation of the relevant Series of Warrants, the quotation of the Reference Asset or any security that makes up the Reference Asset, including a trading halt on the ASX or the Relevant Exchange or a Related Exchange (as the context requires).

“Takeover Bid” means a Takeover Bid as defined in the Corporations Act and includes an offer of the type to which section 414 of the Corporations Act applies or the equivalent foreign action under the relevant foreign jurisdiction’s legislation.

“Termination Date” means, in relation to a Warrant, the date on which the Warrant terminates under clause 8.2 of the Terms.

“Terms” or **“Terms of Issue”** means the terms of issue of the Warrants set out in Section 12 of PDS Part 2 as amended from time to time and the application form for the issue of the Warrants.

“Trading Day” has the meaning given to it in the ASX Operating Rules or the rules of another Relevant Exchange, as applicable.

“Transferee” means the person who gives the only valid Exercise Notice in respect of a Warrant.

“Transfer Tax” means,

(a) in respect of exercise of Warrants, any stamp duty or equivalent governmental tax, impost or duty, payable on, as a consequence of, or in connection with, the exercise of the Warrants; and

(b) in respect of a Reference Asset, if relevant any income tax, Capital Gains Tax, GST, withholding tax, stamp, financial institutions, registration and other duties, bank accounts debits tax and other related taxes, levies, imposts, deductions, interest, penalties and charges payable by any person on, as a consequence of, or in connection with, any purchase, sale or transfer of, or the completion of any purchase and sale of a Reference Asset in connection with a Warrant including any subsequent transfer or sale of, or acquisition of an interest in, the Reference Asset by RBS (or its agent or assignee) on or after the Holder’s failure to complete.

“Transfer Tax Agent” means the person appointed by RBS from time to time as its transfer tax agent, provided that, where RBS appoints a new agent, RBS places a notice in a major financial newspaper stating who is its new agent and gives a copy of the notice to the ASX.

“Transferor” means a person who gives the only valid Exercise Notice in respect of a Put Warrant.

“U.S. Person”, for purposes of the applicable prohibitions against ownership and transfer of the Warrants, means a person that (a) qualifies as (i) a “U.S. Person” as defined under Regulations S promulgated under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and (ii) a “U.S. Person” as defined under the U.S. Internal Revenue Code of 1986, as amended (the “Code”) and the U.S. Treasury Regulations promulgated thereunder and (b) does not fall within the definition of a “Non-United States Person” under the U.S. Commodity Exchange Act. Each of such terms is defined below.

A. Regulation S Definition of U.S. Person

1. “U.S. Person” means:
 - i. any natural person resident in the United States;
 - ii. any partnership or corporation organized or incorporated under the laws of the United States;
 - iii. any estate of which any executor or administrator is a U.S. person;
 - iv. any trust of which any trustee is a U.S. person;
 - v. any agency or branch of a foreign entity located in the United States;
 - vi. any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person;
 - vii. any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and
 - viii. any partnership or corporation if:
 - A. organized or incorporated under the laws of any foreign jurisdiction; and
 - B. formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a) under the Securities Act) who are not natural persons, estates or trusts.
2. Notwithstanding (1) above, any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. person by a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States shall not be deemed a “U.S. person.”
3. Notwithstanding (1) above, any estate of which any professional fiduciary acting as executor or administrator is a U.S. person shall not be deemed a U.S. person if:
 - i. an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate; and
 - ii. the estate is governed by foreign law.
4. Notwithstanding (1) above, any trust of which any professional fiduciary acting as trustee is a U.S. person shall not be deemed a U.S. person if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. person.

5. Notwithstanding (1) above, an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country shall not be deemed a U.S. person.
6. Notwithstanding (1) above, any agency or branch of a U.S. person located outside the United States shall not be deemed a "U.S. Person" if:
 - i. the agency or branch operates for valid business reasons; and
 - ii. the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located.
7. The International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organizations, their agencies, affiliates and pension plans shall not be deemed "U.S. Persons."

B. Under the Code and the U.S. Treasury Regulations promulgated thereunder, a "U.S. Person" is defined as:

1. An individual who is a U.S. citizen or a U.S. "resident alien." Currently, the term "resident alien" is defined to generally include an individual who (i) holds a Permanent Residence Card (a "green card") issued by the U.S. Immigration and Naturalization Service or (ii) meets a "substantial presence" test. The "substantial presence" test is generally met with respect to any current calendar year if (i) an individual is present in the U.S. on at least 31 days during such year and (ii) the sum of the number of days on which such individual is present in the U.S. during the current year, 1/3 of the number of such days during the first preceding year, and 1/6 of the number of such days during the second preceding year, equals or exceeds 183 days.
2. A corporation or partnership created or organized in the United States or under the law of the United States or any state.
3. A trust where (i) a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. Persons have the authority to control all substantial decisions of the trust or (ii) a valid election is in effect for the trust to be treated as a U.S. Person.
4. An estate that is subject to U.S. tax on its worldwide income from all sources.

C. Under the U.S. Commodity Exchange Act, a "Non-United States Person" is defined as:

1. a natural person who is not a resident of the United States;
2. a partnership, corporation or other entity, other than an entity organized principally for passive investment, organized under the laws of a foreign jurisdiction and which has its principal place of business in a foreign jurisdiction;
3. an estate or trust, the income of which is not subject to United States income tax regardless of source;

4. an entity organized principally for passive investment such as a pool, investment company or other similar entity; provided, that units of participation in the entity held by persons who do not qualify as Non-United States Persons or otherwise as qualified eligible persons represent in the aggregate less than 10% of the beneficial interest in the entity, and that such entity was not formed principally for the purpose of facilitating investment by persons who do not qualify as Non-United States Persons in a pool with respect to which the operator is exempt from certain requirements of Part 4 of the Commodity Futures Trading Commission's regulations by virtue of its participants being Non-United States Persons; and
5. a pension plan for the employees, officers or principals of an entity organized and with its principal place of business outside the United States.

For purposes of the foregoing, the term "United States" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia. Persons requiring details regarding other terms used in the foregoing definition (such as "accredited investor") should contact RBS.

"Warrant" means, in relation to each Series, an option with rights in respect of Reference Assets conferred under, and subject to, the Terms.

11.2 General

Unless the context otherwise requires, in this PDS:

- a. a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation issued under, that legislation or legislative provision;
- b. the singular includes the plural and vice versa;
- c. a reference to an individual or person includes a corporation, partnership, joint venture association, authority, trust, government and governmental authority and vice versa;
- d. a reference to a gender includes all genders;
- e. a reference to a Section is to a Section of the Terms or this PDS;
- f. a reference to any agreement or document (including, without limitation, the Terms, the ASX Operating Rules, the ASX Clearing and Settlement Rules and the ASX Settlement Operating Rules) is to that agreement or document (and, if applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
- g. a reference to "dollars", "cents" "A\$" and "\$" is a reference to Australian currency;
- h. a reference to a matter being "with the consent of the ASX" is a reference to that matter being with the consent of the ASX, which consent is not to be unreasonably withheld or delayed;
- i. if an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- j. a reference to a date or is time relating to Sydney, Australia;

- k. a reference to the Reference Assets “ceasing to be officially quoted” is to the Reference Assets ceasing to be officially quoted on the stock market conducted by the ASX, whether that occurs by reason of delisting, Suspension or otherwise; and
- l. expressions appearing in the Terms which are not otherwise defined in Section 11.1 “Glossary” of PDS Part 2 or the Terms which are defined in the Corporations Act have the meaning given to them in the Corporations Act.

Headings

In this PDS, headings are for convenience only and do not affect interpretation.

11.3 Terms of Issue

The Terms set out in Section 12 of PDS Part 2 form part of this PDS.

12. Terms of Issue

Contents

1. General Series	59
2. Form and title	59
3. Status.....	59
4. Nature of Warrant	59
5. Transfer of Warrants.....	59
6. Registration of transfer of Warrants.....	59
7. Exercise of Warrants	59
8. Termination of Warrant.....	60
9. Nomination of Extraordinary Event.....	61
10. Adjustments – discretion of Issuer.....	61
11. Notices required to be given by RBS.....	62
12. Method of giving notices by RBS.....	62
13. Payment day	62
14. Notices by Holder	63
15. Terms.....	63
16. Resolutions and requisitions	63
17. Register	63
18. Calculations for payments	64
19. Taxes.....	64
20. Transfer Tax.....	64
21. Nature of Call Warrant.....	64
22. Method of exercise of Call Warrants.....	65
23. Valid Exercise Notice – Call Warrants	65
24. Payments By RBS – failure to perform in relation to Call Warrants.....	65

25. Payments by RBS in relation to Call Warrants	66
26. Nature of Put Warrant.....	66
27. Method of Exercise of Put Warrants	66
28. Aggregation of Exercise Notices for Put Warrants.....	66
29. Valid Exercise Notice - Put Warrants	66
30. Preservation rights	67
31. Payments by RBS – failure to perform in relation to Put Warrants	68
32. Payments by RBS in relation to Put Warrants	68
33. Personal Property Securities Act.....	68
34. Miscellaneous.....	68

1. General Series

- 1.1 These Terms apply separately to each Series of Warrants.
- 1.2 Any provision in these Terms which does not apply to a particular Series is of no effect in relation to that Series.

Interpretation

- 1.3 These Terms are to be interpreted in accordance with the principles stated in Section 11.2 of PDS Part 2.
- 1.4 If there is any inconsistency between these Terms and other statements in the PDS, these Terms prevail.

ASX Rules

- 1.5 All provisions of these Terms are subject to any contrary requirement, from time to time, of the ASX Operating Rules or, when applicable, the ASX Settlement Operating Rules, unless the ASX or, if appropriate, ASX Settlement gives or has given a waiver or consent in respect of the Warrants of or under any of those rules.

2. Form and title

- 2.1 The Warrants are issued as ASX-quoted warrants, which will be transferable in accordance with the applicable law and the rules and procedures governing CHESS and the ASX Clearing and Settlement Rules.

3. Status

- 3.1 The Warrants and the Issuer's obligations under these Terms constitute unsecured and unsubordinated obligations of the Issuer and rank *pari passu* amongst themselves and with all other present and future unsecured and unsubordinated obligations of the Issuer save for those preferred by mandatory provisions of law.

4. Nature of Warrant

Grant of Warrant

- 4.1 In return for the Original Holder paying the Subscription Price to RBS (receipt of which is acknowledged by RBS), RBS grants the Warrant to the Original Holder.
- 4.2 A Warrant may be a Call Warrant or a Put Warrant.
- 4.3 A Warrant may be a Cash Settled Warrant or a Physically Settled Warrant.
- 4.4 A Warrant can be issued as a Barrier Warrant.
- 4.5 A Warrant can be issued as an FX Hedged Warrant.

Accretions do not accrue

- 4.6 A Warrant does not confer any right or interest in respect of any Reference Asset or Accretions. Accretions may, however, lead to adjustments as provided in clause 10 "Adjustments – Discretion of Issuer".

No certificates for Warrant

- 4.7 RBS will not issue a certificate evidencing the Holder's title to the Warrant. RBS will instead comply with the rules governing CHESS, the ASX Operating Rules concerning the issue of notices relating to Warrants and the ASX Settlement Operating Rules.

5. Transfer of Warrants

- 5.1 A Warrant may be transferred if, and only if, the transfer is in the manner prescribed by or under the ASX Operating Rules and the ASX Settlement Operating Rules.
- 5.2 The transferor of the Warrant will be regarded as remaining the owner and Holder of the Warrant the subject of the transfer, until the name of the transferee is entered in the Register in respect of the Warrant.
- 5.3 On registration of the transfer of the Warrant, the transferee will be recognised as entitled to the Warrant free from any equity, set off or cross-claim of RBS against the transferor.
- 5.4 Any person becoming entitled to the Warrant in consequence of the death, unsoundness of mind or bankruptcy of any Holder, upon producing such evidence as RBS reasonably requires that the person holds the office in respect of which it is proposed to act or as to title as successor to the Holder, may transfer the Warrant.

6. Registration of transfer of Warrants

- 6.1 RBS:
 - a. must deal with, certify and register a transfer of a Warrant which complies with clause 5.1 and is in accordance with the ASX Operating Rules and the ASX Settlement Operating Rules; and
 - b. may refuse to register such a transfer in any of the circumstances if such refusal is permitted by, and in accordance with any procedures prescribed by, the ASX Operating Rules and the ASX Settlement Operating Rules.
- 6.2 No fee will be charged for the registration of a transfer.

7. Exercise of Warrants

Exercise Notice irrevocable

- 7.1 An Exercise Notice given to RBS cannot be revoked.

Validity of Exercise Notice

- 7.2 Subject to clause 7.3, an Exercise Notice is valid, if and only if:
 - a. it is in the form specified in the PDS or any other form specified by the Issuer; and
 - b. it has been duly completed; and
 - c. it is given by a Holder (or by a person who is entitled to be registered as the Holder by no later than the end of the third Business Day after the Exercise Day) on or before the Exercise Day; and

- d. in the case of an Exercise Notice given by a person not registered as the Holder, it states that the person giving the Exercise Notice claims to be entitled to be registered as the Holder; and
 - e. it is accompanied by a cheque for the Strike Price (in the case of a Call Warrant) and for any Transfer Taxes, Expenses or any other amount payable by the Holder (if these costs are applicable); and
 - f. such cheque (if required) clears within the timeframe set out in these Terms; and
 - a. in the case of a Physically Settled Put Warrant, any relevant transfer documentation to enable the Issuer to become the registered Holder of the relevant Reference Parcel; and
 - g. (for Physical Delivery) it contains suitable information about the Holder's broker in order for the Issuer to make delivery of the Reference Parcel; and
 - h. the requirements for exercise specified in clauses 22, 23 and 27 (as applicable) are complied with; and
 - i. the Warrants exercised have not terminated under clause 8.2 by the time that the Exercise Notice is given; and
 - j. it certifies that the person delivering the notice or any person on whose behalf the notice is being delivered is a person who is in Australia or a person who would not cause the Issuer to be in breach of the securities laws of any country other than Australia if the Warrants are offered, issued or transferred to that person; and
 - k. it otherwise complies with these Terms.
- 7.3 If more than one Exercise Notice which complies with the requirements of clause 7.2 is given in respect of a Warrant, RBS will determine which Exercise Notice is to be taken to be the valid Exercise Notice for the purpose of these Terms. This will be the Exercise Notice which RBS knows, or reasonably believes, was given by the last of those persons who became entitled to be the Holder of those Warrants before the Closing Time on the Exercise Day on which the first such Exercise Notice was given.
- 7.4 If an Exercise Notice given is not valid, RBS will give a notice to this effect under clause 11.5 to the person who gave that Exercise Notice.
- 7.5 If the number of Warrants included in an Exercise Notice:
- a. exceeds the number of Warrants held by the Holder, the Exercise Notice is valid only to the extent of the number of Warrants held by the Holder; and
 - b. for Physically Settled Warrants only, is valid only to the extent a Specified Number or multiple of the Specified Number of Warrants are being exercised and the Reference Assets are a Marketable Parcel. Where the number of Warrants held by a Holder is not a multiple of the Specified Number or do not result in a Marketable Parcel of Reference Assets, the excess of Warrants will be terminated and RBS will pay the Holder the cash value if it exceeds \$20.00.

8. Termination of Warrant

Effect of termination

- 8.1 When a Warrant terminates, it is automatically and permanently cancelled and all rights and obligations created by or in respect of it are terminated except:
- a. in respect of any Early Termination Payment; and
 - b. for any other rights a party may have arising out of a breach of the Terms by the other party.

Time of termination of Warrant

- 8.2 A Warrant automatically terminates on the earliest of the following:
- a. Extraordinary Event – if there is an Extraordinary Event, with that termination taking effect on and from the date nominated by RBS (with the consent of the ASX);
 - b. compulsory acquisition – If compulsory acquisition of the Reference Assets is begun, either by way of:
 - i. the giving of a compulsory acquisition notice under Chapter 6A of the Corporations Act (or a notice equivalent to such notice) in respect of any Reference Asset, with that termination taking effect on the date such notices is first despatched; or
 - ii. any other procedure is adopted which would, subject only to any intervention of a court impeding or invalidating that procedure, necessarily result in the compulsory acquisition or cancellation of Reference Assets, with that termination taking effect on the date nominated by RBS (with the consent of the ASX);
 - c. termination for Non-Exercise – If a valid Exercise Notice in respect of the Warrant (and in relation to which none of the events listed in clauses 23.2 or 29.3 occur) is not given before the Closing Time on the Expiry Date, with that termination taking effect at the Closing Time on the Expiry Date;
 - d. completion, Cash Settled Warrants – If a Cash Settled Warrant is exercised, the Issuer will pay or cause to be paid to the Holder the Cash Amount (if any) within 5 Business Days of the Completion Day in accordance with clauses 23 and 29. Upon payment of the Cash Amount to the Holder, in accordance with this clause 8.2, the Issuer's obligations to the Holder under these Terms and each Warrant are fully satisfied and discharged.
 - e. completion, Physically Settled Warrant – If the Physically Settled Warrant is exercised and the transfer described in clauses 23 or 29 is completed, with that termination taking effect upon the Transferee becoming the registered owner of the Reference Parcel (Call Warrants) or RBS becoming the registered owner of the Reference Parcel and RBS paying the Transferor the relevant amount in accordance with clause 27.1(f) (Put Warrants);
 - f. valid Exercise Notice – If the contract for transfer referred to in clauses 23 or 29 "Valid Exercise Notice" terminates because the person who gave the Exercise Notice did not become registered as the Holder of the Warrant;

- g. liquidated Damages – If the Holder gives RBS notice under clauses 24 and 31 “Payments by RBS – Failure to perform”; and
 - h. in relation to a Barrier Warrant only, if the Barrier Warrant terminates under clause 8.4 below.
- 8.3 Exercise and settlement of the Warrants is subject to all applicable laws, regulations and practices in force at the relevant time and neither the Issuer nor any Calculation 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.

Barrier Warrants Time of Termination

- 8.4 The Barrier Level is triggered if:

Barrier Warrant that is also a Call Warrant

- a. in the case of a Barrier Warrant that is also a Call Warrant, and the Barrier Style is Single-Touch, at any time on any Trading Day prior to the Closing Time on the Expiry Date, the Reference Asset Price is equal to or less than the Barrier Level;
- b. in the case of a Barrier Warrant that is also a Call Warrant, and the Barrier Style is On-Close, the Close of Trade Price at the close of trade on any Trading Day up to and including the Expiry Date is equal to or less than the Barrier Level;

Barrier Warrant that is also a Put Warrant

- c. in the case of a Barrier Warrant that is also a Put Warrant, and the Barrier Style is Single-Touch, at any time on any Trading Day prior to the Closing Time on the Expiry Date, the Reference Asset Price is equal to or greater than the Barrier Level; and
- d. in the case of a Barrier Warrant that is also a Put Warrant, and the Barrier Style is On-Close, the Close of Trade Price at the close of trade on any Trading Day up to and including the Expiry Date is equal to or greater than the Barrier Level.

- 8.5 RBS will, as soon as reasonably practicable after the Barrier Level is triggered:
- a. notify the ASX of the Barrier Event (and the relevant Series of Barrier Warrants will be Suspended and the relevant Barrier Warrants will be automatically terminated); and
 - b. announce the termination of the applicable Series of Barrier Warrants and the Barrier Date in accordance with ASX Market Announcement Platform procedures.
- 8.6 The Holder will not be entitled to any payment in respect of a Barrier Event.
- 8.7 A Barrier Level will be triggered regardless of whether the on-market trades which caused the Close of Trade Price or Reference Asset Price to trigger the Barrier Level are later cancelled.

Buy-backs and cancellation

- 8.8 RBS may buy-back a Warrant and become the Holder of the Warrant (directly or via a nominee). This will not cancel, merge, terminate or otherwise affect the Warrant.
- 8.9 A Warrant bought back by RBS may be cancelled or resold at any time prior to the Expiry Date. Until a Warrant is cancelled, RBS has a right to resell the Warrant in the market by way of a secondary sale. If RBS is the Holder of a Warrant, it may cancel the Warrant. A Warrant is cancelled on receipt by the Registrar of a notice of cancellation from RBS.

9. Nomination of Extraordinary Event

- 9.1 RBS may at any time, acting in good faith and in a commercially reasonable manner, with the consent of the ASX, nominate any event listed in the definition of “Adjustment Event” in Section 11.1 of the PDS, or in clause 10.1 or nominate any event that results in the proposed or actual delisting, withdrawal of admission to trading status or Suspension of the Reference Asset (or one or more of the constituents of the Reference Asset) and/or Warrants (except in the case of a Warrant, if that delisting or Suspension is caused by the Issuer) as an Extraordinary Event.
- 9.2 If RBS has nominated an event under clause 9.1 as an Extraordinary Event and the Warrant has not yet terminated under clause 8.2, RBS may, with the consent of the ASX, withdraw that nomination at any time.

10. Adjustments – discretion of Issuer

- 10.1 If RBS reasonably determines, with the consent of the ASX, that an Adjustment Event has occurred, then RBS may, in its reasonable discretion, with the prior consent of the ASX, make any adjustments, variations or changes to the Warrants or delay or suspend calculations as the Issuer thinks fit or do any one or more of the following:
- a. amend the Strike Price;
 - b. amend the Reference Parcel;
 - c. amend the Specified Number;
 - d. amend the Exchange Rate;
 - e. amend the description of the Warrants;
 - f. amend the relevant Reference Asset (or any of the constituents of the Reference Asset);
 - g. nominate an Extraordinary Event under clause 9.1;
 - h. adjust, amend or substitute any variable, formula, amount, calculation or term as set out or used in these Terms or otherwise in connection with the Reference Asset; or
 - i. delay or postpone any calculations or making any necessary calculations having regard to the then prevailing market conditions, the last available prices or values and such other conditions that the Issuer reasonably determines to be relevant or altering the time at which any thing is to be done,

either: (i) in a manner consistent with any adjustment or change made to the Issuer’s Hedging Position and, where appropriate,

using similar data as referred to in the Hedging Position or (ii) as the Issuer otherwise determines, provided that, in the reasonable opinion of the Issuer, the adjustment is appropriate to put both the Issuer and the Holder in a fair economic position having regard to the nature of the Warrant and the Adjustment Event.

10.2 The Issuer must give notice in accordance with the ASX Market Announcement Platform procedures of any adjustment it proposes to make under this clause before the adjustment occurs or as soon as reasonably practicable after the adjustment occurs.

11. Notices required to be given by RBS

Extraordinary Event - Nomination and Withdrawal

11.1 RBS must give notice to each Holder:

- a. of the nomination of an Extraordinary Event under clause 9 and the date on which termination pursuant to clause 8.2 occurs within ten Business Days after the date such nomination is made; and
- b. of any withdrawal of a nomination of an Extraordinary Event made under clause 9.2, as soon as possible.

Adjustment Event

11.2 The Issuer must give a notice in accordance with the ASX Market Announcement Platform procedures upon the occurrence of an Adjustment Event as soon as reasonably practicable in the circumstances.

In relation to Barrier Warrants – the trigger of the Barrier Level

11.3 The Issuer must give notice in accordance with ASX Market Announcement Platform procedures upon the trigger of a Barrier Level in relation to a Barrier Warrant.

Exercise of discretion

11.4 RBS must, if so required by the ASX Operating Rules, give notice to each Holder at the time required by the ASX Operating Rules of the exercise of any of the discretions conferred on it by these Terms.

Failure to give Valid Exercise Notice or Termination of Contract arising from Exercise Notice

11.5 If a Holder gives an Exercise Notice that is not valid, or if the contract arising in respect of that Exercise Notice pursuant to clauses 23.1 or 29.1 is terminated (as applicable), then RBS must give a notice to that effect accompanied by the purported Exercise Notice and all documents and cheques (if any) which accompanied it to the person who gave that Exercise Notice.

Notification of Futures Contract Rollover

11.6 The Issuer must, upon completion of a Rollover, give notice of any Futures Contract Rollover on the Rollover Date in accordance with ASX Company Announcement Platform procedures.

12. Method of giving notices by RBS

12.1 Except if otherwise provided by these Terms, notices required or permitted to be given by RBS to the Holder or the Registrar pursuant to these Terms must be in writing and are treated as being duly given if:

- a. left at that party's address;
- b. sent by pre-paid mail to that party's address (which must be by airmail if that address is not within Australia);
- c. sent by facsimile transmission to the party's facsimile number;
- d. sent by email to that party's email address;
- e. posted as a notice on RBS' website; or
- f. in the event of time constraints, by such other method as approved by the ASX.

12.2 In addition to the methods of giving notices described in clause 12.1 above, RBS may give a notice required under clause 11 by:

- a. placing a notice in a major financial daily newspaper (if any) and a major daily newspaper in each State and Territory of Australia; and
- b. giving a copy of the text of that notice to the ASX and, if the Warrants are CHESS Approved Securities, to ASX Settlement.

12.3 The timing of the notice, or any failure to give a notice, does not affect the timing or fact of any nomination of an event.

Time of receipt

12.4 A notice given by RBS in accordance with clause 12.1 and 12.2 above is treated as having been duly given and received:

- a. when delivered (in the case of it being left at that party's address);
- b. on the third Business Day after posting (in the case of it being sent by pre-paid mail); and
- c. on the same day of publication of the notice or dissemination of the notice to ASX Settlement (in the case of notices given under clause 12.2).

Address of parties

12.5 The address of the Holder is the address of the Holder shown in the Register.

12.6 If more than one person is entered in the Register as the Holder of any Warrant, a notice given to any of those persons is effective as notice to all of those persons.

13. Payment day

If the date for payment of any amount in respect of the Warrants is not a Business Day, the Holder shall not be entitled to payment until the following Business Day, and shall not be entitled to any interest or other payment in respect of such delay.

14. Notices by Holder

All notices required or permitted to be given by the Holder to RBS, pursuant to these Terms or otherwise in respect of the Warrants must be in writing and are treated as being duly given if, and only if, they are actually received by RBS at the office or at such other address as RBS specifies by notice to the Holder.

15. Terms

Holder entitled to copy

15.1 If the Holder gives notice to RBS requesting a copy of these Terms, RBS must, within ten Business Days of receipt of that notice, supply a copy of these Terms (incorporating any changes) free of charge to the Holder.

Inspection at office

15.2 RBS must keep available for inspection at the office a copy of these Terms (incorporating any changes) for inspection by the Holder and any other person who has the same right to inspect these Terms in respect of the Register.

Changes

15.3 RBS may, from time to time, by notice sent to the Holder, make any change to these Terms if:

- a. the Terms of that change are authorised by a resolution or consent of the Holders passed in accordance with the provisions of clause 16;
- b. with the consent of the ASX, the change is necessary in the reasonable opinion of RBS to comply with any statutory or other requirements of law or a requirement of the ASX, provided that the change is not unfair (as defined by section 12BG of the ASIC Act);
- c. with the consent of the ASX, the change is necessary in the reasonable opinion of RBS to rectify any defect, manifest error or ambiguity contained in these Terms or to effect a modification of a formal, minor or technical nature, and does not materially prejudice the interests of the Holders and, in the Issuer's opinion, is not unfair (as defined in section 12 BG of the ASIC Act);
- d. with the consent of the ASX, in the case of an Adjustment Event or an Extraordinary Event (as described in the Terms);
- e. with the consent of the ASX, and in the reasonable opinion of RBS, the change is not ambiguous and does not materially prejudice the interests of the Holders and, in the Issuer's opinion, is not unfair (as defined in section 12 BG of the ASIC Act); or
- f. with the consent of the ASX, in the circumstances contemplated under clause 33.

Notification of change to the ASX

15.4 The ASX must be notified of any change to these Terms made under clause 15.3.

16. Resolutions and requisitions

Valid resolutions – by ballot

- 16.1 RBS must give notice to all Holders in writing of a proposed amendment to the Terms, together with a ballot paper.
- 16.2 Ballot papers must be returned, by mail or otherwise, to RBS by Holders no later than 20 Business Days after the date of the notice. Each Holder is entitled to one vote for each Warrant held.
- 16.3 A resolution is duly passed if 75% or more of the votes cast by Holders are in favour of the amendment, where RBS or its associates do not vote (unless they are voting as trustee or nominee for a person who is not an associate).
- 16.4 The Issuer or its nominee will determine the relationship of all ballot papers and complete a total of all of the votes cast on valid ballot papers during the voting period.

Valid resolutions – by unanimous consent

- 16.5 An amendment to the Terms will occur if:
 - a. RBS gives notice to all Holders in writing of a proposed amendment; and
 - b. all Holders consent in writing to the amendment.

17. Register

Member Register

17.1 In respect of each Series of Warrants, RBS must keep and maintain (at its cost) a Register of the Holders in accordance with this clause 17 and the requirements of the ASX Operating Rules and the ASX Settlement Operating Rules.

Situation of property

17.2 The location of the Warrant is the place where that part of the Register on which the Warrant is for the time being registered is situated.

Title to Warrant

- 17.3 Except as otherwise provided in these Terms, RBS must recognise the Holder as the absolute owner of the Warrant and all persons may act accordingly.
- 17.4 Except as otherwise provided in these Terms or as ordered by a court of competent jurisdiction, or as required by law, RBS is not bound to take notice of any trust or equity affecting the ownership of the Warrant or the rights incidental to the Warrant and the receipt of the Holder in respect of the Warrant and any monies payable in respect of the Warrant, is a good discharge to RBS. Except as required by law, no notice of any trust (express, implied, resulting or constructive) will be entered in the Register.
- 17.5 There must not be more than three joint Holders of the Warrant except in the case of the legal personal representatives of a deceased Holder.
- 17.6 If there are joint Holders of any Warrant, and one of those joint Holders dies, the survivor(s) will be the only person

recognised by RBS as having any title to or interest in the Warrant.

- 17.7 The legal personal representative of a deceased Holder (not being one of several joint Holders) is the only person recognised by RBS as having any title to the Holder's Warrant.

Accretions

- 17.8 These Terms do not confer on the Holder any right or interest in respect of Accretions to the Reference Asset. Accretions to the Reference Asset may lead to adjustments as provided for in clause 10.

18. Calculations for payments

Interest

- 18.1 If RBS does not pay the amount calculated in accordance with clauses 24 and 31 by the time specified in clauses 23 and 29, interest accrues on that amount at the Default Rate calculated on a daily basis, from the last day on which RBS was required to pay the Transferee or Transferor (as applicable) under clauses 24 and 31 until payment is made.

Value of Reference Assets

- 18.2 For the purposes of clauses 24, 25, 31 and 32, the value of a Reference Asset for the purposes of determining the value of the Reference Parcel on the Relevant Date is:

- a. for Reference Assets quoted on ASX, the weighted average sale price of that Reference Asset on the ASX (calculated in accordance with clause 18.3 below); or
- b. for Reference Assets quoted on another market or for which there is a transparent assessable market value, the weighted average sale price of that Reference Asset on that market or as reasonably determined by the Issuer (and to the extent practicable calculated in accordance with clause 18.3 below as if references to ASX were references to the market upon which the Reference Asset is traded); or
- c. for all other Reference Assets, the value determined by RBS acting in good faith and a commercially reasonable manner to be the fair market value of the Reference Asset on the Relevant Date.

Weighted average sale price

- 18.3 For the purposes of these Terms

the weighted average sale price of property on the stock market of the ASX (where the Reference Asset is a Security quoted on the ASX) is determined by the arithmetic average of the division of the total of the sale prices of identical property (or such multiple of that property as is referable to sale prices) by the number of those items the subject of sales on the five Trading Days immediately following the Relevant Date (excluding special sales or overseas sales (including New Zealand Stock Exchange sales) reported on those days under Rule 3500 of the ASX Operating Rules, option exercises and special block trade sales).

19. Taxes

The Issuer not liable

- 19.1 The Issuer is not liable for any Transfer Taxes or other charge arising from the ownership, transfer or completion or the purchase and sale of a Reference Asset.

Holder is liable

- 19.2 The Holder must pay all Transfer Tax and other charges including GST, if any, and any taxes payable by the Issuer in connection with the purchase, sale or transfer of, or completion or the purchase and sale of a Reference Asset.

20. Transfer Tax

- 20.1 RBS must, through the Transfer Tax Agent, on request from a Holder on a Business Day, specify to the Holder the amount of the Transfer Tax, the relevant number of Warrants exercised on that Business Day and give the Holder a unique identifying number for quotation in relation to that specification.
- 20.2 If an Exercise Notice in respect of the number of Warrants for which the amount of Transfer Tax was sought by the Holder as contemplated by clause 20.1 above:
- a. is received by RBS within five Business Days after the date on which the Transfer Tax identifying number is given to the Holder; and
 - b. specifies the Transfer Tax identifying number given to the Holder for the Warrants, then the amount of the Transfer Tax for the purposes of the exercise of those Warrants is the amount so specified by RBS to the Holder at the time the Holder is given the Transfer Tax identifying number.

21. Nature of Call Warrant

- 21.1 Each Call Warrant confers on the Holder the right, but not the obligation, to give RBS an Exercise Notice during the applicable Exercise Period.
- 21.2 On exercise of the right described by clause 20.1 above, in accordance with these Terms, RBS must in accordance with and subject to clause 23.1, in respect of a Physically Settled Warrant, procure the delivery to the Holder of a Reference Parcel for each set of Specified Number of Call Warrants exercised (subject to adjustment in accordance with these Terms), and in respect of a Cash Settled Warrant, in accordance with and subject to clause 23.1 pay to the Holder the Cash Amount.
- 21.3 The price to be paid in respect of each Physically Settled Call Warrant's Reference Parcel (i.e. each set of a Specified Number of Warrants) is the Strike Price and any applicable Transfer Taxes and Expenses before the end of the Exercise Period.
- 21.4 A Call Warrant does not confer any right to or interest in any Security unless and until the contract described in clause 23.1 arises and is not terminated under clause 23.2.

22. Method of exercise of Call Warrants

22.1 Subject to these Terms, Call Warrants may be exercised by giving to RBS during the applicable Exercise Period:

In respect of Physically Settled Warrants:

- a. an Exercise Notice which:
 - i. is in respect of a Specified Number (or multiple of the Specified Number) of Call Warrants; and
 - ii. is in respect of a Marketable Parcel of Reference Assets; and
 - iii. which is valid in accordance with clause 7 of these Terms,
 together with
- b. a cheque in favour of The Royal Bank of Scotland plc for the aggregate Strike Price of the Reference Parcels the subject of the Exercise Notice plus any applicable Transfer Taxes and Expenses (if these costs are applicable).

In respect of Cash Settled Warrants:

- c. a valid Exercise Notice.

22.2 An Exercise Notice which does not satisfy the requirements of clause 22.1 is not valid.

22.3 Notwithstanding any other provision of these Terms, if a Holder fails to give an Exercise Notice to RBS in respect of Cash Settled Warrants, RBS will deem the Holder to have given a valid Exercise Notice in respect of those Warrants in accordance with clause 22.1.

23. Valid Exercise Notice – Call Warrants

Contract arises

23.1 Subject to clause 23.2, if a valid Exercise Notice is given in respect of Call Warrants then on the Exercise Day the following contract arises:

- a. in respect of Physically Settled Warrants, RBS agrees to perform all acts required to procure the issue of, or all acts required of, a Transferor under the ASX Settlement Operating Rules to procure the transfer of a Reference Parcel for each set of the Specified Number of Call Warrants (or multiple of the Specified Number) exercised to the Transferee, free from any security or third party interest or restriction on transfer (other than one that has been accepted by the ASX for the purpose of quotation of the Reference Assets), by the end of the Completion Day;
- b. in respect of Cash Settled Warrants, RBS agrees to perform all acts required to transfer an amount equal to the Cash Amount for the Call Warrants exercised by the Holder within 5 Business Days of the Completion Day;
- c. the Transferee irrevocably authorises:
 - i. RBS or its nominee (at the option of RBS) to act as its Agent in entering into a contract for the issue of, or the sale and purchase of, at no cost to the Transferee (except for payment of the Strike Price and applicable Transfer Taxes) each Reference Parcel to be delivered to the Transferee in order to fulfil the obligations of RBS referred to in clause 23.1(a) above;

- ii. the Registrar to act as its Agent to do all things it is required to do, including but not limited to supplying its Holder Identification Number or Shareholder Reference Number, to effect the delivery of the Reference Parcel to it and to cancel the Call Warrants exercised; and

- d. the Call Warrants exercised terminate,

and such contract is completed by RBS procuring the Transferee to become the registered owner of each Reference Parcel the subject of the Exercise Notice as determined by the end of the Completion Day or having paid the Cash Amount by these Terms within 5 Business Days of the Completion Day.

Termination of contract

23.2 The contract described in clause 23.1 above terminates automatically and is of no effect if any of the following occurs:

- a. if the Exercise Notice is given by a person who is not registered as the Holder at the time the Exercise Notice is given, the person does not become registered as the Holder by the end of the third Business Day after the Exercise Day;
- b. the Call Warrants terminate under clause 8.2 (other than clause 8.2(a) or (b)) before the end of the Completion Day; or
- c. the proceeds of the cheque (if any) for the Strike Price and applicable Transfer Taxes and Expenses are not cleared before the end of the third Business Day after the Exercise Day.

24. Payments By RBS – failure to perform in relation to Call Warrants

24.1 If RBS fails to perform its obligations under clause 23.1 with respect to Physically Settled Call Warrants within 20 Business Days of the Exercise Day then the Transferee may give a notice to RBS stating that it requires that the provisions of this clause 24 to apply.

24.2 If a notice is given under clause 24.1 in relation to Physically Settled Call Warrants:

- a. the grant of agency by the Transferee under clause 23.1 is revoked; and
- b. RBS must, within ten Business Days after the date on which it receives the notice, pay to the Transferee an amount equal to the aggregate amount payable for each Reference Parcel the subject of the Exercise Notice in respect of which RBS fails to perform its obligation under clause 23.1, calculated in accordance with the following formula:

$$A = 1.1 \times S$$

where

A = the amount of money to be paid per Reference Parcel under this clause 24; and

S = the value of the Reference Parcel (as calculated on the basis set out in clauses 18.2 and 18.3).

Acknowledgment

24.3 The Transferee and RBS acknowledge to each other that the amount of damages calculated under this clause 24 is a genuine pre-estimate of the damage that the Transferee would suffer from the failure of RBS to perform its obligations under clause 23.1, and that on the Transferee giving notice under this clause 24 to RBS, RBS is relieved of its obligations under clause 23.1 and its only obligation is to make payments required by clause 24.2.

25. Payments by RBS in relation to Call Warrants

Early Termination Amount

25.1 If Call Warrants terminate under clause 8.2(a), (b) or (c) then RBS must, within ten Business Days after the Termination Date, send to the Holder a cheque in favour of the Holder for an amount equal to the Early Termination Amount for each set of a Specified Number of Call Warrants (or multiple of the Specified Number) terminated which are held by the Holder but only if the amount so calculated is greater than zero.

26. Nature of Put Warrant

26.1 Each Put Warrant confers on the Holder the right, but not the obligation, to give RBS an Exercise Notice during the applicable Exercise Period.

26.2 In relation to Physically Settled Warrants that are also Put Warrants, on exercise of the right described in clause 26.1 above in accordance with the Terms, RBS must acquire or procure the acquisition from the Holder of a Reference Parcel for the Specified Number of Put Warrants exercised (subject to adjustment in accordance with those Terms).

26.3 In relation to Cash Settled Warrants that are also Put Warrants, on exercise of the right described in clause 26.1 above in accordance with the Term RBS must pay to the Holder the relevant Cash Amount.

26.4 The price to be paid by RBS in respect of each Physically Settled Warrant that is also a Put Warrant, is the Strike Price per Reference Parcel (i.e. each set of a Specified Number of Warrants).

26.5 A Put Warrant does not confer any right or interest in any Reference Assets unless and until the contract described in clause 29.1 "Contract arises" arises and is not terminated under clause 29.3 "Termination of contract".

27. Method of Exercise of Put Warrants

27.1 Subject to these Terms, Put Warrants may be exercised by giving to RBS during the applicable Exercise Period:

In relation to Physically Settled Warrants that are also Put Warrants:

- a. an Exercise Notice which:
 - i. is in respect of a Specified Number (or multiple of the Specified Number) of Put Warrants; and
 - ii. is in respect of a Marketable Parcel of Reference Assets; and

- iii. which is valid in accordance with clause 7 of these Terms,

together with the following documents:

- b. if the Reference Assets are to be delivered are certificated, the necessary certificate;
- c. evidence of the entitlement of the person tendering the Exercise Notice to be registered as Holder of the Put Warrants in a form satisfactory to RBS; and
- d. any other document required to transfer any of the property comprising the Reference Parcel and rights required to be transferred with the Reference Parcel pursuant to these Terms in respect of the Warrants exercised,

In respect of Cash Settled Warrants that are also Put Warrants:

- e. A fully and properly completed Exercise Notice, together with the following documents:
- f. evidence of the entitlement of the person tendering the Exercise Notice to be registered as Holder of the Put Warrants in a form satisfactory to RBS.

27.2 An Exercise Notice which does not satisfy the requirements of clause 27.1 above is not valid.

27.3 Notwithstanding any other provision of these Terms, if a Holder fails to give an Exercise Notice to RBS in respect of Cash Settled Warrants, RBS will deem the Holder to have given a valid Exercise Notice in respect of those Warrants in accordance with clause 27.1(e).

28. Aggregation of Exercise Notices for Put Warrants

RBS reserves the right to aggregate Exercise Notices given in respect of Put Warrants if it reasonably believes they have been lodged on behalf of the same beneficial owner of Put Warrants (or owners acting as associates).

29. Valid Exercise Notice - Put Warrants

Contract arises

29.1 Subject to clause 29.2 below, if a valid Exercise Notice is given in respect of Put Warrants then:

In respect of Physically Settled Warrants

- a. the Transferor agrees to perform all acts required of a transferor of marketable Reference Assets (including a transferor of marketable Reference Assets under the ASX Operating Rules and the ASX Settlement Operating Rules), to enable a Reference Parcel for each set of a Specified Number of Put Warrants exercised to be transferred to RBS or as it directs for the Strike Price (less any Transfer Taxes) free from any security or third party interest or restriction on transfer (other than one that has been accepted by the ASX for the purpose of quotation of the Reference Assets) by the end of the Completion Day;
- b. RBS agrees to do all things it is able to do to enable such transfer to it or as it directs;

- c. the Transferor irrevocably authorises the Registrar to act as its Agent to do all things it is required to do, including but not limited to supplying its Holder Identification Number or Shareholder Reference Number, to effect the delivery of each Reference Parcel to it and to cancel the Put Warrants exercised; and
- d. the Transferor warrants that:
- i. the Transferor has good, complete and unencumbered title to the Warrants or is entitled to such title and has not sold or otherwise dealt with those Warrants;
 - ii. the Transferor has obtained all consents which may be required by law in respect of the Transferor to enable it to procure transfer of good title to the Reference Parcel to RBS (or as it directs) as required under these Terms;
 - iii. the transfer of the Reference Parcel to RBS will not result in the Transferor contravening any law to which it is subject or if it is a company, any provisions of its constitution; and
 - iv. at the time required for transfer of the Reference Parcel to RBS, the Transferor will have good beneficial title to the Reference Parcel free from any security or third party interest or other restriction on transfer (other than one that has been accepted by the ASX for the purpose of quotation of the Reference Assets),
- and such contract is completed by:
- e. RBS (or its nominee) becoming the registered owner of the number of Reference Assets (or other Reference Assets) the subject of the Exercise Notice determined by these Terms by the end of the Completion Day; and
 - f. RBS paying the Transferor, by cheque or other agreed means, an amount equal to the aggregate Strike Price, less an amount equal to the applicable Transfer Taxes, as adjusted in accordance with these Terms within five Business Days after the Completion Day and otherwise in accordance with the ASX Operating Rules and the ASX Settlement Operating Rules.

In respect of Cash Settled Warrants

29.2 In respect of Cash Settled Warrants, RBS agrees to perform all acts required to transfer an amount equal to the Cash Amount for each Specified Number of Put Warrants exercised by the Holder within 5 Business Days of the Completion Day.

Termination of contract

29.3 The contract described in clause 29.1 above terminates automatically and is of no effect if any of the following occurs:

- a. if the Exercise Notice is given by a person who is not registered as the Holder at the time the Exercise Notice is given and the person does not become registered as the Holder by the end of the third Business Day after the Exercise Day; and
- b. the Warrant terminates under clause 8.2 (other than clause 8.2(a) or (b)), before the end of the Completion Day.

30. Preservation rights

30.1 If a person gives an Exercise Notice in respect of Put Warrants to RBS and the transfer of Reference Assets referred to in the Exercise Notice did not occur because the person did not hold the relevant Put Warrants or Reference Assets then:

- a. RBS retains all of its rights against that person arising out of any wrongful delivery of an Exercise Notice or breach of its contractual obligations to RBS; and
- b. RBS may set off against any obligation to that person to pay any amount owing under these Terms any amount of damages owing by that person arising out of that wrongful delivery of an Exercise Notice; and
- c. RBS will not be liable to that person, if not the Holder as at the Exercise Day as required by the end of the third Business Day after the Exercise Day, for RBS paying an amount to the actual Holder of the Put Warrant under clause 31.

30.2 Neither RBS nor any of its Affiliates will be responsible for any loss of any kind arising out of or in connection with any number of Reference Assets not being transferred to RBS other than in accordance with these Terms. In particular, it is the responsibility of a person intending to exercise Put Warrants to ensure it specifies, or gives instructions for the transfer of, the relevant number of Reference Assets and that it otherwise does everything within its control for the timely and valid transfer of those Reference Assets.

31. Payments by RBS – failure to perform in relation to Put Warrants

Failure of RBS to perform

31.1 If RBS fails to perform its obligations under clause 29.1 within 20 Business Days of the Exercise Day, then the Transferor may give a notice to RBS stating that it requires that the provisions of this clause 31 apply, but no notice may be given if the Transferor is in breach of these Terms.

31.2 If a notice is given under clause 31.1:

- a. the grant of agency by the Transferor under clause 29.1 is revoked; and
- b. RBS must, within ten Business Days after the date on which it receives the notice, pay to the Transferee an amount equal to the aggregate amount payable for each Reference Parcel the subject of the Exercise Notice in respect of which RBS fails to perform its obligation under clause 29.1, calculated in accordance with the following formula:

$$A = 1.1 \times E$$

where

A = the amount of money to be paid by RBS per Reference Parcel under this clause 31; and

E = the Strike Price.

Acknowledgment

31.3 The Transferor and RBS acknowledge to each other that the amounts of damages calculated under clause 31.2 is a genuine pre-estimate of the damage that the Transferor would suffer from the failure of RBS to perform its obligations under clause 29.1, and that on the Transferor giving notice under clause 31.1 to RBS, RBS is relieved of its obligations under clause 29.1 and its only obligation is to make the payments required by clause 31.

32. Payments by RBS in relation to Put Warrants

Early Termination Amount

32.1 If Put Warrants terminate under clause 8.2 (other than clause 8.2(a), (b) or (c)) then RBS must, within ten Business Days after the Termination Date, send to the Holder a cheque in favour of the Holder for an amount equal to the Early Termination Amount for each set of a Specified Number of Warrants terminated which are held by the Holder but only if the amount so calculated is greater than zero.

33. Personal Property Securities Act

33.1 The Holder agrees to do anything that RBS may reasonably require to:

- a. give full effect to these Terms and the transactions contemplated by them;
- b. better secure all property in which RBS has a security interest in a manner consistent with these Terms; or
- c. assist in the execution or exercise of any power,

Including execute any transfer (including any transfer in blank) or other document, obtain any consent, give any notice or supply any information to RBS.

33.2 Without limiting clause 33.1, the Holder agrees that RBS may make such amendments to these Terms, and may do such other things, as RBS may require from time to time (whether before or after the registration commencement time) to:

- a. ensure that each security interest given by the Holder in favour of RBS is a first-ranking perfected security interest over all PPS Property;
- b. ensure that each security interest is:
 - i. continuously perfected; and/or
 - ii. perfected by control; and/or
 - iii. perfected in a way that will reduce as far as reasonably possible the risk of a third party acquiring an interest in any PPS Property free of the security interest,

to the extent possible under the PPS Act,

- c. enable RBS to apply for any registration, or give any demand or notification, under the PPS Act in connection with the security interest; and
- d. otherwise protect RBS' position as secured party in respect of each security interest created under these Terms in the context of the PPS Act,

from the point in time immediately before the registration commencement time or any later time as RBS may decide.

33.3 RBS may do anything in which the Holder should have reasonably done under these Terms if the Holder does not do so promptly or, if in RBS' reasonable opinion, the Holder does not do so properly including:

- a. apply for any registration or give any demand or notification, in connection with any security interest created under these Terms;
- b. complete and lodge any financing statement, financing change statement or amendment demand, in each case as may be reasonably necessary to perfect, maintain or achieve RBS' first priority security interest in the PPS Property.

33.4 RBS is not required to give any notice under the PPS Act (including a notice of a verification statement) unless the notice is required by the PPS Act and the obligation to give the notice cannot be excluded.

33.5 In this clause 33 only, uncapitalised terms (including any reference to "security interest") have the meanings given to them in the PPS Act.

34. Miscellaneous

Acknowledgment

34.1 Each Holder and Transferee acknowledges that in no event will RBS have any liability for indirect, incidental or consequential damages for RBS's failure to perform its obligations under the Terms.

34.2 In no circumstances (including without limitation, the lapse of a Warrant) will RBS be under an obligation to refund the Subscription Price to the Original Holder or to pay the Capital Outlay to any Holder.

Calculations and Reference Assets

34.3 In these Terms:

- a. all calculations will be done to no fewer than four decimal places;
- b. no rounding of numbers will occur until a Holder exercises a Warrant and at that time the entitlement attaching to all Warrants of that Holder the subject of exercise will be aggregated and that aggregate will be rounded so that all money amounts are rounded to the nearest whole cent and all numbers of Reference Assets are rounded to the nearest whole number so that any fraction being a value of 0.5 or more is rounded up and all other fractions are rounded down;
- c. if the Cash Amount, Early Termination Amount or any other payment due from the Issuer to a Holder is determined at any fraction of a cent, it will always be rounded in the Issuer's favour to a whole cent amount. Unless the price steps in which the Warrants can be traded (at the time the relevant amount is determined) is half a cent, in which case the relevant amount it will always be rounded in the Issuer's favour to the nearest half or whole cent amount; and

- d. where, following an application of this clause 33, the Reference Parcel refers to property of different kinds, each of those kinds of property is to be treated separately, and each adjustment required by these Terms is to be made to each kind of property separately.

Set-off rights

34.4 All monetary obligations imposed on the Holder under these Terms are:

- a. absolute; and
- b. free of any right to counterclaim or set-off, and may only be satisfied once the payment has cleared.

34.5 The Issuer may:

- a. set-off any amount payable to it by the Holder against any amount payable by the Issuer to the Holder; and
- b. withhold any amount payable by it to the Holder and withhold delivery of Reference Parcel in satisfaction of any amount payable to it by the Holder.

Waiver

34.6 The failure, delay, relaxation or indulgence on the part of RBS in exercising any power or right conferred upon RBS by these Terms does not operate as a waiver of that power or right nor does any single exercise of any power or right preclude any other or further exercise of it, or the exercise of any other power or right, under these Terms.

Telephone recording

34.7 The Holder agrees:

- a. to the tape recording by RBS or its agents of any telephone conversations concerning the Warrant;
- b. to the retention of any tape recording so made; and
- c. to the use of any tape recording so made as evidence of the content of the conversation.

Discretions

34.8 The Holder may not give any direction to RBS concerning the Warrants, even if the Warrant is exercised, concerning the exercise by RBS of any other discretion relating to the Reference Assets, or any discretion conferred on RBS by these Terms.

Governing law and jurisdiction

34.9 The Warrant is governed by and construed in accordance with the laws in force in New South Wales and the parties submit to the non-exclusive jurisdiction of the courts of New South Wales and any court hearing appeals from those courts.

No merger

34.10 The Issuer's rights under these Terms are additional to and do not merge with or affect and are not affected by any mortgage, charge or other encumbrance held by the Issuer

or any other obligation of the Holder to the Issuer, despite any rule of law or equity or any other statutory provision to the contrary.

Power of attorney

34.11 The Holder irrevocably appoints the Issuer and its nominees and any of their directors, secretaries and managers from time to time jointly and severally as attorney of the Holder to do (either in the name of the Holder or the attorney) all acts and things that the Holder is obliged to do under these Terms or which, in the opinion of the Issuer, are necessary or desirable in connection with the Warrant, the Reference Parcel or the protection of the Issuer's interests or the exercise of the rights, powers and remedies of the Issuer, including without limitation the authority to sell the Reference Parcel on behalf of the Holder.

Waiver and exercise of rights

34.12 A single or partial exercise of a right by the Issuer does not preclude another exercise or attempted exercise of that right or the exercise of another right. Failure by the Issuer to exercise or delay in exercising a right does not prevent its exercise or operate as a waiver.

Time is of the essence

34.13 Time is of the essence in respect of the obligations of the Holder under these Terms.

Market making

34.14 The Issuer undertakes to make markets by maintaining buy orders in the Warrants at their market prices in accordance with ASX Guidance Note 17.

34.15 The Issuer reserves the right to cease making a bid for any Warrants if there is a Market Disruption Event or Hedging Disruption. The Issuer will continue to cease providing a bid price on the ASX until such time that the condition(s) described above terminate. The Issuer will make an announcement on ASX and post a notice on its website shortly after this initially occurs and separately when the normal market recommences after the Market Disruption Event or Hedging Disruption ceases.

Deed

34.16 The parties agree to enter into these Terms as a deed.

This page have been left blank intentionally.

PART D – Shareholder details (required only for Physically Settled Warrants)

My/our CHESS details are as follows:

Participant Identification

(PID)

--	--	--	--	--	--

Holder Identification Number

(HIN)

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

OR

Shareholder Reference Number (SRN)

PART E – Warrants Execution – This must be signed to execute the Exercise Notice.

By executing this Exercise Notice, I/we represent and warrant that the Holder is in Australia or, if not in Australia, would not cause the Issuer to be in breach of the securities laws of any country if the Warrants are exercised.

Dated this

day of

,20____

*If Holder is an individual**If Holder is a company*

Signature/s

Company Name

Director/Secretary

Director

< Please affix Common Seal if required in accordance
with the company's constitution >

PART C – Shareholder details (required only for Physically Settled Warrants)

(Only ONE Section applies to you. The choice depends on how your Shares are held. Cross out the Section which DOES NOT apply to you.)

***Section 1 – Uncertificated Holding Sponsored by Issuer of the Reference Assets**

I/We* instruct the Issuer named below to transfer the Reference Assets necessary for transfer on exercise of the Warrants to RBS (or its nominee) in accordance with the Terms, ASX Operating Rules and the ASX Clearing and Settlement Rules.

My/our SRN with the issuer of the Reference Assets is

Issuer

OR

***Section 2 – Uncertificated Holding Sponsored by Broker**

I/We* direct my sponsoring broker named below to transfer the Reference Assets described below to Pershing Securities Australia Pty Ltd. I direct Pershing Securities Australia Pty Ltd to forward this direction to my sponsoring broker.

Sponsoring Broker

Reference Assets (ASX Code)

Number of Reference Assets

PID HIN

PART D – Warrants Execution – This must be signed to execute the Exercise Notice.

By executing this Exercise Notice, I/we represent and warrant that the Holder is in Australia or, if not in Australia, would not cause the Issuer to be in breach of the securities laws of any country if the Warrants are exercised.

Dated this _____ day of _____, 20____

If Holder is an individual

If Holder is a company

Signature/s

Company Name

Director/Secretary

Director

< Please affix Common Seal if required in accordance with the company's constitution >

Directory

Issuer

The Royal Bank of Scotland plc

Level 23
88 Phillip Street
Sydney NSW 2000

Contact details to obtain annual reports, and financial statements
and paper copy of PDS Warrants:

The Royal Bank of Scotland plc

Level 23
88 Phillip Street
Sydney NSW 2000
Ph: 1800 450 005.

Registrar

Link Market Services Limited

Level 12, 300 Queen Street
Brisbane QLD 4000

Inspections of Register

Link Market Services Limited

Level 22, 300 Queen Street
Brisbane QLD 4000

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- ii. direct, indirect, special, incidental, consequential, punitive, or exemplary damages,

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