

# Inflation Multiplier Bond



The Inflation Multiplier Bond (the 'Bond') offers you a quarterly income payment with an annual rate of interest equivalent to 1.3 times the UK inflation rate as measured by the percentage year-on-year change in the UK Retail Price Index ('RPI'). However, you will not receive an income payment for any quarter in which the percentage change in RPI is 0% or negative over the relevant year-on-year period. You will also receive back the Issue Price at maturity (subject to the risks described on page 2 and 4). The Bond is listed on the London Stock Exchange which means that you can buy or sell the bonds at any time during the trading day, just like a share.

| <b>Product Information</b>     |   |
|--------------------------------|---|
| Classification                 | Listed Bond   |
| Issuer                         | The Royal Bank of Scotland plc ('RBS')  |
| Issue Date                     | 6 December 2010   |
| Quarterly Income Payment Dates | 6 March, June, September, December every year (or the next business day when not a business day)  |
| Maturity Date                  | 6 December 2020   |
| Quarterly Income Payment       | Annual rate of interest equal to 1.3 times any year-on-year increase in the UK Retail Price Index expressed as a percentage and measured each quarter |
| Issue price                    | £100 per unit   |
| Minimum trade size             | One unit  |
| Currency                       | Pounds Sterling (GBP)   |
| Pricing information            | Daily, real time  |
| Exchange                       | London Stock Exchange   |
| TIDM                           | RBPX  |
| ISIN                           | GB00B4MTS317  |
| SEDOL                          | B4MTS31   |

#### Speak to us

If you would like to learn more about RBS Listed Products, our team can help you. Simply log on to [rbs.co.uk/markets](https://www.rbs.co.uk/markets) or call **0800 121 6286**

### Key features

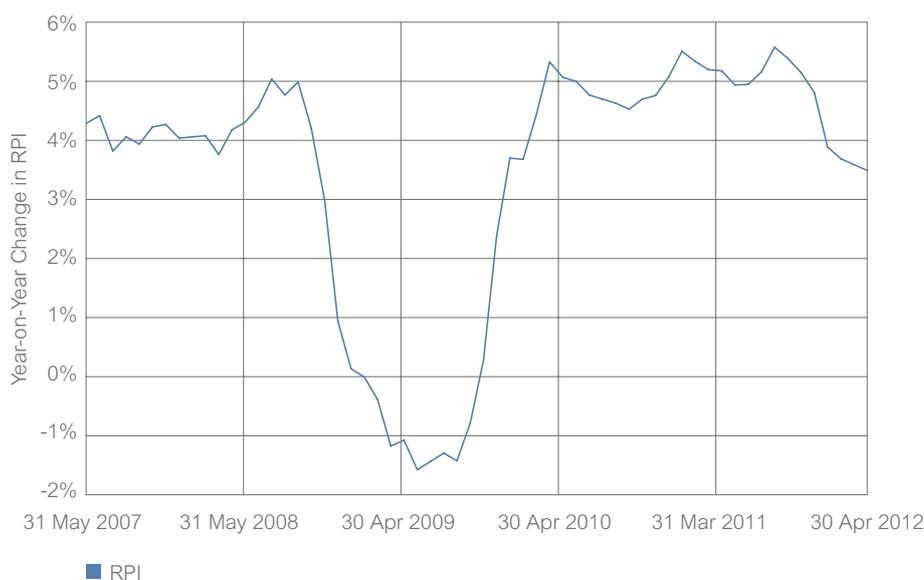
- Quarterly Income Payments providing an annual rate of interest equal to 1.3 times any year-on-year increase in the level of RPI, measured quarterly
- The Issue Price will be returned at maturity, subject to the risks described below and on page 4
- Flexibility to buy or sell at any time during trading hours, without redemption fees, under normal market conditions
- Daily pricing at [rbs.co.uk/markets](http://rbs.co.uk/markets), the London Stock Exchange or through your stockbroker, under normal market conditions
- A 1.00% bid/ask spread under normal market conditions

### Key risks

- If RBS were to default or go bankrupt, you may lose some or all of your investment and you would not be entitled to compensation under the UK Financial Services Compensation Scheme
- If the year-on-year change in RPI is negative or remains flat during a quarter then you will not receive a coupon payment for that quarter
- The market price of the Bond will rise and fall during its life and, if you sell before maturity, you may get back less than the Issue Price

**Additional risks and considerations which you should take into account before deciding whether to invest in the Bond are summarised on page 4 below.**

### Year-on-Year Change in RPI since May 2007



### What is RPI?

The UK Retail Price Index ('RPI') is a measure of prices in the UK. RPI measures the change in prices (inflation or deflation) across a wide range of consumer purchases. It differs from the other well-known measure of inflation, the UK CPI or Consumer Price Index, in that RPI includes housing costs and local taxes such as council tax. You can find more information on the UK RPI, including its current level, at [www.statistics.gov.uk](http://www.statistics.gov.uk).

Source: Bloomberg, 22 May 2012

Please note: past performance should not be used as an indicator of future performance.

## Calculating your quarterly interest payment

On each Quarterly Income Payment Date, RBS observes the level of RPI from 2 months previously and compares it to the level of RPI recorded 14 months previously (i.e. RBS records the change in the RPI over a one year period). If the year-on-year change in RPI for the quarter is positive, then on the Quarterly Income Payment Date you will receive a Quarterly Income Payment calculated on the basis that the annual rate of interest on the Bond is equal to 1.3 times the percentage change in the level of RPI. However, if RPI as measured for that quarter is 0% or negative, you will not receive a Quarterly Income Payment for that quarter.

The Inflation Multiplier Bond can be purchased in units, each with an original Issue Price of £100. The Quarterly Income Payment is based on buying the Bond at the original Issue Price of £100 per unit. This means that, for each unit of Bond you hold, you will receive a Quarterly Income Payment calculated using the Issue Price.

To receive a Quarterly Income Payment on a Quarterly Income Payment Date, you must have purchased the Bond at least four business days prior to the Quarterly Income Payment Date and continued to hold the Bond on the Quarterly Income Payment Date. You will not receive any Quarterly Income Payment for any Quarterly Income Payment Date that has already passed when you purchase the Bond.

## Return of the Issue Price on the Maturity Date

All of the stated returns are based on the Issue Price of £100. This means that on the Maturity Date regardless of how much you paid for the Bond you will receive £100 for each unit of the Bond you hold, subject to the risks described on page 2 and 4. For example, if you purchase the Bond after the Issue Date for £105, on the Maturity Date you would receive the final Quarterly Income Payment plus the Issue Price of £100 per Bond held.

## Illustration of returns

This example shows how much you would receive on the Quarterly Income Payment Dates for different year-on-year changes in RPI. The example is based on a £10,000 investment made at the Issue Price of £100 per unit. For the purposes of the illustration below, the Quarterly Income Payment amount is calculated by multiplying £10,000 by the relevant annualised interest rate, determined as described above, and dividing the result by four. This would result in a 364 day year. In practice, interest will be calculated on a 365 day year (366 in a leap year) divided by the actual number of days in the relevant quarter.

| Quarterly Income Payment Date | Year-on-Year Change in RPI measured two months previously | Annualised Quarterly Income Payment (1.3 times any year-on-year increase in RPI) | Quarterly Income Payment Amount |
|-------------------------------|---|--|---------------------------------|
| March                         | 4.50%   | 5.85%  | £146.25                         |
| June                          | 2.00%   | 2.60%  | £65.00                          |
| September                     | 0.75%   | 0.98%  | £24.38                          |
| December                      | -1.25%  | 0.00%  | £0.00                           |

## Important terms

**Maturity Date** – this is the date on which the investment ends and the Bond returns the Issue Price to investors. In this case, 6 December 2020.

**Quarterly Income Payment Dates** – these are the dates on which RBS will pay the Quarterly Income Payment to eligible holders of the Bond.

## Eligibility

The Bond can be held as a direct investment or in a Self Invested Personal Pension ('SIPP') or Small Self Administered Scheme ('SSAS') pension wrapper, or in the stocks and shares component of an Individual Savings Account ('ISA'), provided the remaining life of the Bond is greater than five years at the time of purchase.

## Further risks and considerations

**In addition to the key risks summarised on page 2 above, you should consider the following before deciding whether to invest in the Bond.**

The Inflation Multiplier Bond will return 100% of the Issue Price at maturity only. If the Bond is sold prior to the Maturity Date, you will not benefit from this feature and you may receive an amount less than the £100 Issue Price.

If any return you receive does not keep up with inflation, the real value of your investment will fall, as your money will buy you less than it would have done when you invested it.

Subject to any technical problems, RBS will endeavour to offer a secondary market in line with London Stock Exchange rules and market making obligations. RBS may be the only market maker in the Bond which may affect liquidity.

Your investment is different from having a bank deposit with RBS in that, if RBS fails to pay you what it owes you, your investment will not be covered by the UK Financial Services Compensation Scheme.

Tax treatment depends on individual circumstances, current law & practice and may be subject to change in the future. This statement is not intended to be, nor should it be regarded as legal or tax advice and you should consult your tax adviser to obtain tax treatment in relation to this product, particularly if you may be subject to tax in other jurisdictions.

A prospectus has been prepared and made available to the public. You should not invest in this product except on the basis of the information contained in the prospectus. You may obtain copies of the prospectus on the RBS website, the London Stock Exchange website and in hard copy from us.

Before you invest in this product, you must ensure that you fully understand the potential risks and return of this and/or any related transaction and determine it is appropriate for you given your objectives, experience, financial and operational resources and other relevant circumstances. If you have any doubts about this product, you should consult with a financial adviser.

RBS is entitled to adjust the terms of the Bonds, determine RPI from another source or in another manner, delay a Quarterly Income Payment Date or the Maturity Date or redeem the Bonds early at their then fair market value (which may be less than their Issue Price) in certain circumstances, for example if RPI cannot be determined on a particular day or ceases to be published.

## How to trade

The Inflation Multiplier Bond is listed on the London Stock Exchange, and can be bought or sold at any time during the trading day subject to normal market conditions. The Bond has a 1.00% bid/ask spread (the difference between the price at which you buy and sell the Bond), and the minimum trade size is one unit of £100.

## rbs.co.uk/markets

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