

# Special Edition Bond Series 'Autopilot' (Issue 2)

**Exclusive to Private Banking Clients**

This product was on sale 17 August – 23 October 2009





# The Private Banking Special Edition Bond – ‘Autopilot’

Autopilot from the Private Banking Service has a management strategy that allows you to benefit from exposure to a broad and diversified portfolio of four markets, safe in the knowledge that your capital is guaranteed as long as the bond is held until maturity.

Autopilot follows the trends and price levels of four distinct Market Sectors: Developed Markets, Emerging Markets, Property and Commodities. By using an innovative, monthly management strategy, Autopilot can avoid many of the risks and costs often associated with direct investment. The monthly management strategy links your capital to the performance of one or more Market Sectors when they are trending upwards (i.e. expected to rise) and diverts to Cash the ‘Reserve Asset’ (meaning your capital will earn an interest rate linked to LIBOR) when they are trending downwards (i.e. expected to fall).

## Key Features

- Exclusive to Private Banking
- Five year fixed term
- Minimum Deposit £10,000, no maximum
- Return of capital is guaranteed provided you hold the bond for the full Term
- A maximum monthly positive performance of 7.50% will be contributed by the Market Sectors to the calculation of the Autopilot Level. There is no maximum to the negative performance that will be contributed in any one month
- No management fees
- Applications accepted before 14 October will earn a rate equal to base rate until the Start Date of your bond. Any interest earned will be added to the initial bond Deposit

**Hurry, this bond offer is subject to availability and may close early if fully subscribed!**

## Key dates

|                       |                             |
|-----------------------|-----------------------------|
| Offer period          | 17 August – 23 October 2009 |
| Start Date            | 30 October 2009             |
| Expiry Date           | 30 October 2014             |
| Maturity Payment Date | 3 November 2014             |

## Things to consider

- As your capital is not invested in shares you will not receive dividends
- Inflation will reduce the future buying power of your money
- This bond is covered by the Financial Services Compensation Scheme
- Our guarantee relates to our obligation to repay your Deposit in full on the **Maturity Payment Date only, regardless of the performance of the Market Sectors**
- There is no cooling off period as the Special Edition Bond is reliant on financial markets outside of our control. Please ensure you are in a position to invest for the full five year Term

## Your Autopilot Explained...

Autopilot is a five year structured deposit that gives an investor exposure to a broad and diversified portfolio of four Market Sectors; Developed Markets, Emerging Markets, Property and Commodities:

### Market Sectors and assets explained

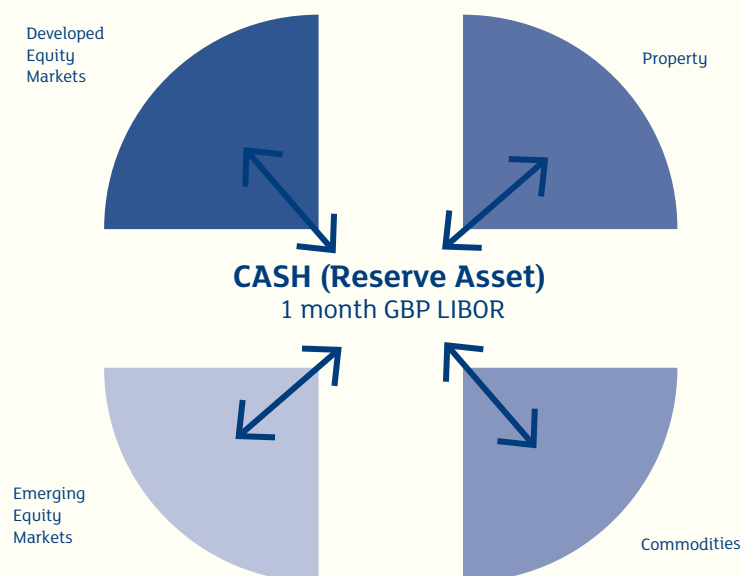
| Market Sectors           | Autopilot split              | Index/Asset   | Index weighting | Description  |
|--------------------------|------------------------------|---|-----------------|--|
| Developed Equity Markets | 25%                          | FTSE 100™   | 25%             | The FTSE 100™ is an index of the largest 100 companies traded on the London Stock Exchange. The index includes shares such as BP, GlaxoSmithKline, British Airways, Royal Dutch Shell, Tesco and Vodafone.   |
|                          |                              | S&P 500   | 25%             | The Standard & Poor's 500 is an index of 500 US shares. The index is designed to measure performance of the broad domestic economy and is based upon shares representing all major industries. The index includes shares such as Coca-Cola, Citigroup, eBay, Exxon Mobil, Ford, General Electric, Microsoft, Nike, Proctor and Gamble, Time Warner and Disney.   |
|                          |                              | Dow Jones Euro stoxx 50                                       | 25%             | The Dow Jones Euro stoxx 50 index is comprised of 50 European blue-chip stocks from those countries participating in the EMU. The index includes shares such as Banco Santander, Daimler Chrysler, L'Oreal, Nokia, Siemens and Total.  |
|                          |                              | Nikkei 225  | 25%             | The Nikkei 225 is an index of the 225 top rated Japanese companies listed in the first section of the Tokyo Stock Exchange. The index includes shares such as Canon Inc, Toyota Motor Corporation and Sony Corporation.  |
| Emerging Equity Markets  | 25%                          | MSCI iShare Emerging Markets Index Exchange Traded Fund (ETF) | 100%            | The MSCI iShares Emerging Market Index Exchange Traded Fund seeks to provide investment results that correspond generally to the performance of the MSCI Emerging Market Index. The Index is an equity benchmark for emerging market stock performance aiming to cover 85% or more of the available free float adjusted market capitalisation in emerging markets. Examples of the countries covered are Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt and Hungary. |
| Property                 | 25%                          | FTSE EPRA Index   | 100%            | The FTSE European Public Real Estate Index, is a market capitalisation weighted index consisting of the most heavily traded real estate stocks in Europe.  |
| Commodities              | 25%                          | Dow Jones UBS Commodity Excess Return Index                   | 100%            | The Dow Jones UBS Commodity Index is designed to be a diversified benchmark for commodities as an asset class. It is currently composed of 19 futures contracts on physical commodities, e.g. oil, coffee, gold.   |
| Reserve Asset            | Reserve Asset – 100% Maximum | 1 month GBP LIBOR   | 100%            | LIBOR is the London Interbank Offer Rate at which deposits are offered by one prime bank to another. For deposits in GBP interest is calculated on an actual/365 day basis.  |

## The management strategy explained

On the start date Autopilot will compare the previous day's level of the four Market Sectors with its monthly average level over the last 12 months. The monthly average level is the weighted Average Price taken on 12 monthly Observation Dates up to and including the relevant Observation Date. This process is repeated once per month throughout the term of the bond and is known as the Market Direction assessment.

If the current level is higher than the average level over the past 12 months this indicates a rising trend and Autopilot will link to this Market Sector for the following month. If the current level is lower, however, Autopilot will not link to this Market Sector but instead link to the Reserve Asset earning a rate equal to 1 month GBP LIBOR for the following month.

So for any given month Autopilot aims every month to be linked to those Market Sectors that appear to be rising, linking the remainder to the Reserve Asset with their performance contributing to the performance of Autopilot every month. This means that in any one month Autopilot could be 100% linked to the Market Sectors or 100% linked to the Reserve Asset or any combination of the two.



For each Market Sector the maximum positive performance per month is capped at 7.50%. Every month the performance of each Market Sector/Reserve Asset is calculated and the average taken and contributed to the Autopilot Level. As each Market Sector is equally weighted at 25% after averaging the maximum that will be contributed to the Autopilot Level overall is 7.50% per month. This is known as the Weighted Monthly Return. There is no maximum to the negative performance each Market Sector can contribute to the Autopilot Level.

## Things to consider

- There is no maximum to the negative performance that a Market Sector can contribute to the calculation of the Autopilot Level in any one month
- The maximum positive performance that can be contributed to the Autopilot Level is 7.50%. For example, if the positive return in a month was 10%, the maximum weighted return that would be contributed to the Autopilot Level would be capped at 7.50%
- The value of stock markets can rise as well as fall and past performance is not a guide to future performance
- Please see terms and conditions for more information

## Calculating your potential return:

A key element of the Autopilot is the calculation of the monthly 'Autopilot Level'. The level is initially set at 100 and will rise or fall each month depending upon the performance of each of the Market Sectors and/or the Reserve Asset deposit rates.

### Example

The table below shows an example of how the 'Autopilot Level' would be calculated over the first six months of the account given the specified returns of the Market Sectors:

- In Month 1, 25% of your capital would be linked to the performance of each of the Emerging Equity Markets, Commodities and Property Market Sectors as the Autopilot Market Direction Assessment indicates a rising price trend in each of these sectors
- Autopilot would not link to the Developed Equity Market Sector as in Month 1 however, the Market Direction Assessment has indicated a fall in this Market Sector on the Start Date. So in this instance Autopilot would link the 25% of the Deposit allocated to the Developed Equity Market Sector to the performance of the Reserve Asset – earning the equivalent of 1 month GBP LIBOR\* until the next Market Direction Assessment is undertaken a month later
- In Month 2, 25% of your Deposit would be linked to all four Market Sectors as the Autopilot Market Direction Assessment indicates a rise in each sector and so on...

|         |                             | Market Sector                   |                                 |                                 |                                 |       | Reserve Asset | Weighted Monthly Return | Autopilot Level** |
|---------|-----------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|-------|---------------|-------------------------|-------------------|
|         | Monthly Return              | Developed Equity Markets        | Emerging Equity Markets         | Property                        | Commodities                     |       |               |                         |                   |
| Month 1 | Market Direction Assessment | Decline – link to Reserve Asset | Rise – link to Market Sector    | Rise – link to Market Sector    | Rise – link to Market Sector    | n/a   | 1.01%         | 101.01                  |                   |
|         | Monthly Return              | n/a                             | 3.00%                           | 1.50%                           | -0.50%                          | 0.05% |               |                         |                   |
| Month 2 | Market Direction Assessment | Rise – link to Market Sector    | Rise – link to Market Sector    | Rise – link to Market Sector    | Rise – link to Market Sector    | n/a   | 0.89%         | 101.91                  |                   |
|         | Monthly Return              | 0.35%                           | 2.50%                           | -0.40%                          | 1.10%                           | n/a   |               |                         |                   |
| Month 3 | Market Direction Assessment | Rise – link to Market Sector    | Rise – link to Market Sector    | Rise – link to Market Sector    | Rise – link to Market Sector    | n/a   | 1.13%         | 103.05                  |                   |
|         | Monthly Return              | 0.90%                           | 1.50%                           | 0.80%                           | 1.30%                           | n/a   |               |                         |                   |
| Month 4 | Market Direction Assessment | Rise – link to Market Sector    | Rise – link to Market Sector    | Rise – link to Market Sector    | Rise – link to Market Sector    | n/a   | 0.68%         | 103.75                  |                   |
|         | Monthly Return              | -0.10%                          | 0.86%                           | 1.15%                           | 0.80%                           | n/a   |               |                         |                   |
| Month 5 | Market Direction Assessment | Rise – link to Market Sector    | Rise – link to Market Sector    | Rise – link to Market Sector    | Rise – link to Market Sector    | n/a   | -0.24%        | 103.50                  |                   |
|         | Monthly Return              | -0.87%                          | -0.45%                          | 0.47%                           | -0.11%                          | n/a   |               |                         |                   |
| Month 6 | Market Direction Assessment | Decline – link to Reserve Asset | Decline – link to Reserve Asset | Decline – link to Reserve Asset | Decline – link to Reserve Asset | n/a   | 0.05%         | 103.55                  |                   |
|         | Monthly Return              | n/a                             | n/a                             | n/a                             | n/a                             | 0.05% |               |                         |                   |

\*1 month GBP LIBOR 0.58% annualised as at 31/07/09.

\*\*The return upon maturity is the compounded Weighted Monthly Return. In this example, after 6 months an investment of £10,000 is worth £10,355.

## What will you receive at maturity?

The Autopilot Level determines the final return on the bond. At maturity you will receive the greater of 100% of your initial Deposit or 100% of your initial Deposit plus an interest return linked to the growth in the Autopilot if positive. Please see full terms and conditions.

### Things to consider

- This is purely an example of how Autopilot may perform and is not an indication of future performance
- It is possible that the Weighted Monthly Return of Autopilot may be a negative return, however, 100% of your Deposit is guaranteed provided you hold the bond until maturity
- If you close the bond before the Maturity Payment Date, you may not receive back the full amount of your initial Deposit. Partial withdrawals are not permitted in any circumstances



# The Private Banking Special Edition Bond – ‘Autopilot’

## Your questions answered

### Will I receive dividends?

No, as your money is not invested directly in the markets you are not entitled to receive dividends.

### Can I make additional deposits and withdrawals?

No, however, you can have more than one Special Edition Bond ‘Autopilot’.

### What happens if I want to close my Special Edition Bond ‘Autopilot’?

You should be aware that there is no cooling off period and as such once your application has been accepted it cannot be cancelled as this product is reliant on financial markets outside of our control. Please ensure you are in a position to invest your funds for the full five-year Term. Autopilot will only be closed in exceptional circumstances at the Bank’s discretion and you may not receive back the full Deposit originally invested.

### Can Autopilot be held in trust?

No, this product is available to Private Banking Clients aged 18 and above in a personal capacity only.

### Will I receive regular statements?

On the Start Date you will be sent a certificate confirming details of your Special Edition Bond. Then just after the anniversary of your bond, you will receive an annual update on the performance of your Special Edition Bond.

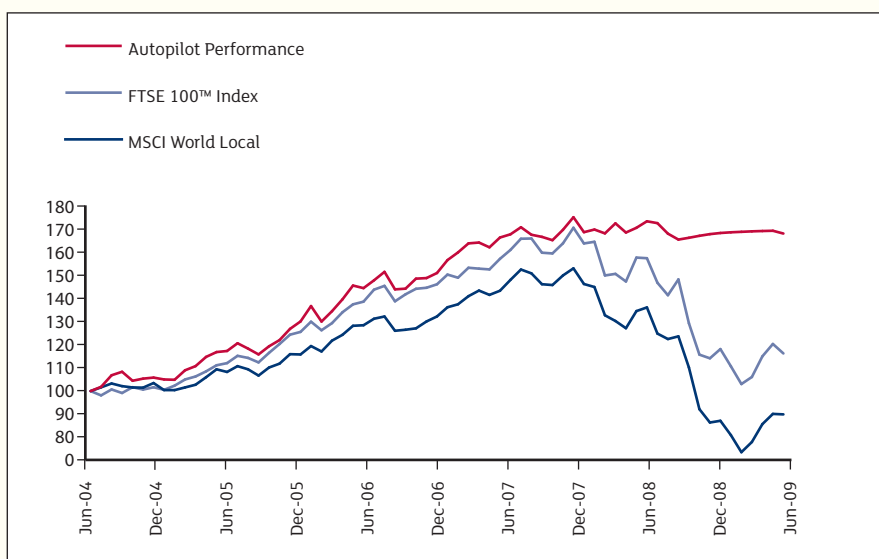
### What happens if the Market Sectors underperform?

Whatever the performance of the four underlying Market Sectors and the resulting Final Level of the Autopilot, your Deposit is guaranteed providing you don’t close the Special Edition Bond before the Maturity Payment Date.



### How have the markets performed to date?

Although this is the second issue of Autopilot, we are able to use actual historical market prices from the past 5 years to simulate how our Autopilot management strategy would have performed, had it existed historically, when compared to the price performance of the FTSE 100™ (a UK benchmark index) and MSCI World (which monitors the performance of stocks from around the world). In the past performance chart, for comparative purposes both the stock market indices and the Autopilot performance are indexed (June 2004 = 100%).




Past performance is not a guide to future performance. Information sourced from RBS Global Banking and Markets division.

| Summary Boxes for our savings accounts |  |
|--|--|
| <b>Account name</b>                    | Special Edition Bond 'Autopilot' (Issue 2)                     |
| <b>Interest Rates (AER)</b>            | Not applicable – return dependent on Market Sector performance |
| <b>Tax status</b>                      | Interest is paid after the deduction of 20% tax.               |
| <b>Conditions for bonus payments</b>   | Not applicable   |
| <b>Withdrawal arrangements</b>         | Withdrawals not permitted                                      |
| <b>Access</b>                          | Access not permitted   |

### What do I do next?

If you are interested in applying, please contact your Private Banking Manager for more information.





This brochure is available in Braille, large print and on audio tape.  
Please ask at any branch for a copy of 'The Disability Discrimination Act –  
How we make our services accessible to everyone' leaflet.

The Financial Services Compensation Scheme set up under the Financial Services and Markets Act 2000 covers your account. For deposits with a UK office, payments under the Scheme are limited to 100% of the claim subject to a maximum payment of £50,000. Most people who make deposits, including individuals and small firms, are covered. Deposits in all currencies are treated the same. If you would like more details on the Scheme, please contact the FSCS at [www.fscs.org.uk/consumer/publications](http://www.fscs.org.uk/consumer/publications)

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