

ROYAL BANK OF SCOTLAND PLC
Form 424B5
September 28, 2012

PRODUCT PROSPECTUS SUPPLEMENT Product Prospectus Supplement No. EPN-2 to
(To Prospectus Dated September 28, 2012) Registration Statement Nos. 333-184147 and 333-184147-01
Dated September 28, 2012
Rule 424(b)(5)

The Royal Bank of Scotland plc
RBS NotesSM
fully and unconditionally guaranteed by
The Royal Bank of Scotland Group plc

Enhanced Participation NotesTM

- Enhanced Participation Notes (which we refer to, together with the related guarantees, as the “securities”) are unsecured and unsubordinated obligations of The Royal Bank of Scotland plc that are fully and unconditionally guaranteed by The Royal Bank of Scotland Group plc. The securities are not principal protected. We will not pay interest on the securities. Any payment on the securities (including any payment at maturity) is subject to the ability of The Royal Bank of Scotland plc, as issuer of the securities, and The Royal Bank of Scotland Group plc, as the guarantor of the issuer’s obligations under the securities, to pay their respective obligations as they become due. You may lose some or all of your investment in the securities.
- This product prospectus supplement (which we refer to as the “product supplement”) describes the general terms of the securities and the general manner in which they may be offered and sold. For each offering of the securities, we will provide you with a term sheet or pricing supplement (which we refer to as a “pricing supplement”) that will describe the specific terms of that offering. The pricing supplement will identify any additions or changes to the terms specified in this product supplement. The pricing supplement will also identify the underlying market measure to which the securities are linked, which we refer to as the “Underlying Market Measure” and which may be equity-based or commodity-based indices, common stock or shares of issuers (which may include non-U.S. equity securities issued through depositary arrangements such as American Depositary Shares, or ADSs), commodities, exchange-traded funds, currencies or any other statistical or numerical measure of economic or financial performance, or a basket comprised of any combination of one or more of the foregoing.
- At maturity, you will be entitled to receive a cash payment per security (the “Payment at Maturity”) based upon the magnitude of the increase or decrease in the value of the applicable Underlying Market Measure from the Initial Value to the Final Value (each as defined below), calculated as described in this product supplement. Generally, if the Final Value is greater than the Initial Value, the Payment at Maturity will be equal to the sum of (a) the Original Offering Price (as defined below) and (b) the product of (i) the Original Offering Price, (ii) the percentage increase in the value of the Underlying Market Measure, and (iii) a Participation Rate (as defined below). Generally, if the Final Value is less than the Initial Value, you will be exposed to the full decrease in the value of the Underlying Market Measure on a one-for-one basis. The Payment at Maturity may be greater than or less than the Original Offering Price.
- The applicable pricing supplement may specify that your securities are “bear securities,” which will have a Payment at Maturity that is greater than their Original Offering Price if the value of the Underlying Market Measure decreases from the Initial Value to the Final Value.
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If specified in the applicable pricing supplement, your securities may be “Capped Enhanced Participation Notes,” in which case your return on investment at maturity will not exceed a specified return over the Original Offering Price (the “Capped Return”) and the Payment at Maturity will not exceed a specified dollar amount per security (the “Maximum Payment per Security”).

- The applicable pricing supplement may also specify a particular level of the Underlying Market Measure that is less than the Initial Value (or, in the case of bear securities, greater than the Initial Value), which we refer to as a “Buffer Value,” and the corresponding percentage decrease (or, in the case of bear securities, increase) from the Initial Value, which we refer to as the “Buffer Amount.” The applicable pricing supplement will specify whether the buffer is a “Fixed Buffer” or a “Contingent Buffer.” If a Fixed Buffer applies to your securities, the Payment at Maturity will be less than the Original Offering Price if the Final Value is less than (or, in the case of bear securities, greater than) the Buffer Value. If a Contingent Buffer applies to your securities, your securities will be protected against a specified level of decrease (or, in the case of bear securities, increase) only if the Buffer Value is not reached during the term of your securities, determined as described in this product supplement.
- The applicable pricing supplement will specify the Participation Rate, Maximum Payment per Security and Capped Return, and/or Buffer Value and Buffer Amount and type of buffer, if applicable, for your securities. We may determine the actual Participation Rate, Maximum Payment per Security and Capped Return, and/or Buffer Value and Buffer Amount, if applicable, on the “pricing date” of the securities, which will be the date the securities are priced for initial sale to the public.
- Each security will have an initial public offering price as set forth in the applicable pricing supplement (the “Original Offering Price”). The securities will be issued in denominations of the Original Offering Price or in integral multiples thereof. The pricing supplement may also set forth a minimum number of securities that you must purchase.
- Unless provided for in the applicable pricing supplement, the securities will not be listed on any securities exchange or quotation system.

The securities involve risks not associated with an investment in conventional debt securities. See “Risk Factors” beginning on S-16. The securities are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other government agency.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this product supplement or prospectus or any applicable pricing supplement are truthful or complete. Any representation to the contrary is a criminal offense.

RBS Securities Inc.

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ABOUT THIS PRODUCT SUPPLEMENT

As used in this product supplement, “RBS plc,” “we,” “us,” “our” and the “Bank” refer to The Royal Bank of Scotland plc, “RBSG” refers to The Royal Bank of Scotland Group plc, “Group” means The Royal Bank of Scotland Group plc together with its subsidiaries consolidated in accordance with International Financial Reporting Standards, “RBSSI” refers to RBS Securities Inc., and references to “dollars” and “\$” are to United States dollars.

The securities are our unsecured and unsubordinated obligations issued as part of our RBS NotesSM program and guaranteed by RBSG. RBS NotesSM is a service mark of The Royal Bank of Scotland N.V., one of our affiliates.

This product supplement, together with the applicable pricing supplement, set forth certain terms of the securities and supplements the prospectus dated September 28, 2012 relating to our debt securities of which the securities are part. This product supplement is a "prospectus supplement" referred to in the prospectus. You may access the prospectus on the Securities and Exchange Commission (“SEC”) website at www.sec.gov as follows (or if such address has changed, by reviewing our filings for the relevant date on the SEC website):

- Prospectus dated September 28, 2012:
http://www.sec.gov/Archives/edgar/data/729153/000095010312005038/dp33197_424b2.htm
Our Central Index Key, or CIK, on the SEC website is 729153.

This product supplement, together with the applicable pricing supplement and the prospectus described above, contains the terms of the securities and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, fact sheets, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Risk Factors” in this product supplement, as the securities involve risks not associated with conventional debt securities. You should consult your investment, legal, tax, accounting and other advisers before deciding to invest in the securities.

It is important for you to read and consider all information contained in the applicable pricing supplement, this product supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information contained in the documents identified in “Where You Can Find More Information” in the accompanying prospectus.

We have not authorized anyone to provide information other than that which is contained in this product supplement, the applicable pricing supplement and the accompanying prospectus with respect to the securities. We take no responsibility for, and can provide no assurance as to the reliability of, any information that others may give you. This document may only be used where it is legal to sell these securities. We are offering to sell these securities and seeking offers to buy these securities only in jurisdictions where offers and sales are permitted. Neither the delivery of this product supplement or the accompanying prospectus, nor any sale made hereunder and thereunder will, under any circumstances, create any implication that there has been no change in the affairs of RBS plc or RBSG since the date of the product supplement or that the information contained or incorporated by reference in the accompanying prospectus is correct as of any time subsequent to the date of such information.

The information set forth in this product supplement is directed to prospective purchasers who are United States residents. We disclaim any responsibility to advise prospective purchasers who are residents of countries other than the United States of any matters arising under foreign law that may affect the purchase of or holding of, or receipt of payments on, the securities. These persons should consult their own legal and financial advisers concerning these matters.

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

RBSG is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith, RBSG files reports and other information with the SEC. You may read and copy these documents at the SEC’s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. You can call the SEC at 1-800-SEC-0330 for further information about the Public Reference Room. The SEC’s website, at <http://www.sec.gov>, contains reports and other information in electronic form that RBSG has filed. You may also request a copy of any filings referred to below (other than exhibits not specifically incorporated by reference) at no cost, by contacting us at The Royal Bank of Scotland plc, RBS Gogarburn, P.O. Box 1000, Edinburgh EH12 1HQ, Scotland, telephone +44 131 626 0000.

The SEC allows us to incorporate by reference much of the information RBSG files with it. This means:

- incorporated documents are considered part of this product supplement;
- we can disclose important information to you by referring you to those incorporated documents; and
- information that RBSG files with the SEC will automatically update and modify or supersede some of the information included or incorporated by reference into this product supplement

This means that you must look at all of the SEC filings that we incorporate by reference to determine if any of the statements in this product supplement or in any document previously incorporated by reference have been modified or superseded. The accompanying prospectus lists documents that are incorporated by reference into this product supplement. Reports on Form 6-K we may furnish to the SEC after the date of this product supplement (or portions thereof) are incorporated by reference in this product supplement only to the extent that the report expressly states that it (or such portions) is incorporated by reference into the registration statement of which this product supplement is a part.

SUMMARY

This product supplement relates only to the securities and does not relate to any underlying asset that comprises the Underlying Market Measure described in any pricing supplement. This summary includes questions and answers that highlight selected information from the prospectus and this product supplement to help you understand the securities. You should read carefully the entire prospectus and product supplement, together with the applicable pricing supplement, to understand fully the terms of your securities, as well as the tax and other considerations important to you in making a decision about whether to invest in any of the securities. In particular, you should review carefully the section in this product supplement entitled “Risk Factors,” which highlights a number of risks of an investment in the securities, to determine whether an investment in the securities is appropriate for you. If information in this product supplement is inconsistent with the prospectus, this product supplement will supersede the prospectus. However, if information in any pricing supplement is inconsistent with this product supplement, that pricing supplement will supersede this product supplement.

Certain capitalized terms used and not defined in this product supplement have the meanings ascribed to them in the prospectus.

You are urged to consult with your own attorneys and business and tax advisers before making a decision to purchase any of the securities.

The information in this “Summary” section is qualified in its entirety by the more detailed explanation set forth elsewhere in this product supplement and in the prospectus, as well as the applicable pricing supplement. You should rely only on the information contained in those documents. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor any selling agent is making an offer to sell the securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information in this product supplement and prospectus, together with the pricing supplement, is accurate only as of the date on their respective front covers.

What are the securities?

The securities are senior unsecured obligations issued by us, The Royal Bank of Scotland plc (“RBS plc”), and are fully and unconditionally guaranteed by our parent company, The Royal Bank of Scotland Group plc (“RBSG”). The securities will rank equally with all of our senior unsecured indebtedness from time to time outstanding, and any payments due on the securities, including any repayment of your investment, will be subject to our credit risk, as issuer of the securities, and to the credit risk of RBSG, as guarantor of our obligations under the securities. Each series of the securities will mature on the date set forth in the applicable pricing supplement. We will not make any payments on the securities until maturity, and the securities are not repayable at the option of any holder prior to their maturity date or redeemable at our option except as described under “Description of the Securities—Optional Tax Redemption.” The securities are not principal protected. You may lose some or all of your investment in these securities.

The securities are designed for investors who are seeking exposure to a specific Underlying Market Measure and who anticipate that the value of the Underlying Market Measure will increase (or, in the case of bear securities, will decrease) over the term of the securities. When we refer to the value of an Underlying Market Measure in this product supplement, we mean the level of an index, the exchange rate for specific currencies, the price of the shares of common stock of an issuer, the price of the shares of an exchange-traded fund, or the rate of a statistical or numerical measure of economic or financial performance, or the value of a basket comprised of any combination of

one or more of the foregoing, in each case as specified in the applicable pricing supplement.

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The applicable pricing supplement may provide that your securities are Capped Enhanced Participation Notes, in which case the Payment at Maturity will not exceed a specified dollar amount per security (the “Maximum Payment per Security”), and the return on your investment at maturity will not exceed a specified return over the Original Offering Price (the “Capped Return”). Capped Enhanced Participation Notes are designed for investors who anticipate that the increase (or, in the case of bear securities, the decrease) in the value of the Underlying Market Measure will be moderate and who are willing to accept a return that will not exceed the Capped Return, as well as the risk of losing some or all of their investment.

The applicable pricing supplement may provide that your securities include a buffer, in which case the Payment at Maturity will be based on the Final Value relative to the Initial Value as well as the level of the buffer, which we refer to as the “Buffer Value,” and the corresponding percentage decrease (or, in the case of bear securities, increase) from the Initial Value, which we refer to as the “Buffer Amount.” The applicable pricing supplement will specify the Buffer Value and Buffer Amount and whether the buffer is a “Fixed Buffer” or a “Contingent Buffer.”

If a Fixed Buffer applies to your securities, the Payment at Maturity will be less than the Original Offering Price if the Final Value is less than (or, in the case of bear securities, greater than) the Buffer Value; in other words, the Payment at Maturity will be less than the Original Offering Price if the Final Value is less than (or, in the case of bear securities, greater than) the Initial Value by a percentage greater than the Buffer Amount.

If a Contingent Buffer applies to your securities, your securities will be protected against a specified level of decrease (or, in the case of bear securities, increase) only if the closing value of the Underlying Market Measure has not been equal to or less than (or, in the case of bear securities, equal to or greater than) the Buffer Value on any Monitoring Day(s) or during the Monitoring Period, as applicable, as described below; in other words, your securities will be protected against a specified level of decrease (or, in the case of bear securities, increase) only if the closing value of the Underlying Market Measure has not decreased from (or, in the case of bear securities, increased from) the Initial Value by a percentage that is equal to or greater than the Buffer Amount on any Monitoring Day(s) or during the Monitoring Period, as applicable, as described below. If the closing value of the Underlying Market Measure is equal to or less than (or, in the case of bear securities, equal to or greater than) the Buffer Value, or in other words, the closing value of the Underlying Market Measure has decreased from (or, in the case of bear securities, increased from) the Initial Value by a percentage that is equal to or greater than the Buffer Amount on any applicable Monitoring Day(s) or during the Monitoring Period (which we refer to in this product supplement as a “Knock-Out Event”), your investment in the securities will no longer be protected by any buffer, and you will be exposed to the full downside movement (or, in the case of bear securities, upside movement) in the value of the Underlying Market Measure to which your securities are linked. Securities that include a buffer are designed to offer only a modest level of protection to the investor against movements in the Underlying Market Measure. You should not invest in the securities, whether or not they include a buffer, if you are unable or unwilling to bear the risk of loss of some or all of your investment.

Investors in the securities must be willing to forgo interest payments on their investment, such as fixed or floating interest rates paid on conventional non-callable debt securities, and bear the risk of loss of all or substantially all of their investment. In addition, if a Maximum Payment per Security is applicable, investors will never receive a payment at maturity greater than the Maximum Payment per Security, and the return on investors’ investment at maturity will not exceed the Capped Return.

Any payment on the securities (including any payment at maturity) is subject to the creditworthiness (i.e., the ability to pay) of RBS plc, as the issuer of the securities, and RBSG, as the guarantor of the issuer’s obligations under the securities.

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Is it possible for you to lose some or all of your investment in the securities?

Yes. You will be entitled to receive a Payment at Maturity that is less than the Original Offering Price of your securities if:

- (a) in the case of securities with no buffer, the Final Value is less than the Initial Value (or, in the case of bear securities, the Final Value is greater than the Initial Value);
 - (b) in the case of securities with a Fixed Buffer, the Final Value is less than the Buffer Value (or, in the case of bear securities with a Fixed Buffer, the Final Value is greater than the Buffer Value); in other words, the Final Value is less than the Initial Value by a percentage greater than the Buffer Amount (or, in the case of bear securities with a Fixed Buffer, the Final Value is greater than the Initial Value by a percentage greater than the Buffer Amount); or
 - (c) in the case of securities with a Contingent Buffer, the closing value of the Underlying Market Measure is equal to or less than (or, in the case of bear securities, equal to or greater than) the Buffer Value or, in other words, the closing value of the Underlying Market Measure has decreased from (or, in the case of bear securities, increased from) the Initial Value by a percentage that is equal to or greater than the Buffer Amount on any applicable Monitoring Day(s) or during the Monitoring Period (i.e., a Knock-Out Event has occurred), and the Final Value is less than the Initial Value (or, in the case of bear securities, the Final Value is greater than the Initial Value).
- In any of the above circumstances, the Payment at Maturity that you will be entitled to receive will be less than the Original Offering Price, and you could lose some or all of your investment. However, in no event will the Payment at Maturity be less than zero.
 - In the case of (a) and (c) above, the Payment at Maturity will reflect the Original Offering Price less the full extent of the percentage decrease (or, in the case of bear securities, the percentage increase) of the Underlying Market Measure from the Initial Value to the Final Value.

In the case of (b), the Payment at Maturity will be equal to the Original Offering Price less the percentage decrease (or, in the case of bear securities, the percentage increase) of the Underlying Market Measure from the Initial Value to the Final Value that is in excess of the Buffer Amount.

You should carefully review the applicable pricing supplement to determine the extent to which your investment is at risk. Further, if you sell your securities prior to maturity, you may find that the value per security is less than the Original Offering Price.

What is the Underlying Market Measure?

The Underlying Market Measure may consist of one or more of any of the following:

- U.S. broad-based equity indices, U.S. sector or style-based equity indices, non-U.S. or global equity indices or commodity-based indices, each of which we refer to as an "Underlying Index." We refer to an Underlying Index comprised of securities as an "Underlying Equity Index" and to an Underlying Index comprised of commodities or commodity futures contracts as an "Underlying Commodity Index."
- A commodity, which we refer to as an "Underlying Commodity."
- The shares or common stock of an issuer, which we refer to as "Underlying Stock." As used in this product supplement, the terms "common stock" and "Underlying Stock" include American Depositary Shares, or ADSs,

which are issued pursuant to depositary

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arrangements representing non-U.S. equity securities. We refer to the U.S. issuer of U.S. equity securities, or the non-U.S. issuer of the non-U.S. equity securities underlying an ADS, as the case may be, as the “Underlying Company,” and we refer to the non-U.S. equity securities as the “ADS Underlying Stock.”

- An exchange-traded fund, which we refer to as an “Underlying Fund.” We refer to an Underlying Fund that tracks an equity index or basket of stocks as an “Underlying Equity Fund” and to an Underlying Fund that tracks a commodity, commodity index or basket of commodities or commodity futures contracts as an “Underlying Commodity Fund.” We refer to the index that an Underlying Fund tracks as a “Target Index.”
- Any currency, which we refer to as a “Reference Currency” relative to another currency, which we refer to as a “Base Currency” and which together with the Reference Currency, form an “Underlying Currency Pair.” The Underlying Currency Pair will be expressed as a number of units of the Reference Currency for which one unit of the Base Currency can be exchanged, unless otherwise specified in the applicable pricing supplement.
- Any other statistical or numerical measure of U.S. or non-U.S. economic or financial performance.

The Underlying Market Measure may consist of a basket of one or more of any combination of the foregoing, which we refer to as a “Basket.” We refer to each component included in any Basket as a “Basket Component.” If the Underlying Market Measure to which your securities are linked is a Basket, the Basket Components (and the component weights thereof) will be set forth in the applicable pricing supplement.

The applicable pricing supplement will set forth information as to the specific Underlying Market Measure, including information as to the historical values of the Underlying Market Measure. However, historical values of the Underlying Market Measure are not indicative of the future performance of the Underlying Market Measure or the performance of your securities.

How is the Payment at Maturity calculated?

At maturity, subject to our credit risk as issuer of the securities, and the credit risk of RBSG, as the guarantor of our obligations under the securities, and unless the applicable pricing supplement provides otherwise, you will be entitled to receive a Payment at Maturity per security that you hold, denominated in U.S. dollars, calculated as described in “Description of the Securities—Payment at Maturity” below. Unless the applicable pricing supplement provides otherwise, the Payment at Maturity that you will be entitled to receive will be based upon the magnitude of the increase or decrease in the value of the Underlying Market Measure from the Initial Value to the Final Value.

How will the Initial Value be determined?

Underlying Stocks, Underlying Equity Indices, Underlying Funds and Underlying Currency Pairs

Unless otherwise specified in the applicable pricing supplement, the “Initial Value” for an Underlying Market Measure that is one or more Underlying Stocks, Underlying Equity Indices, Underlying Funds or Underlying Currency Pairs, will equal the closing level of the Underlying Equity Index, the closing price of the Underlying Stock or shares of the Underlying Fund or, for the Underlying Currency Pair, the currency exchange rate of the Reference Currency relative to the Base Currency, at a specific time on the pricing date and, in each case as determined by the calculation agent, as set forth in the section “Description of the Securities—The Initial Value and the Final Value.”

Underlying Commodities and Underlying Commodity Indices

Unless otherwise specified in the applicable pricing supplement, the “Initial Value” for an Underlying Market Measure that are Underlying Commodities or one or more Underlying Commodity Indices, will equal the price or value of the Underlying Commodity or the closing level of the Underlying Commodity Index on the pricing date, as determined by the calculation agent; provided that if a Market Disruption Event (as defined in “Description of the Securities—Market Disruption Events”) occurs or is continuing on the pricing date, the calculation agent will establish the Initial Value as set forth in the section “Description of the Securities—The Initial Value and the Final Value.”

Basket

Unless otherwise specified in the applicable pricing supplement, the “Initial Value” for an Underlying Market Measure that is a Basket will be equal to 100. We will assign each Basket Component a weighting (the “Initial Component Weight”) so that each Basket Component represents a percentage of the Initial Value on the pricing date. We may assign the Basket Components equal Initial Component Weights, or we may assign the Basket Components unequal Initial Component Weights. The Initial Component Weight for each Basket Component will be set forth in the applicable pricing supplement. See “Description of the Securities—Baskets.”

How will the Final Value be determined?

The calculation agent will determine the “Final Value” for an Underlying Market Measure either (i) by reference to a single value of the Underlying Market Measure in respect of a single valuation date (as defined below), or (ii) by reference to the arithmetic average of the values of the Underlying Market Measure in respect of two or more valuation dates. The applicable pricing supplement will specify how the Final Value for your securities will be determined, and will set forth the valuation date or valuation dates applicable to your securities. In the event of a Market Disruption Event (as defined in “Description of the Securities—Market Disruption Events”) on a scheduled valuation date, or if a scheduled valuation date is not a Market Measure Business Day (as defined in “Description of the Securities—The Initial Value and the Final Value”), such valuation date will be postponed as described under “Description of the Securities—The Initial Value and the Final Value” and “Description of the Securities—Market Disruption Events.”

Underlying Equity Indices and Underlying Currency Pairs

Unless otherwise specified in the applicable pricing supplement, the “Final Value” for an Underlying Market Measure that is one or more Underlying Equity Indices or Underlying Currency Pairs will equal either (i) the closing level of the Underlying Equity Index or, for the Underlying Currency Pair, the currency exchange rate of the Reference Currency relative to the Base Currency, at a specific time on a single valuation date, as determined by the calculation agent, or (ii) the arithmetic average of the closing levels of the Underlying Equity Index or, for the Underlying Currency Pair, the currency exchange rates of the Reference Currency relative to the Base Currency, at specific times on specific valuation dates, as specified in the applicable pricing supplement, and as determined by the calculation agent, subject to the terms and provisions which we describe in “Description of the Securities—The Initial Value and the Final Value,” “Description of the Securities—Market Disruption Events” and “Description of the Securities—Discontinuation or Modification of the Underlying Market Measure.”

Underlying Commodities and Underlying Commodity Indices

Unless otherwise specified in the applicable pricing supplement, the “Final Value” for an Underlying Market Measure that are Underlying Commodities or one or more Underlying Commodity Indices will equal either (i) the price or value of the Underlying Commodity or the closing level of the Underlying

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Commodity Index on a single valuation date, as determined by the calculation agent, or (ii) the arithmetic average of the prices or values of the Underlying Commodity or the closing levels of the Underlying Commodity Index on specific valuation dates, as specified in the applicable pricing supplement, and as determined by the calculation agent; provided that if a Market Disruption Event (as defined below) occurs or is continuing on one or more valuation dates or if any scheduled valuation date is determined by the calculation agent not to be a Market Measure Business Day, then the calculation agent will establish the value of the Underlying Market Measure on the affected valuation date as set forth in the section “Description of the Securities—The Initial Value and the Final Value,” “Description of the Securities—Market Disruption Events” and “Description of the Securities—Discontinuation or Modification of the Underlying Market Measure.”

Underlying Stocks and Underlying Funds

Unless otherwise specified in the applicable pricing supplement, the “Final Value” for an Underlying Market Measure that is one or more Underlying Stocks or Underlying Funds will equal either (i) the closing price of the Underlying Stock or shares of the Underlying Fund on a single valuation date, as determined by the calculation agent, or (ii) the arithmetic average of the closing prices of the Underlying Stock or shares of the Underlying Fund on specific valuation dates, as specified in the applicable pricing supplement, and as determined by the calculation agent, in each case multiplied by the Adjustment Factor, subject to the terms and provisions which we describe in “Description of the Securities—The Initial Value and the Final Value,” “Description of the Securities—Market Disruption Events” and “Description of the Securities—Discontinuation or Modification of the Underlying Market Measure.” With respect to the Underlying Stock or Underlying Fund, the “Adjustment Factor” will be set initially at 1.0, but will be subject to adjustment upon the occurrence of certain corporate events affecting such Underlying Stock or Underlying Fund. See “Description of the Securities—Adjustment Events for Underlying Stocks and Underlying Funds” below.

Basket

Unless otherwise specified in the applicable pricing supplement, the “Final Value” for an Underlying Market Measure that is a Basket will be either (i) the value of the Basket on a single valuation date, as determined by the calculation agent, or (ii) the arithmetic average of the value of the Basket on specific valuation dates, as specified in the applicable pricing supplement, and as determined by the calculation agent as set forth in the section “Description of the Securities—Baskets—Computation of the Basket.” The closing value of each Basket Component will be determined by the calculation agent in accordance with the provisions applicable to such Basket Component (i.e., whether the Basket Component is the Underlying Equity Index, Underlying Currency Pair, Underlying Commodity, Underlying Commodity Index, Underlying Stock or Underlying Fund), as set forth above.

A “valuation date” means either (i) the single Market Measure Business Day (as defined below) on which the Final Value will be calculated, or (ii) two or more Market Measure Business Days over which an arithmetic average of the closing values of the Underlying Market Measure will be determined in order to calculate the Final Value, in each case as specified in the applicable pricing supplement; provided that, other than with respect to Underlying Commodities or one or more Underlying Commodity Indices, and unless otherwise specified in the applicable pricing supplement, (i) if a Market Disruption Event has occurred or is continuing on any such Market Measure Business Day(s) or (ii) if a scheduled valuation date is determined by the calculation agent not to be a Market Measure Business Day by reason of an extraordinary event, occurrence, declaration or otherwise, the affected valuation date for such Underlying Market Measure will be the immediately succeeding Market Measure Business Day where no Market Disruption Event has occurred or is continuing; provided further that no valuation date will be postponed by more than five (5) business days beyond the original valuation date, as further described under “Description of the Securities—The Initial Value and the Final Value” and “Description of the Securities—Market Disruption Events.”

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The “maturity date” will be as specified in the applicable pricing supplement. If the scheduled maturity date (as specified in the applicable pricing supplement) is not a business day, then the maturity date will be the next succeeding business day following such scheduled maturity date. If, due to a Market Disruption Event or otherwise, as described above, a valuation date is postponed so that it falls less than three (3) business days prior to the scheduled maturity date, the maturity date will be the third business day following that valuation date, as postponed, unless otherwise specified in the applicable pricing supplement. See “Description of the Securities—Market Disruption Events.”

Unless otherwise specified in the applicable pricing supplement, a “business day” means any day that is not a Saturday or Sunday or a day on which banking institutions in The City of New York are authorized or required by law, executive order or governmental decree to be closed.

Unless otherwise specified in the applicable pricing supplement, a “Market Measure Business Day” means:

- (a) With respect to an Underlying Equity Index, a day on which (1) the New York Stock Exchange (the “NYSE”) and The NASDAQ Stock Market, or their successors, are open for trading and (2) the relevant Underlying Equity Index is calculated and published.
- (b) With respect to an Underlying Commodity Index, a day, as determined by the calculation agent, on which (1) the primary exchange or organized market for trading for all commodities and commodity contracts included in such Underlying Commodity Index are open for trading and (2) the relevant Underlying Commodity Index is calculated and published.
- (c) With respect to an Underlying Commodity, a day, as determined by the calculation agent, on which the primary exchange or organized market for trading of such Underlying Commodity is open for trading during its regular trading session.
- (d) With respect to an Underlying Stock or Underlying Fund, a day, as determined by the calculation agent, on which trading is generally conducted on the primary exchange or organized market for trading of such Underlying Stock or shares of such Underlying Fund.