

MARKET ANNOUNCEMENT

1st April 2016

RBS Exchange Traded International Securities – Holder Special Resolution

RBS Alternative Investments (Australia) Pty Limited (ABN 85 154 251 671) (“RBS”) is the issuer of RBS Exchange Traded International Securities (“**ETIS**”) listed in the Schedule attached to the end of this notice. The ETIS are issued pursuant to the Product Disclosure Statement dated 11 April 2011 (“**PDS**”).

On the 23rd June 2014, RBS made a market announcement that it will cease to carry on the Investor Product and Equity Derivatives business, with effect from 23rd June 2014. RBS no longer issues or offers any warrants or structured products on the primary or secondary market, including as part of a conversion under a rollover (or similar) facility of a product already on issue.

RBS has obtained the consent of the ASX to put a special resolution to Holders of the ETIS Series included in the attached Schedule, to allow them to vote on whether to amend the Terms to enable the ETIS to be terminated early on the terms proposed. For details of the Special Resolution please refer to the notice below. The Special Resolution Notice and Ballot Paper will be sent by mail to the registered address of all affected Holders on 1 April 2016.

All other RBS issued products that are not listed in the Schedule are unaffected by this market announcement.

Any holders who require additional information should contact their Stockbroker and/or Financial Adviser. Alternatively please call RBS Investor Products on 1800 450 005. Any update to this information will be provided at www.rbs.com.au/warrants.

RBS Alternative Investments (Australia) Pty Limited

RBS Alternative Investments (Australia) Pty Limited is not an Authorised Deposit-Taking Institution and the products which are issued by it do not form deposits or other funds or liabilities of The Royal Bank of Scotland N.V or The Royal Bank of Scotland plc. The Royal Bank of Scotland plc does not guarantee the obligations of RBS Alternative Investments (Australia) Pty Limited. The Royal Bank of Scotland plc is a foreign Authorised Deposit-Taking Institution and the products which are issued by it do not form deposits or other funds of The Royal Bank of Scotland plc, or deposits or other funds or liabilities of The Royal Bank of Scotland N.V. or RBS Alternative Investments (Australia) Pty Limited.

[insert date]

[insert investors name and address]

Exchange Traded International Securities issued by RBS Alternative Investments (Australia) Pty Limited ABN 85 154 251 671, AFS licence number of Authorised Intermediary 241114) (“RBS”) pursuant to a product disclosure statement dated 11 April 2011 and quoted on the ASX (“ETIS”) – series Refer to Schedule in Annexure B

This document is intended to provide Holders with information about the proposed special resolution and to assist Holders to determine how to vote on the resolution.

You are encouraged to read this document and the annexed notice of proposal and ballot paper carefully before making any decision in relation to the resolution.

A separate notice in relation to the upcoming Rollover Date outlining your options will be provided to you shortly following this notice [*note: this assumes the notice is issued prior to the issue of the [Notice] and the commencement of the exercise period*]. Please see sections 7 and 8 below for the consequences of this proposal in relation to the Rollover Date.

1 Background

RBS Alternative Investments (Australia) Pty Limited (**RBS**) is the issuer of the ETIS issued under the product disclosure statement dated 11 April 2011. The ETIS were originally issued by RBS Group (Australia) Ltd but RBS assumed the role of issuer of the ETIS pursuant to the scheme of arrangement implemented on 6 February 2012 (**Scheme**). Further information on the Scheme is available in the notice dated 6 February 2012 available via www.rbs.com.au/markets.

With the consent of the ASX and subject to the passing of the resolutions described in the notice of proposal, RBS is giving notice of a proposal to terminate the ETIS early, by paying 125% of the Holders’ entitlement to the Termination Amount on or before 16 May 2016.

RBS is requesting the Holders consider and, if thought fit, approve by special resolution two amendments to the Terms to provide for:

- (1) an additional ‘Extraordinary Event’ to occur at midnight on 02 May 2016, pursuant to which RBS may nominate an early expiry date in respect of the ETIS; and

- (2) an adjustment of the Termination Amount to include a premium in the event of RBS nominating a date for termination of the ETIS pursuant to that Extraordinary Event.

2 Why is RBS proposing to amend the Terms?

On the 23rd June 2014, RBS made a market announcement that it would cease to carry on the Investor Product and Equity Derivatives business with effect from 23rd June 2014.

RBS no longer issues or offers any warrants or structured products on the primary or secondary market, including as part of a conversion under a rollover (or similar) facility of a product already on issue.

RBS has been exploring options to terminate the ETIS prior to their scheduled expiry date of 4 May 2021 and has obtained the consent of the ASX to put this special resolution to Holders to allow them to vote on whether to amend the Terms to enable the ETIS to be terminated early on the terms proposed.

3 Benefits of the proposal

The special resolution, if passed, may deliver (amongst others) the following benefits to Holders:

- (a) Holders will receive a premium, being 125% (rather than 100%) of the termination value of their ETIS;
- (b) Holders will receive a termination payment on or before 16 May 2016 rather than in May 2021, over five years earlier than scheduled; and
- (c) by bringing the expiry date forward, Holders will cease their exposure to the risks of the ETIS earlier than the scheduled maturity, including ceasing to be exposed to the risks of negative market movements and volatility between April 2016 and May 2021. By crystallising their gains early under this proposal, Holders can protect those gains from ETIS risks going forwards.

4 Disadvantages of the proposal

The special resolution, if passed, may deliver (amongst others) the following disadvantages to Holders:

- (a) Holders' investment exposure to the ETIS, and to potential future gains, will cease earlier than the scheduled maturity. However, as the ETIS are not leveraged, Holders wishing to obtain a similar investment exposure following the early termination of the ETIS may choose to invest the termination amount directly in the Reference Share; and
- (b) income tax may be payable on the premium received and gains realised on the termination of the ETIS. The exact taxation outcome will depend on the specific facts and circumstances of each Holder.

You should speak with your financial and taxation advisor before deciding whether to vote for the proposal.

5 What are the voting requirements for the resolution to be passed?

The resolution is a special resolution. To be passed, it must be approved by 75% or more of the total votes cast by Holders who vote on the resolution.

RBS and its associates are not entitled to vote on this special resolution.

6 How many votes do you have?

Each Holder is entitled to one vote for each ETIS held.

7 What happens if the special resolution is passed?

If Holders approve the special resolution in the ballot:

- (a) the amendments to the Terms will come into immediate effect;
- (b) on 02 May 2016 RBS will nominate an Extraordinary Event and will nominate an early termination date of 02 May 2016; and
- (c) each Holder will receive their Termination Amount for each ETIS they hold on or before 16 May 2016.

The ASX has consented to this nomination and to this termination subject only to the passing of the special resolution.

A separate notice in relation to the upcoming Rollover Date outlining your options will be provided to you shortly following this notice. If the special resolution is passed the termination will proceed prior to the Rollover Date and any election to receive the Underlying Reference Share or the Cash Amount (which will be lower than the Termination Amount payable to you if the special resolution is passed) will not proceed. You should take this proposal into account when considering whether to exercise your rights in relation to the Rollover Date.

8 What happens if the special resolution is not passed?

If the special resolution is not passed then in the absence of an early termination for another reason you will remain a Holder and will not receive your Termination Amount (calculated under paragraph (a) of that definition excluding the premium) until 4 May 2021.

While RBS will continue to explore its options in line with its intention to exit the Investor Product and Equity Derivatives business, RBS is not obliged to propose any further proposals to amend the Terms to provide for an early termination of the ETIS.

A separate notice in relation to the upcoming Rollover Date outlining your options will be provided to you shortly following this notice. If the special resolution is not passed, any election to receive the Underlying Reference Share or the Cash Amount prior to the Rollover Date will be processed according to your instructions. You should be aware however, that the Cash Amount is expected to be less than the Termination Amount. You should take this proposal into account when considering whether to exercise your rights in relation to the Rollover Date.

9 What do you need to do?

As a Holder, you need to:

- (a) consider the resolution proposed and determine whether you wish to vote 'for' or 'against' or 'abstain'; and
- (b) if you wish to vote, please complete the attached ballot paper and deliver it to RBS's auditor, Deloitte Touche Tohmatsu in accordance with this notice.

10 Timetable of the proposal

Day	Event
1 April 2016	Dispatch to Holders of the annexed notice of proposal to amend the terms of issue
29 April 2016	Ballot papers must be returned by Holders
02 May 2016	ETIS suspended on ASX prior to market open, pending the special resolution being approved in the ballot
	RBS releases an announcement of the ballot result
	If the special resolution is approved, the amendment to the terms of issue take effect
Midnight 02 May 2016	If the special resolution is approved, the Early Termination Date occurs
03 May 2016 (1 Business Day after suspension)	If the special resolution is approved, this is the Record Date (for ASX purposes)
16 May 2016 (10 Business Days after early termination date)	If the special resolution is approved the Termination Amount is paid to Holders

Notice of proposal to amend the terms of issue

Exchange Traded International Securities issued by RBS Alternative Investments (Australia) Pty Limited ABN 85 154 251 671, AFS licence number of Authorised Intermediary 241114) (“RBS”) pursuant to a product disclosure statement dated 11 April 2011 and quoted on the ASX (“ETIS”) – series Refer to Schedule in Annexure B

Notice

Notice is given pursuant to clause 16.2 of the terms of issue of the ETIS (**Terms**) and rule 10A.5.2 of Schedule 10A of the ASX Operating Rules, that an amendment to the Terms is proposed subject to the passing of a resolution of holders of [ETSXXX] series ETIS (**Holders**) as follows.

Resolutions:

To consider, and if thought fit, to pass the following resolution as a special resolution:

- 1 that the definition of ‘Extraordinary Event’ is amended by deleting the comma at the end of paragraph (f) and inserting the following in substitution:

“; or

g. following notification by the Issuer to Holders that RBS no longer issues or offers any warrants or structured products on the primary or secondary market in relation to the Exchange Traded International Securities, the date and time in Sydney being midnight [insert date] 2016,”

; and

- 2 that the definition of ‘Termination Amount’ is deleted and the following definition is inserted in substitution:

“**Termination Amount**” means, in respect of an Exchange Traded International Security which has terminated or is terminating:

- (a) the amount determined by the Calculation Agent (acting in a commercially reasonable manner) as the value of an Exchange Traded International Security on the date of that termination (which may be zero), taking into account (amongst other things) the volatility of the price or value of the Reference Share, the level of interest rates, the time remaining until the Expiry Date, the future expected dividends or distributions of the relevant Reference Share (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 Group entity in relation to the Exchange Traded International Security and less Expenses; or
 - (b) following the occurrence of an Extraordinary Event described in paragraph (g) of that definition, 125% of the amount determined under paragraph (a).”
-

Voting requirements: The resolution is a special resolution. To be passed, it must be approved by 75% or more of the total votes cast by Holders who vote on the resolution.

Entitlement to vote: Each Holder is entitled to one vote for each ETIS they hold but RBS and its associates are not entitled to vote on this special resolution.

Any votes cast by RBS and its associates will be disregarded. If you are in any doubt as to whether you are entitled to vote, please call us on 1800 450 005.

Recommendations: The board of RBS has duly considered the implications of the resolution and is of the opinion (acting reasonably) that this special resolution does not materially prejudice Holders as a whole and recommends that Holders vote in favour of the resolution.

Scrutineers RBS' auditor will determine the relationship of all Holders submitting ballot papers and will complete a total of all the votes cast on valid ballot papers during the voting period.

Ballot Papers If you wish to vote, please complete the attached ballot paper and return the completed ballot paper to RBS's auditor, Deloitte Touche Tohmatsu by no later than 28 April 2016.

Ballot Papers must be received at:

Deloitte Touche Tohmatsu
c/- Level 22,
88 Phillip Street
Sydney NSW 2001

Extraordinary Event If the special resolution is passed, this notice also serves as a notice to Holders under clause 12.1(a) of the Terms:

- that RBS no longer issues or offers any warrants or structured products on the primary or secondary market in relation to the ETIS and of the nomination of 02 May 2016 as an Extraordinary Event; and
 - that the ETIS will terminate on 02 May 2016.
-

RBS Alternative Investments (Australia) Pty Limited

RBS Alternative Investments (Australia) Pty Limited is not an Authorised Deposit-Taking Institution and the products which are issued by it do not form deposits or other funds or liabilities of The Royal Bank of Scotland N.V or The Royal Bank of Scotland plc. The Royal Bank of Scotland plc does not guarantee the obligations of RBS Alternative Investments (Australia) Pty Limited. The Royal Bank of Scotland plc is a foreign Authorised Deposit-Taking Institution and the products which are issued by it do not form

deposits or other funds of The Royal Bank of Scotland plc, or deposits or other funds or liabilities of The Royal Bank of Scotland N.V. or RBS Alternative Investments (Australia) Pty Limited.

Exchange Traded International Securities – series Refer to Schedule in Annexure B

Ballot Paper

I/We [full name in block letters]

of **[full address]**

being a holder of **[insert number]** Exchange Traded International Securities (series [ETSXXX]) and entitled to vote, wish to pass the following as a special resolution:

	For	Against	Abstain
<p>1 That the Terms of the series [ETSXXX] Exchange Traded International Securities are amended as set out in the notice of proposal dated [1 April 2016].</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PLEASE SIGN HERE

<i>sign here ►</i>	Individual 1/Sole Director and Sole Company Secretary <i>(delete whichever does not apply)</i>	Individual 2/Director <i>(delete whichever does not apply)</i>	Company Secretary/Director <i>(delete whichever does not apply)</i>
<i>print name</i>			
<i>print position</i>			
<i>date</i>			

In the event RBS needs to contact you regarding your ballot please provide a suitable contact number; _____.

Notes:

- (a) For joint holders and holders in partnership, each holder must sign the ballot paper;**
- (b) For holders who are companies the ballot paper must be signed by:**
 - (1) two directors; or**
 - (2) a director and a company secretary; or**
 - (3) for a proprietary company that has a sole director who is also the sole company secretary, that director.**
- (c) For holders who are superannuation funds the paper must be signed by the trustee of the superannuation fund. If the trustee of the superannuation fund is a company, the ballot paper must be signed in accordance with the company instructions above.**

Annexure B

Schedule for existing Holders of the Exchange Traded International Securities Series

Current ASX Code	Underlying Entitys Code
ETSAPL	APPLE INC
ETSBAC	Bank of America Corp
ETSBOE	Boeing Co/The
ETSBRK	BERKSHIRE HATHAWAY INC-CL B
ETSCAT	Caterpillar Inc
ETSCSC	Cisco Systems Inc
ETSCVX	Chevron Corp
ETSDIS	Walt Disney Co/The
ETSGOA	GOOGLE INC-CL A
ETSGOC	GOOGLE INC-CL C
ETSHDP	Home Depot Inc
ETSIBM	International Business Machines
ETSINT	Intel Corp
ETSJNJ	Johnson & Johnson
ETSJPM	JPMorgan Chase & Co
ETSKHC	HJ Heinz Holding Corporation
ETSMDZ	MONDELEZ INTERNATIONAL INC
ETSMMM	3M Co
ETSMRK	Merck & Co Inc
ETSORC	ORACLE CORP
ETSPFE	Pfizer Inc
ETSPGB	Procter & Gamble Co/The
ETSWMT	Wal-Mart Stores Inc
ETXOM	Exxon Mobil Corp