

TRANSITIONAL EXCEPTIONS DOCUMENT

This document constitutes the Transitional Exceptions Document applicable to The Royal Bank of Scotland plc's participation in the UK Asset Protection Scheme ("APS") as referred to in the terms and conditions of the APS set out in the document entitled "UK Asset Protection Scheme Terms and Conditions" which is in agreed form (the "Conditions"). This document is a Scheme Document.

1 Interpretation

- 1.1 For the purposes of this Transitional Exceptions Document, the "Transitional Period" means the period commencing on the Accession Date and ending on 30 June 2010.
- 1.2 Capitalised terms used but not defined in this document have the meanings given to them in the Conditions.

2 Compliance with certain Asset Management Conditions

- 2.1 This paragraph 2 applies only to any Covered Asset in respect of which the Covered Amount stated in the Initial Data is less than £10 million (or the equivalent in the currency identified in the "Currency" Initial Data Field for that Covered Asset) (a "Small Asset").
- 2.2 The Treasury shall take into account the Asset Management Transitional Compliance Factors (as defined below) when exercising any of its rights under the Scheme Documents in respect of any breach during the Transitional Period of any of the Participant's obligations under:
 - 2.2.1 Conditions 10.8(B) and (D) (other than in respect of the Participant's obligation to ensure that no Prohibited Conduct occurs following the Accession Date) in relation to any Small Asset;
 - 2.2.2 Condition 10.8(E), in relation to any Small Asset; or
 - 2.2.3 Condition 10.10, insofar as it obliges the Participant to ensure that any Related Party Asset is Managed and Administered so as to ensure that one or more Small Assets are Managed and Administered in compliance with the obligations referred to in paragraphs 2.2.1 and 2.2.2 above.
- 2.3 For the purposes of paragraph 2.2, the "Asset Management Transitional Compliance Factors" are:
 - 2.3.1 the phased establishment by the Participant of systems and procedures to ensure that: (i) Protected Assets (and, to the extent required by the Conditions, Related Party Assets) are identified; and (ii) authorisation levels and associated systems and procedures relating to the Protected Assets (and, to the extent required by the Conditions, Related Party Assets) are sufficient, in each case so as to enable compliance with the Asset Management Objective, the Asset Management Framework, the Conflicts Management Policy and any other provisions of the Scheme Documents relating to the Management and Administration of the Protected Assets (and Related Party Assets);
 - 2.3.2 the implementation by the Participant of a phased training programme for personnel responsible for Managing or Administering Protected Assets and/or Related Party Assets, to be undertaken with a view to ensuring that all such personnel receive basic APS training (comprising a basic overview of the

Conditions (including the Asset Management Conditions) and the conduct which requires approval in accordance with the Conduct Approvals Hierarchy) followed by detailed APS training (comprising detailed training on the Conditions and, in particular, the restrictions and requirements regarding the Management and Administration of Protected Assets and Related Party Assets); and

- 2.3.3 the extent to which the Participant has sought to overcome or mitigate the impact of the factors listed in paragraphs 2.3.1 to 2.3.2 above.

3 Compliance with Monitoring and Reporting Conditions

3.1 The Treasury shall take into account the Monitoring Transitional Compliance Factors (as defined below) when exercising any of its rights under the Scheme Documents:

- 3.1.1 to request Information from the Participant during the Transitional Period; or
- 3.1.2 in respect of any breach during the Transitional Period of any of the Participant's obligations under Condition 14.3(C).

3.2 For the purposes of paragraph 3.1, the "**Monitoring Transitional Compliance Factors**" are:

- 3.2.1 the Asset Management Transitional Compliance Factors referred to in paragraph 2.3.1 and 2.3.2 above with respect to Small Assets;
- 3.2.2 ***
- 3.2.3 ***
- 3.2.4 the extent to which the Participant has sought to overcome or mitigate the impact of the factors listed in paragraphs 3.2.1 to 3.2.3 above.

4 Format of Information

For the purposes of Condition 14.4, the Participant and the Treasury agree that:

- 4.1.1 (subject to paragraph 4.1.2) any Information that is required to be delivered to the Treasury pursuant to a notice delivered to the Participant by the Financial Services Authority (the "**FSA**") under section 165 of the Financial Services and Markets Act 2000 (an "**FSA Notice**") shall be produced or delivered in an encrypted CD format, by way of physical delivery via secure courier, and otherwise in accordance with the associated protocol between the Treasury, the Participant and the FSA with respect to the delivery of Information which forms part of, or is referred to in, any such FSA Notice;
- 4.1.2 following the date which is *** after the Accession Date (or such later date as the Treasury may notify to the Participant), any Information that is required to be delivered to the Treasury pursuant to an FSA Notice shall be delivered to the Treasury by way of a fit-for-purpose automated solution determined by the Treasury (in consultation with the Participant) or in such other manner as is determined in accordance with Condition 14.4; and
- 4.1.3 all Information that is required to be delivered to the Treasury under the Scheme Documents other than pursuant to paragraphs 4.1.1 and 4.1.2 above shall be delivered by the Participant to the Treasury or (at the Treasury's election) the

*** Indicates omitted information.

Agency in such manner and format as is determined in accordance with Condition 14.4 from time to time.

5 Compliance with Books and Records Conditions

The Treasury shall take into account the Monitoring Transitional Compliance Factors when exercising any of its rights under the Scheme Documents in respect of any breach during the Transitional Period of any of the Participant's obligations under Condition 18.1(A), (C) or (D).

6 Compliance with Maintenance of Systems Conditions

The Treasury shall take into account the Monitoring Transitional Compliance Factors when exercising any of its rights under the Scheme Documents in respect of any breach during the Transitional Period of any of the Participant's obligations under Condition 27.1.