

RBS Holdings N.V.
Form FWP
March 21, 2011

Term Sheet No. 162 Dated March 21, 2011
to Registration Statement Nos. 333-162193 and
333-162193-01
(Prospectus Supplement Dated April 2, 2010
and Prospectus Dated April 2, 2010)
Rule 433

THE ROYAL BANK OF SCOTLAND N.V.
Capped Fixed-to-Floating Rate Notes
Linked to the Consumer Price Index
Due March , 2018

Issuer:	The Royal Bank of Scotland N.V.	Expected Pricing Date:	March 29, 2011
Lead Agent:	RBS Securities Inc.	Expected Settlement Date:	March 31, 2011
Issue Price:	100%	Expected Maturity Date:	March 31, 2018
CUSIP:	78009KRY0	ISIN:	US78009KRY00
Status and Guarantee:	Unsecured, unsubordinated obligations of the Issuer, fully and unconditionally guaranteed by the Issuer's parent company, RBS Holdings N.V.		
Payment at Maturity:	100% of the principal amount, plus accrued and unpaid interest, if any, to but excluding the Maturity Date. Any payment at maturity is subject to the creditworthiness of The Royal Bank of Scotland N.V., as the issuer, and RBS Holdings N.V., as guarantor.		
Interest Payments:	Interest will be payable monthly in arrears on each Interest Payment Date. Interest payable on or prior to March 31, 2012 will accrue based on the Initial Interest Rate. Interest payable on each Interest Payment Date thereafter will accrue based on the Interest Rate Formula.		
Interest Payment Dates:	The last day of each month, beginning on April 30, 2011, or if any such day is not a Business Day, on the following Business Day, and no additional interest will accrue in respect of the delay in the interest payment. The last Interest Payment Date will be the Maturity Date.		
Interest Rate Formula:	Interest payable after March 31, 2012 will accrue based on a rate per annum equal to the sum of: (a) the applicable CPI Inflation Adjustment (as described below), and (b) 1.75%, subject to the Minimum Interest Rate and the Maximum Interest Rate.		
	Initial Interest Rate:	Minimum Interest Rate:	Maximum Interest Rate:
	5.00% per annum	0.00% per annum	8.00% per annum
CPI Inflation Adjustment:	The CPI Inflation Adjustment equals the percentage change in the Consumer Price Index between (a) the month that is 15 months prior to the month in which the applicable Interest Payment Period (as defined in this Term Sheet) begins, and (ii) the month that is three months prior to the month in which the applicable Interest Payment Period begins, calculated as described in this Term Sheet.		
Consumer Price Index	The Consumer Price Index is the non-revised index of Consumer Prices for All Urban Consumers before seasonal adjustment published by the Bureau of Labor Statistics of the U.S. Department of Labor, as more fully described in this Term Sheet.		

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Comparable Yield:	%		
	Price to Public ¹	Agent's Commission ²	Proceeds to Issuer
Per Security	\$1,000	\$	\$
Total	\$	\$	\$

¹ Plus accrued interest from March 31, 2011 if settlement occurs after that date.

² If the Notes were priced for sale today, RBS Securities Inc. ("RBSSI") would receive a commission of approximately \$25.00 per Note, and RBSSI would use a portion of that commission to pay selling concessions to other dealers of approximately \$22.50 per Note. The actual commission received by RBSSI may be more or less than \$25.00 per Note, and will depend on market conditions on the date the Notes are priced for initial sale to the public. In no event will the commission received by RBSSI, including concessions to be allowed to other dealers, exceed \$47.50 per Note. For additional information see "Plan of Distribution (Conflicts of Interest)" in this Term Sheet.

The Notes are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency.

Investing in the Notes involves a number of risks. See "Risk Factors" beginning on page 7 of this Term Sheet.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these Notes, or determined if this Term Sheet or the accompanying Prospectus Supplement or Prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

This Term Sheet and the accompanying Prospectus Supplement and Prospectus may be used by our affiliates in connection with offers and sales of the Notes in market-making transactions.

RBS Securities Inc.

PRICE: \$1,000 PER NOTE

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WHERE YOU CAN FIND MORE INFORMATION

The Royal Bank of Scotland N.V. (“RBS N.V.”) and RBS Holdings N.V. have filed a registration statement (including a Prospectus and Prospectus Supplement) with the Securities and Exchange Commission, or SEC, for the offering to which this Term Sheet relates. Before you invest, you should read the Prospectus and Prospectus Supplement in that registration statement and other documents that RBS N.V. and RBS Holdings N.V. have filed with the SEC for more complete information about RBS N.V., RBS Holdings N.V. and the offering of the Notes. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, RBS N.V., any underwriter or any dealer participating in the offering will arrange to send you the Prospectus and Prospectus Supplement if you request it by calling toll free (866) 747-4332.

You should read this Term Sheet together with the Prospectus dated April 2, 2010, as supplemented by the Prospectus Supplement dated April 2, 2010 relating to our RBS NotesSM of which these Notes are a part. This Term Sheet, together with the documents listed below, contains the terms of the Notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Risk Factors” in this Term Sheet, as the Notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax, accounting and other advisors before you invest in the Notes.

You may access these documents on the 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 Supplement dated April 2, 2010:

http://www.sec.gov/Archives/edgar/data/897878/000095010310001004/crt_dp17140-424b2.pdf

•Prospectus dated April 2, 2010:

http://www.sec.gov/Archives/edgar/data/897878/000095010310000965/crt_424b2.pdf

Our Central Index Key, or CIK, on the SEC website is 897878. As used in this Term Sheet, “RBS N.V.,” “the Company,” “we,” “us” or “our” refers to The Royal Bank of Scotland N.V.; “Holdings” refers to RBS Holdings N.V.

These Notes may not be offered or sold (i) to any person/entity listed on sanctions lists of the European Union, United States or any other applicable local competent authority; (ii) within the territory of Cuba, Sudan, Iran and Myanmar; (iii) to residents of Cuba, Sudan, Iran or Myanmar; or (iv) to Cuban Nationals, wherever located.

We reserve the right to withdraw, cancel or modify any offering of the Notes and to reject orders in whole or in part prior to their issuance.

RBS NotesSM is a Service Mark of The Royal Bank of Scotland N.V.

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SUMMARY

The following summary does not contain all the information that may be important to you. You should read this summary together with the more detailed information that is contained in this Term Sheet, the accompanying Prospectus and Prospectus Supplement. You should carefully consider, among other things, the matters set forth in “Risk Factors” beginning on page 7 of this Term Sheet. In addition, we urge you to consult with your investment, legal, accounting, tax and other advisors with respect to any investment in the Notes.

What are the Notes?

The Notes are issued by us, The Royal Bank of Scotland N.V., and are fully and unconditionally guaranteed by our parent company, RBS Holdings N.V. The Notes are senior notes of The Royal Bank of Scotland N.V. that have a maturity of 7 years. We cannot redeem the Notes on any earlier date.

The Notes are not bank deposits and are not insured or guaranteed by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency.

All payments on the Notes, including payment of principal at maturity, are subject to the creditworthiness of The Royal Bank of Scotland N.V., as the issuer, and RBS Holdings N.V., as guarantor. In other words, payments on the Notes will depend on the ability of The Royal Bank of Scotland N.V. and RBS Holdings N.V. to meet their payment obligations when due.

What will I receive at maturity of the Notes?

For each \$1,000 principal amount of Notes, you will receive a cash payment equal to \$1,000, and any accrued and unpaid interest on the Notes, at maturity.

Will I receive interest payments?

Yes. Interest will be payable monthly in arrears on the last day of each month, commencing on April 30, 2011 (each an “Interest Payment Date”); provided, that, if such day is not a Business Day, interest will be paid on the immediately succeeding Business Day and no additional interest will accrue in respect of such delay. Interest, if any, will be computed on the basis of a 360-day year consisting of twelve 30-day months. The last Interest Payment Date will be the Maturity Date.

“Business Day” means any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close in The City of New York.

How will the interest on the Notes be calculated?

One of our affiliates, RBS Securities Inc., will serve as calculation agent for the Notes, and will determine the interest payable on the Notes in accordance with the following Interest Rate Formula:

- From and including the Settlement Date and through but excluding March 31, 2012, interest on the Notes will accrue at the rate of 5.00% per annum.

- Thereafter, interest on the Notes will accrue at a rate per annum equal to the sum of:

(a) the applicable CPI Inflation Adjustment (as described below); and

(b) 1.75%.

However, in no event will the interest rate payable on the Notes be greater than 8.00% per annum or less than 0.00% per annum. Because interest is paid monthly you will receive a pro rated amount of the per annum rate.

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The CPI Inflation Adjustment equals the percentage change in the Consumer Price Index between (a) the month that is 15 months prior to the month in which the applicable Interest Payment Period begins, and (ii) the month that is three months prior to the month in which the applicable Interest Payment Period begins, calculated as follows (rounded to the nearest five decimal places):

$$(CPIA / CPIB) - 1$$

The Consumer Price Index (the “CPI”) is the non-revised index of Consumer Prices for All Urban Consumers before seasonal adjustment (CPI-U NSA) published by the Bureau of Labor Statistics of the U.S. Department of Labor (the “BLS”), as described more fully in the heading “Information Regarding the Consumer Price Index” in this Term Sheet. If the CPI is permanently cancelled or is not calculated or published by the BLS on any Interest Determination Date, the calculation agent will use another method of determining the applicable levels of the CPI as described under the heading “Information Regarding the Consumer Price Index—Unavailability of the CPI” in this Term Sheet.

“CPIA” means the level of the CPI first published by the BLS (without regard to any subsequent corrections or revisions to that first published level) for the month that is three calendar months prior to the month in which the relevant Interest Payment Period begins. For example, CPIA for the interest to be paid in April of each year after the first year of the Notes will be the CPI for the preceding December.

“CPIB” means the level of the CPI first published by the BLS (without regard to any subsequent corrections or revisions to that first published level) for the month that is 15 calendar months prior to the month in which the relevant Interest Payment Period begins. For example, CPIB for the interest to be paid in April of each year after the first year of the Notes will be the CPI for the second preceding December.

On and after March 31, 2012, interest accruing on the Notes for each Interest Payment Period will be determined on each Interest Determination Date. The “Interest Determination Date” for each Interest Payment Period will be the second Business Day prior to the first day of such Interest Payment Period (the “Interest Reset Date”).

The first Interest Payment Period will commence on, and will include, the Settlement Date of the Notes and will end on, but will exclude, the first Interest Payment Date. Thereafter, each Interest Payment Period will commence on, and will include, an Interest Payment Date and will end on, but will exclude, the succeeding Interest Payment Date or the Maturity Date, as applicable.

If any Interest Payment Date, including the Maturity Date of the Notes, falls on a date that is not a Business Day, no adjustment will be made to the length of the corresponding monthly Interest Payment Period; however, we will make the required interest payment on the next Business Day and no additional interest will accrue in respect of the payment made on the next Business Day.

Is the interest payable on the Notes limited in any way?

Yes. Interest payable on the Notes on any Interest Payment Date occurring on or after April 30, 2012 will depend on the CPI Inflation Adjustment on the relevant Interest Determination Date. Further, the interest payable on the Notes

will not exceed 8.00% per annum, regardless of the level of the CPI Inflation Adjustment. You may not receive any interest on or after April 30, 2012 if the sum of (a) the applicable CPI Inflation Adjustment and (b) 1.75% is equal to or less than zero.

What is the minimum required purchase?

You may purchase Notes in minimum denominations of \$1,000 or in integral multiples thereof.

Is there a secondary market for the Notes?

The Notes will not be listed on any securities exchange. Accordingly, there may be little or no secondary market for the Notes and, as such, information regarding independent market pricing for the Notes may be extremely limited. You should be willing to hold your Notes until the Maturity Date.

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We anticipate that one or more of our affiliates will make a market in the Notes. Our affiliates may make purchases and sales of the Notes from time to time in off-exchange transactions or may post indicative prices for the Notes in the secondary market. However, none of our affiliates is required to do so, and any of them may discontinue any market-making activities and may stop posting indicative prices at any time.

If you sell your Notes before the Maturity Date, the price that you receive may be less than the original issue price of the Notes or the price that you paid for them.

What is the CPI?

The CPI is the non-revised index of Consumer Prices for All Urban Consumers before seasonal adjustment (CPI-U NSA) published by the BLS. The CPI is a measure of the prices paid by urban consumers in the U.S. for a fixed market basket of goods and services, including food, clothing, shelter, fuels, transportation, drugs, and charges for doctor and dentist services. In calculating the CPI, prices for the various items are averaged together with weights that represent their importance in the spending of urban households in the U.S. The BLS periodically updates the contents of the market basket of goods and services and the weights assigned to the various items to take into account changes in consumer expenditure patterns. The CPI is expressed in relative terms in relation to a time base reference period for which the level is set at 100.000. The base reference period for the CPI is the 1982-1984 average. The CPI for a particular calendar month is published during the following month.

You can obtain the level of the CPI from the Bloomberg under the symbol “CPURNSA <Index>”, or from the BLS’s internet website at www.bls.gov/cpi/home.htm. Please note that the information that may be included in these websites is not part of, nor should it be deemed to be incorporated into, this Term Sheet.

How has the CPI performed historically?

We have provided below under the heading “Information Regarding the Consumer Price Index” additional information on the CPI and a sampling of the historical levels of the CPI. We have provided this historical information to help you evaluate the behavior of the CPI in various periods. Historical levels of the CPI, however, are not indicative of future levels of the CPI.

What else should I consider before investing the Notes?

The Notes are not suitable for all investors. You may wish to consider the Notes if:

- you believe that the CPI will increase during the term of the Notes;
- after the first year of the term of the Notes, you accept that the interest payments on the Notes is uncertain and may be zero for any Interest Payment Date;
- you accept that interest payable on the Notes on any Interest Payment Date will not exceed 8.00%;

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- you anticipate that, after the first year of the term of the Notes, the CPI Inflation Adjustment on each Interest Determination Date will be sufficient to provide you with your desired return;
- you do not anticipate that, after the first year of the term of the Notes, the CPI Inflation Adjustment on each Interest Determination date will be sufficiently high to cause the rate of interest on the Notes to be limited to 8.00%;
 - you are willing and able to hold the Notes to maturity; and
- you are willing to bear the risk that the Notes may bear a below market interest rate which may in fact be zero.

You should carefully consider whether the Notes are suited to your particular circumstances before you decide to purchase them. In addition, we urge you to consult with your investment, legal, accounting, tax and other advisors with respect to any investment in the Notes.

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What are the tax consequences of owning the Notes?

We intend to treat the Notes as “contingent payment debt instruments” for U.S. federal tax purposes. As a result, if you are a U.S. taxable investor, regardless of your method of accounting, you will generally be required to accrue as ordinary income amounts based on the “comparable yield” of the Notes, as determined by us, which may be in excess of any actual interest payments made on the Notes in a particular taxable year. Further, the amount of income a U.S. taxable investor will be required to recognize each year will be adjusted to the extent the amount of the actual interest payments on the Notes differ from the projected amounts payable in such year. In addition, any gain recognized upon a sale, exchange or retirement of the Notes will generally be treated as ordinary interest income for U.S. federal income tax purposes.

You should review the section in this Term Sheet entitled “United States Federal Income Taxation.” Additionally, you are urged to consult your tax advisor regarding the tax treatment of the Notes and whether a purchase of the Notes is advisable in light of the tax treatment and your particular situation.

Tell me more about The Royal Bank of Scotland N.V. and RBS Holdings N.V.

The Royal Bank of Scotland N.V. is the new name of ABN AMRO Bank N.V.

RBS Holdings N.V. is the new name of ABN AMRO Holding N.V.

On February 6, 2010, ABN AMRO Bank N.V. changed its name to The Royal Bank of Scotland N.V. and on April 1, 2010 ABN AMRO Holding N.V. changed its name to RBS Holdings N.V.

The name changes are not changes of the legal entities that will issue and guarantee, respectively, the Notes referred to herein, and the name changes do not affect any of the terms of the Notes. The Notes will continue to be issued by The Royal Bank of Scotland N.V. and to be fully and unconditionally guaranteed by The Royal Bank of Scotland N.V.’s parent company, RBS Holdings N.V.

While the name “ABN AMRO Bank N.V.” is used by a separate legal entity, which is owned by the State of The Netherlands (the “Dutch State”), neither the separate legal entity named ABN AMRO Bank N.V. nor the Dutch State will, in any way, guarantee or otherwise support the obligations under the Notes.

The Royal Bank of Scotland N.V. and RBS Holdings N.V. are both affiliates of The Royal Bank of Scotland plc and The Royal Bank of Scotland Group plc; however, none of The Royal Bank of Scotland plc, The Royal Bank of Scotland Group plc or the UK government, in any way, guarantees or otherwise supports the obligations under the Notes.

For additional information, see “The Royal Bank of Scotland N.V. and RBS Holdings N.V.” in the accompanying prospectus dated April 2, 2010.

What are some of the risks in owning the Notes?

Investing in the Notes involves a number of risks. We have described the most significant risks relating to the Notes under the heading “Risk Factors” in this Term Sheet, beginning on the next page, which you should read before making an investment in the Notes.

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RISK FACTORS

An investment in the Notes entails significant risks. You should carefully consider the risks related to the Notes and whether these Notes are suited to your particular circumstances before deciding to purchase them. The Notes are not an appropriate investment for you if you are not knowledgeable about significant elements of the Notes or financial matters in general. In addition, we urge you to consult with your investment, legal, accounting, tax and other advisors with respect to any investment in the Notes.

Credit Risk

The Notes are issued by RBS N.V. and guaranteed by RBS Holdings N.V., RBS N.V.'s parent company. As a result, investors in the Notes assume the credit risk of RBS N.V. and that of RBS Holdings N.V. in the event that RBS N.V. defaults on its obligations under the Notes. This means that if RBS N.V. and RBS Holdings N.V. fail, become insolvent, or are otherwise unable to pay their obligations under the Notes, you could lose some or all of your initial principal investment.

Although We Are a Bank, the Notes 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 Notes are our obligations but are not bank deposits. In the event of our insolvency the Notes will rank equally with our other unsecured, unsubordinated obligations and will not have the benefit of any insurance or guarantee of the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency.

You May Not Earn Any Return on Your Investment after March 31, 2012

The interest payable on the Notes after March 31, 2012 will be based on the CPI Inflation Adjustment. For each Interest Payment Period commencing on March 31, 2012, if there is a year-over-year decrease in the CPI, the applicable interest rate for that Interest Payment Period may be equal to zero. As a result, you could receive little or no interest payment on one or more of the Interest Payment Dates after March 31, 2012. If the sum of (a) the applicable CPI Inflation Adjustment and (b) spread of 1.75% is constantly less than or equal to zero on each Interest Determination Date over the term of the Notes, your return on the Notes will be limited to the interest payments occurring on and prior to March 31, 2012.

We have no control over various matters, including economic, financial and political events, which may affect the levels of the CPI, and thus the CPI Inflation Adjustment. You should have a view as to the CPI, and must be willing to forgo guaranteed market rates of interest for most of the term of the Notes, before investing.

Your Return is Limited

The interest rate payable on the Notes will not be greater than 8.00% per annum regardless of the level of the CPI. Accordingly, you will not benefit from any increase in the CPI Inflation Adjustment that is greater than the difference between 8.00% and the spread of 1.75%.

The Return on the Notes May Be Lower Than the Return on a Conventional Debt Security with a Comparable Maturity

After March 31, 2012, it is possible that the rate of interest for any Interest Payment Period will be 0.00%. This will occur if the sum of (a) the applicable CPI Inflation Adjustment and (b) the spread of 1.75% is zero or a negative number. Even if the CPI Inflation Adjustment is greater than such an amount, the resulting interest rate may be less than returns otherwise payable on other debt securities with similar maturities.

In addition, while increases in the levels of the CPI will increase the monthly rate of interest payable on the Notes after the first year of their term, changes in these levels will not increase the principal amount payable to you at maturity. Even if interest is paid on the Notes after their first year, the yield that you receive on the Notes may be less than the return you would earn if you purchased a conventional debt security with the same Maturity Date. As a result, your investment in the Notes may not reflect the full opportunity cost to you when you consider factors that affect the time value of money, including inflation.

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Liquidity Risk

The Notes will not be listed on any securities exchange. Accordingly, there may be little or no secondary market for the Notes and information regarding independent market pricing of the Notes may be very limited or non-existent. The value of the Notes in the secondary market, if any, will be subject to many unpredictable factors, including then prevailing market conditions. We cannot predict how the Notes will trade in any secondary market or whether that market will be liquid or illiquid. We cannot assure you that a trading market for your Notes will ever develop or be maintained. There may be a limited number of buyers when you decide to sell your Notes, which may affect the price you receive for your Notes or your ability to sell your Notes at all.

We anticipate that one or more of our affiliates will make a market in the Notes. Our affiliates may make purchases and sales of the Notes from time to time in off-exchange transactions or pay post indicative prices for the Notes in the secondary market on a designated website or via Bloomberg. However, none of our affiliates is required to do so, and any of them may discontinue any market-making activities and may stop posting indicative prices at any time. Further, any prices shown on any website or Bloomberg page are indicative prices only and, as such, there can be no assurance that any trade could be executed at such prices.

If you sell your Notes before the Maturity Date, the price that you receive may be less than the original issue price of the Notes or the price that you paid for them.

You Must Rely on Your Own Evaluation of the Merits of an Investment Linked to the CPI

In the ordinary course of their businesses, our affiliates may have expressed views on expected movements in the CPI and related rates, and may do so in the future. These views or reports may be communicated to our clients and clients of our affiliates. However, these views are subject to change from time to time. Moreover, other professionals who deal in markets relating to the CPI and related rates may at any time have significantly different views from those of our affiliates. For these reasons, you are encouraged to derive information concerning the CPI, the CPI Inflation Adjustment and related rates from multiple sources, and you should not rely on the views expressed by our affiliates. Neither the offering of the Notes nor any views which our affiliates from time to time may express in the ordinary course of their businesses constitutes a recommendation as to the merits of an investment in the Notes.

The BLS, as Sponsor of the CPI, May Adjust the Calculation of the CPI in a Way That Affects Its Value, and the BLS Has No Obligation to Consider Your Interests.

We cannot assure you that the BLS will not change the method by which it calculates the CPI in a way that reduces the level of the CPI. Similarly, the BLS may alter, discontinue, or suspend calculation or dissemination of the CPI. Any of these actions could adversely affect the value of the Notes. The BLS will have no obligation to consider your interests in calculating or revising the CPI.

Secondary Market Prices for the Notes, if any, Will Be Affected By Various Unpredictable Factors, and May Be Less than the Principal Amount of the Notes

It is important to note that there are many factors outside of our control that may affect the secondary market value of the Notes. A number of these factors are interrelated in complex ways. As a result, the effect of any one factor may be offset or magnified by the effect of another factor. Such factors include, but are not limited to, those described below. The following paragraphs describe the expected impact on the market value of the Notes from a change in a specific factor, assuming all other conditions remain constant:

- The level of the CPI. We expect that the market value of the Notes will depend substantially on the level by which the CPI changes from year to year. In addition, because the interest rate payable on the Notes is capped at the Maximum Interest Rate of 8.00% per annum, we do not expect that the Notes will trade in any secondary market at a price that is greater than a price that reflects the cap.
- Changes in the levels of interest rates may affect the market value of the Notes. In general, if U.S. interest rates increase, we expect that the market value of the Notes will decrease, and conversely, if U.S. interest rates decrease, we expect that the market value of the Notes will increase. The level of interest rates

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in the United States may affect the U.S. economy and, in turn, the level of the CPI. Changes in prevailing interest rates may decrease the level of the CPI, which decrease the market value of the Notes.

- Volatility of the CPI. Volatility is the term used to describe the size and frequency of market fluctuations. The level of the CPI has had periods of significant volatility. The volatility of the level of the CPI during the term of the Notes may vary. Increases or decreases in the volatility of the CPI may have an adverse impact on the market value of the Notes.
- Economic and other conditions generally. General economic conditions in the United States, U.S. monetary and fiscal policies, inflation, and other financial, political, regulatory, and judicial events may affect the levels of the CPI. These factors are interrelated in complex ways, and may adversely affect the levels of the CPI and the market value of your Notes.
- Time to maturity. We anticipate that the Notes may have a market value that may be different from that which would be expected based on the levels of interest rates and the CPI. This difference will reflect a time premium due to expectations concerning the CPI during the period before the Maturity Date. In general, as the time remaining to maturity decreases, the value of Notes will approach a value that reflects the remaining interest payments on the Notes based on the then-current CPI and the CPI Inflation Adjustment levels.

Some or all of these factors will influence the price that you will receive if you sell your Notes in the secondary market, if any, prior to maturity. Thus, if you sell your Notes before maturity you may not receive back your entire principal amount.

Consumer Prices May Change Unpredictably, Affecting the Level of the CPI and the Market Value of the Notes in Unforeseeable Ways

Market prices of the consumer items underlying the CPI may fluctuate based on numerous factors, including: changes in supply and demand relationships; weather; agriculture; trade; fiscal, monetary, and exchange control programs; domestic and foreign political and economic events and policies; disease; technological developments; and changes in interest rates. These factors may affect the level of the CPI and the market value of the Notes in varying ways. Different factors may cause the level of the CPI to move in inconsistent directions and rates.

The Inclusion of Commissions and Cost of Hedging in the Issue Price is Likely to Adversely Affect Secondary Market Prices

The issue price of the Notes includes commissions paid with respect to the Notes, as well as the costs associated with hedging our obligations under the Notes. As a result, the market value of the Notes on the pricing date, as determined by reference to pricing models used by the selling agents, may be significantly less than the issue price. Assuming no change in market conditions or any other relevant factors after the pricing date, the price, if any, at which the selling agents, any of our affiliates or another purchaser may be willing to purchase Notes in secondary market transactions will likely be lower than the issue price of the Notes, since the issue price included, and secondary market prices are likely to exclude, commissions paid with respect to the Notes, as well as the costs associated with hedging our

obligations under the Notes. In addition, any such secondary prices may differ from values determined by reference to pricing models used by the selling agents. Further, if you sell your Notes before maturity, you will likely be charged a commission for secondary market transactions, or customary bid and asked spreads. If you sell your Notes before the Maturity Date, the price that you receive may be less than the original issue price of the Notes or the price that you paid for them.

Changes in Our Credit Ratings Are Expected to Affect the Value of the Notes.

Our credit ratings are an assessment of our ability to pay our obligations. Consequently, real or anticipated changes in our credit ratings may affect the market value of the Notes. However, because your return on the Notes depends upon factors in addition to our ability to pay our obligations, an improvement in our credit ratings will not reduce the other investment risks related to the Notes. Credit ratings do not reflect interest rate risk, which we discuss above. Credit ratings also do not address the price, if any, at which the Notes may be resold prior to maturity (which may be substantially less than the issue price of the Notes), and they are not recommendations to buy, sell or hold the Notes.

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Capped Fixed-to-Floating Rate Notes Linked to the Consumer Price Index

Due March , 2018

Further, any credit ratings that are assigned to the Notes may not reflect the potential impact of all risks on their market value.

Our Trading and Hedging Activities May Create Potential Conflicts of Interest

We expect to enter into transactions to hedge our obligations under the Notes, including trading in interest rate swaps and options, executing other derivative instruments, or purchasing securities linked to the CPI or other rates. We may seek competitive terms in entering into the hedging arrangements for the Notes, but are not required to do so, and we may enter into such hedging arrangements with one of our subsidiaries or affiliates. Such hedging activity is expected to result in a profit to those engaging in the hedging activity, which could be more or less than initially expected, but which could also result in a loss for the hedging counterparty. These trading and hedging activities may present a conflict of interest between your interest in the Notes and the interests we and our affiliates may have in our proprietary accounts, in facilitating transactions for our other customers, and in accounts under our management. Through our affiliates, we may modify our hedge position during the life of the Notes by purchasing and selling interest rate swaps or options or positions in other securities or instruments that we may wish to use in connection with such hedging. It is possible that we or one or more of our affiliates could receive substantial returns from these hedging activities while the value of the Notes may decline.

Potential Conflicts of Interest between Holders of the Notes and the Calculation Agent

Our affiliate, RBSSI, will be the calculation agent for the Notes and, in such capacity, will determine the amount of interest to be paid on the Notes. Under some circumstances, these duties could result in a conflict of interest between RBSSI's status as our subsidiary and its responsibilities as calculation agent. These conflicts could occur, for instance, in connection with judgments that it would be required to make if the CPI is not published or is unavailable. See the section entitled "Information Regarding the Consumer Price Index—Unavailability of the CPI." The calculation agent will be required to carry out its duties in good faith and using its reasonable judgment. However, because we are affiliated with the calculation agent, potential conflicts of interest could arise.

No Security Interest in Securities or Other Financial Instruments Held by Us