

Special Edition Autopilot Bond and Special Edition Autopilot (ISA) Bond

Product Guide

This product was on sale 11 August 2012 - 12 October 2012.

Introducing the Special Edition Autopilot Bond and the Special Edition Autopilot (ISA) Bond

The Special Edition Autopilot Bond and Special Edition Autopilot (ISA) Bond are both referred to as the “Bond” in this Product Guide unless otherwise stated.

The Bond is a deposit account, which allows you to benefit from exposure to a wide range of assets across a number of global market sectors. The performance of the Bond is linked to the performance of four distinct Market Sectors and/or a Reserve Asset of cash. The Bond provides this exposure by being linked to an investment strategy called the Autopilot strategy. The Bond is designed to return your original Deposit as long as it is held until maturity.

The Bond offers the following key features:

- **A diversified portfolio** – the opportunity to gain exposure to a broad range of global assets
- **Potential return** – the Bond has the potential to grow in value, depending on the performance of the Market Sectors it tracks. Growth is not guaranteed
- **Monthly management strategy** – the Autopilot strategy links to the performance of the Market Sector when it is trending upwards and diverts to Cash – the Reserve Asset – when it is trending downwards – see page 5 for more information
- **Return of capital** – as well as offering the potential for growth, the Bond aims to return your original deposit at maturity, as long as you remain invested for the full fixed term
- **Tax efficiency** – to maximise the tax efficiency of your deposit, you can invest in the Bond using your annual Cash ISA allowance
- **Inclusive costs** – all costs are already factored into the terms of the Bond, so there are no additional management fees to pay
- **Risk factors:**
 - If you close the Bond before the Expiry Date, you are unlikely to receive back the full amount originally invested, this includes any Cash ISA allowances. Partial withdrawals from the Bond are not permitted in any circumstances
 - In the event of NatWest being unable to meet its obligations (e.g. if it stops trading or becomes insolvent), you may lose some or all of your money. You may have recourse under the Financial Services Compensation Scheme (please refer to page 11 for further details)
 - The value of the specified indices can fall as well as rise, and past performance is not a guide to future performance.

For further information please refer to ‘Important Things to Consider’ on page 3 for key risk factors.

How do I know if the Bond is right for me?

The Bond may be right for you if you are looking for:

- Your money to be invested for a fixed term;
- A return that is linked to the performance of a diversified portfolio of Market Sectors or a Reserve Asset offering a cash deposit interest rate;
- A deposit i.e. returns are subject to income tax and your deposit may be covered by the Financial Services Compensation Scheme (FSCS);
- A product designed to return at least your original deposit at maturity, provided you stay invested for the fixed term.

The Bond may not be suitable if you are looking for:

- Access to your money during the fixed term;
- A way to set aside money for emergencies or to cover debts;
- A return that is not linked to equity, commodity or property market performance;
- An investment where returns are subject to capital gains tax.

Important things to consider

- When opening the Bond you should remember that you are committing your money for a fixed term. This term will be documented in the Details of Terms.
- You may cancel your application for the Bond and receive back the original sum invested, at any time up until the Cooling Off Date (as stated in the Details of Terms). **There is no right to cancel after this date as the operation of the Bond is reliant on financial markets over which we have no control.**
- The Bond can only be closed in exceptional circumstances (see Terms and Conditions for more information).
- **If you close the Bond before the Expiry Date, you are unlikely to receive back the full amount originally invested this includes any Cash ISA allowances. Partial withdrawals from the Bond are not permitted in any circumstances.**
- Funds are not invested directly into the shares of the underlying listed companies or the assets representing the specified indices. Instead, your funds are held in a deposit account with NatWest with interest at maturity linked to the performance of the indices (subject to a monthly cap). As you do not invest directly in shares, you will not receive any dividend payments and you may not receive the same return as if you had invested directly in the Market Sectors.
- The maximum positive monthly performance that can be contributed to the Autopilot Level is 6.5% (monthly cap). For example, if the positive return in a month for a Market Sector was 10%, the weighted return that would be contributed to the Autopilot Level would be capped at 6.5%. There is no maximum to the negative performance that a Market Sector can contribute to the calculation of the Autopilot Level in any one month.
- **The Bond is designed to return at least your original deposit at maturity, as long as the Bond is held until the Expiry Date. In the case where the Final Level of the Autopilot strategy finishes lower than its Initial Level, you will only receive back your original deposit.**
- **In the event of NatWest being unable to meet its obligations (e.g. if it stops trading or becomes insolvent), you may lose some or all of your money. You may have recourse under the Financial Services Compensation Scheme (please see page 11 for further details).**
- **The value of the Market Sectors can fall as well as rise, and past performance is not a guide to future performance.**
- Inflation will reduce the buying power of your money.
- It is important that you consider spreading your money across different types of investments and so limit concentrating it in any one area. Spreading your money into different investments can help reduce your risk.

How the Autopilot strategy works

The aim of the Autopilot strategy is to generate positive returns regardless of the market conditions prevailing in the four different Market Sectors.

When a Market Sector is deemed to be rising, the Autopilot strategy will allocate 25% of its exposure to track that Market Sector's performance. If, on the other hand, the Market Sector is deemed to be falling, the Autopilot strategy divert its 25% exposure to a Reserve Asset offering a cash deposit interest rate.

Which Market Sectors does the Autopilot strategy track?

The table below shows the different Market Sectors whose performance the Autopilot strategy is linked to:

Market Sector	Autopilot strategy split	Index/Asset	Index weighing	Description
Developed Equity Markets	25%	FTSE [®] 100 Index	25%	Comprised of the largest 100 companies traded on the London Stock Exchange.
		S&P 500 [®] Index	25%	Comprised of 500 US shares designed to measure performance of the broad US domestic economy.
		Euro Stoxx 50 Index	25%	Comprised of 50 European blue chip stocks from those countries participating in the European Monetary Union.
		Nikkei 225 Index	25%	Comprised of the 225 top rated Japanese companies listed in the first section of the Tokyo Stock Exchange.
Emerging Equity Markets	25%	iShares MSCI Emerging Markets Index Exchange Traded Fund™ (ETF)	100%	Seeks to provide investment results that correspond generally to the performance of the MSCI Emerging Markets Index.
Property	25%	FTSE EPRA/NAREIT Developed Europe Index	100%	A market capitalisation weighted index consisting of the most heavily traded real estate stocks in Europe.
Commodities	25%	Dow Jones UBS Commodity Index	100%	Designed to be a diversified benchmark for commodities as an asset class.
Reserve Asset	Reserve Asset up to 100% Maximum	1 month GBP LIBOR	100%	The London Interbank Offer Rate at which deposits are offered by one prime bank to another.

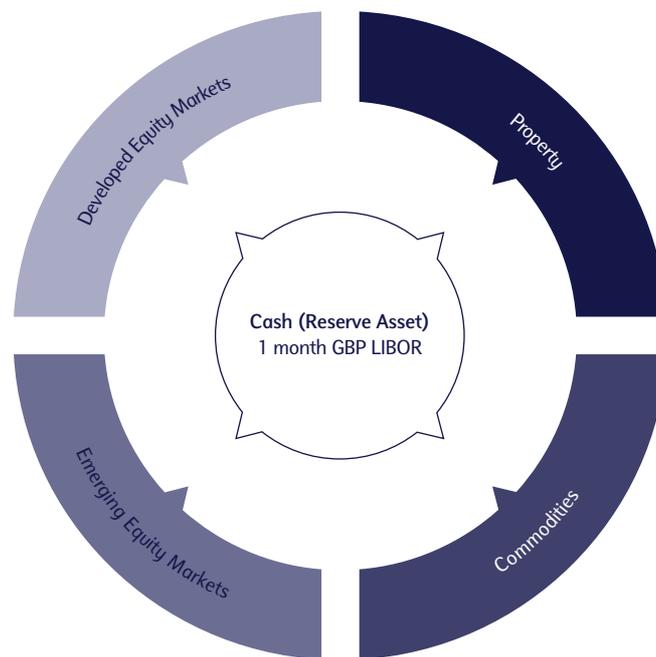
See 'Important things to consider' on page 3 for key risk factors.

The Market Direction Assessment

At the start of each month, the Autopilot strategy determines whether each Market Sector is rising or falling.

On that date, the Autopilot strategy compares the current Market Price of each of the four Market Sectors against its Average Price over the last 12 months. This process is referred to as the Market Direction Assessment.

- If the current Market Price is equal to or above its Average Price, the Autopilot strategy will link to the performance of that Market Sector for the following month. This means the Market Direction Assessment has concluded that the sector is in a 'growth phase' indicating rising prices.
- If the current Market Price is below its Average Price, the Autopilot strategy will divert out of that particular Market Sector and link to the performance of the Reserve Asset since the Market Direction Assessment has concluded that the sector is in a 'declining phase' indicating falling prices.



The Market Direction Assessment is conducted for each of the four Market Sectors on a monthly basis throughout the Term.

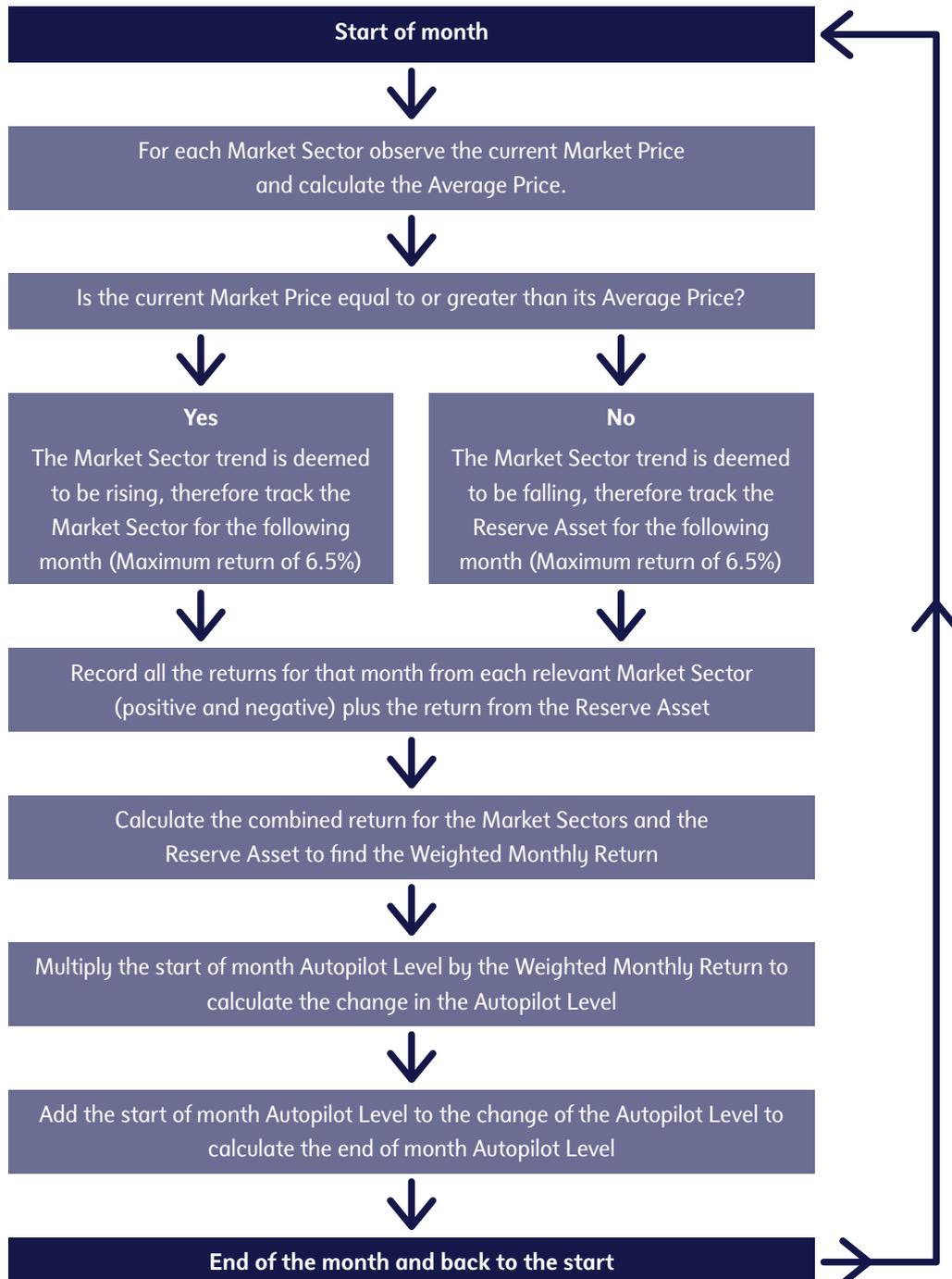
Every month the performance of each Market Sector or the Reserve Asset is calculated and contributes to the Autopilot Level. This combined return is known as the Weighted Monthly Return. For each Market Sector the maximum positive performance per month is capped at 6.5%, therefore the Weighted Monthly Return can never be more than 6.5%.

There is no limit to a negative monthly return that may be generated by a falling Market Sector.

If the Market Direction Assessment concludes that all Market Sectors are in a falling trend then for the following month 100% of the Autopilot strategy will be linked to the Reserve Asset.

How is the Autopilot Level calculated?

On the Start Date, the Autopilot Level is set at 100. The Market Direction Assessment is carried out each month as shown in the diagram below and the Autopilot Level is determined by the performance of the relevant Market Sectors and/or the Reserve Asset the Autopilot strategy is tracking for that month.



Calculating the monthly Autopilot Level

The table below is an illustration of how the Autopilot Level could be calculated over a 5 month period:

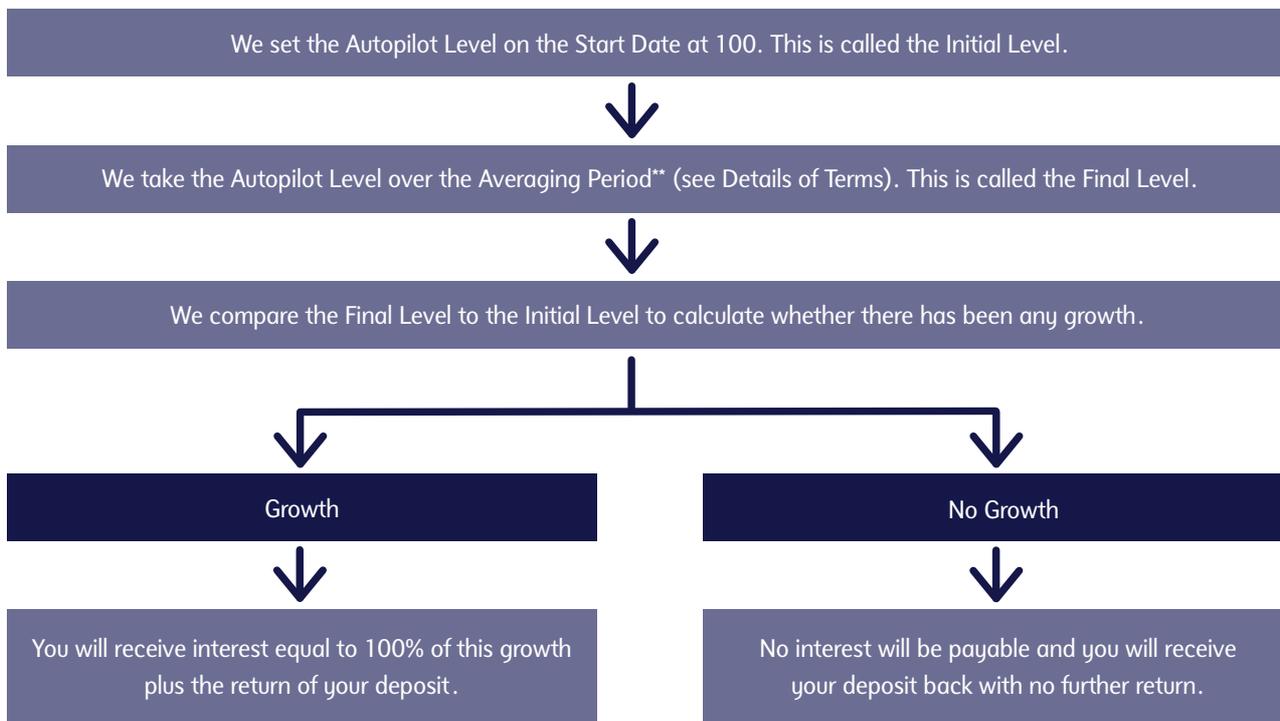
	Market Sector					Performance	
	Developed Equity Markets (25%)	Emerging Equity Markets (25%)	Property (25%)	Commodities (25%)	Reserve Asset (Cash)	Weighted Monthly Return	Autopilot Level at end of month (starts at 100)
Month 1	-2.77%	10.11%*	n/a	3.16%	0.05%	1.74%	101.74
Month 2	n/a	2.64%	n/a	4.37%	0.05%	1.78%	103.54
Month 3	3.02%	1.32%	2.31%	1.71%	n/a	2.09%	105.71
Month 4	-1.14%	-8.01%	-0.12%	-2.17%	n/a	-2.86%	102.68
Month 5	n/a	n/a	n/a	n/a	0.05%	0.05%	102.74

Key
Rising Trend detected, link to Market Sector for the month
Falling Trend detected link, to Reserve Asset for the month
6.5% cap applied

The above figures are not based on actual performance and are for illustrative purposes only.

*The Weighted Monthly Return in month 1 reflects the monthly return on the Emerging Equity Markets Sector being capped at 6.5%. After the Start Date the current Autopilot Level can be found on www.rbs.com/autopilotstrategy

Calculating your return at maturity

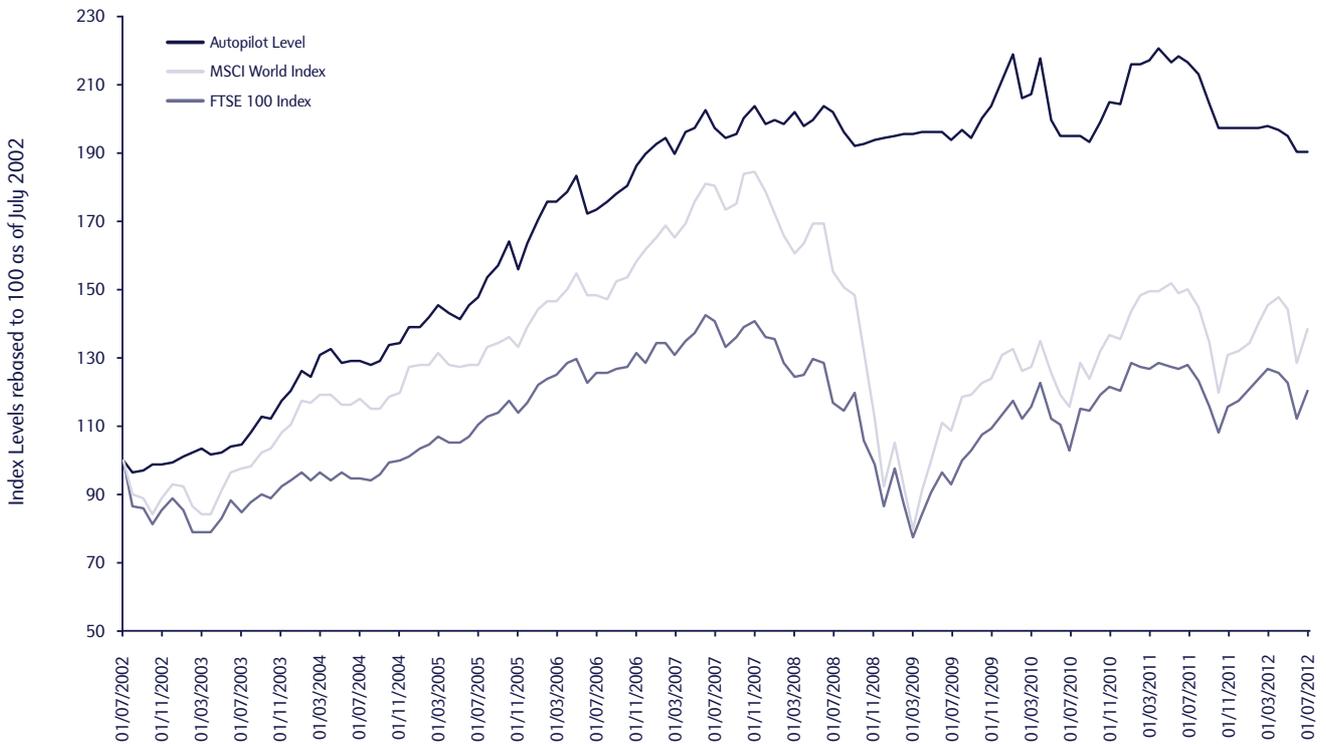


**We set the Autopilot Level on the Start Date at 100 (Initial Level). We then take the Autopilot Level on a monthly basis over the last 12 months of the Term (the Averaging Period) and work out the average (Final Level). This is known as 'averaging'. Averaging may protect against falls in the Autopilot Level over the final months of the term but it may also limit possible returns if the Autopilot Level shows sustained performance over these final months.

How the Autopilot strategy has performed in the past

We are able to use actual historical market prices from the past 10 years to simulate how the Autopilot strategy might have performed had it existed historically. In the past-performance chart below, the simulated Autopilot strategy performance is compared with the FTSE® 100 Index and the MSCI World Index. For comparative purposes, both the stock market indices and the Autopilot Level have been rebased to 100 on 1 July 2002, so you can compare how the indices have moved compared to one another.

10 year simulated past performance of Autopilot since the 1 July 2002 vs the FTSE® 100 Index and the MSCI World Index



Source: Bloomberg, July 2012.

The simulated past performance has been produced using actual historical data between July 2002 and July 2012. Please note that historical economic conditions may differ from those that occur in the future. The above simulates past performance and past performance is not a reliable indicator of future results.

Your questions answered

Can I make additional deposits and withdrawals?

No, however, you can have more than one Bond. A separate application form will be required for any additional Bond.

I want to apply for both a Special Edition Autopilot Bond and a Special Edition Autopilot (ISA) Bond, how do I do this?

Separate application forms are required for the Special Edition Autopilot Bond and the Special Edition Autopilot (ISA) Bond. Minimum total deposit of £3,000 into a combination of ISA or non-ISA – with no maximum total deposit (Maximum ISA deposit is £5,640 for 2012/2013). This should be money you will not need access to for five years and six months.

How much can I pay into the Special Edition Autopilot (ISA) Bond?

You can pay in up to the annual subscription limit for the 2012/2013 tax year (currently £5,640 for 2012/2013).

Remember if you use any or all of your annual Cash ISA subscription for 2012/2013 tax year, you will not be able to subscribe into another Cash ISA until the start of the 2013/2014 tax year.

What happens if I have oversubscribed into my Special Edition Autopilot (ISA) Bond?

If the funds subscribed to your Special Edition Autopilot (ISA) Bond are found to contain an invalid subscription the Special Edition Autopilot (ISA) Bond will be closed with the funds deposited in the Relevant Account and subsequently dealt with in accordance with HM Revenue & Customs requirements (see Terms and Conditions for full details).

Will I receive dividends?

No, you will not receive any dividend payments and you may not receive the same return as if you had invested directly in the Market Sectors.

What happens if I want to close my Bond?

When opening a Bond you should remember that you are committing your money for a fixed term. You may cancel your application for the Bond at any time up until the Cooling Off Date (as stated in the Details of Terms). **There is no right to cancel after this date as the operation of the Bond is reliant on financial markets over which we have no control.** The Bond will only be closed in exceptional circumstances at our discretion and you are unlikely to receive back the full amount originally deposited.

What will happen to my Bond in the event of death?

In the event of death of a sole Special Edition Autopilot Bond holder, the Bond can be closed and the amount returned will reflect investment conditions prevailing at the time. This means the amount returned may be less than the amount originally deposited. Alternatively it can be continued until maturity at the discretion of the executors of the estate of the deceased Special Edition Autopilot Bond holder. If the Bond is held in joint names the Bond will revert into the name of the remaining Special Edition Autopilot Bond holder. The Special Edition Autopilot (ISA) Bond must either be closed and after this date the amount returned will reflect investment conditions prevailing at the time or it can be transferred to a Special Edition Autopilot Bond in the deceased's name, kept until maturity with maturing funds paid net of basic rate tax.

Can the Bond be held in trust?

No, this product is only available to customers aged 18 and above in a personal or business capacity.

Will I receive regular statements?

On the Start Date you will be sent a certificate confirming details of your Bond. Then each year, just after the anniversary of your Bond, you will receive an annual update on the performance of the Autopilot strategy.

What happens if the Autopilot strategy underperforms?

The Bond is designed to return at least your original deposit at maturity, as long as the Bond is held until the Expiry Date. In the case where the Final Level finished lower than its Initial Level, you will only receive back your original deposit.

Taxation Information

- Special Edition Autopilot Bond applications – any interest earned on the Special Edition Autopilot Bond will be paid at maturity and all interest earned is treated as taxable income. If you are entitled to receive gross interest, you can do so by completing an HMRC R85 form. If the Special Edition Autopilot Bond is to be opened in joint names, where a party is a non-tax payer, interest earned will be paid net. Reimbursement of tax will then have to be claimed back in the usual way. Please note future changes to tax laws could affect the amount you receive.
- Interest earned on your Deposit will be paid subject to basic rate tax (currently 20%) and will be deducted at source. If you are a higher rate taxpayer, you will have to pay additional tax on this interest. Accordingly, the interest received should be declared to HM Revenue & Customs.
- Special Edition Autopilot (ISA) Bond applications – any interest earned on the Special Edition Autopilot (ISA) Bond will be paid at maturity and all interest earned will be paid gross. Special Edition Autopilot (ISA) Bond applications can only be opened in the name of an individual, joint applications are not permitted.
- Inflation will reduce the buying power of your money. All rates quoted are correct as at date of print.
- Gross is the interest rate paid before the deduction of tax.
- Tax reliefs referred to are those applying under current legislation which may change. The availability and value of any tax reliefs will depend on your individual circumstances.

What to do if you have a complaint

We hope you never have cause for complaint about the advice you receive from us, but if you do please contact us immediately.

Write to:

Customer Concerns Unit, PO Box 883, Trinity Quay, Avon Street, Bristol BS99 5TY.

Phone:

0117 940 3666.

Email:

ccuadvice@natwest.com

If you wish to complain about any other part of the service you receive, please write to: Customer Relations Unit, Consumer Distribution UK Retail, 2nd Floor, 225 Shenley Road, Borehamwood WD6 1TE.

If you cannot settle your complaint with us, you may be entitled to refer it to the Financial Ombudsman Service.

You can find out about their service at www.financial-ombudsman.org.uk

Terms and Conditions

This product guide gives you a summary of the Bond. Full product conditions will be set out in the Terms and Conditions and Details of Terms, which you should have received. We have the right to change some of the Terms and Conditions. We'll write to you and explain what has changed if this affects your Bond.

Law

If your address is in Scotland, Scots law will apply to the contract between you and us. If your address is elsewhere, English law will apply. Your contract will be written in English. We'll always write and speak to you in English.

Our main business is banking and financial services. We will provide you with banking services in accordance with the Terms which apply to your account (which include these Conditions).

Compensation

Advice

Qualified advisers will recommend that you buy products suitable for your needs. You have a legal right to compensation if at any time it is shown that a recommendation was unsuitable when it was made.

The Financial Services Compensation Scheme

NatWest is a member of the Financial Services Compensation Scheme (FSCS). The Scheme can pay compensation to customers if they are eligible and a regulated firm is unable to pay claims against it, usually if the firm stops trading or is insolvent.

Compensation limits apply depending on the type of claim.

For deposits that are held in a bank or building society in the UK, the Scheme will cover up to £85,000 per person.

Deposits in all currencies are treated the same.

Most retail consumers (this includes private individuals and some small businesses) are eligible under the Scheme. For further information on the conditions governing compensation and details on how to apply please refer to the FSCS at www.fscs.org.uk

References to particular indices are included only to indicate the basis upon which growth is calculated, not to indicate any association between NatWest and the third party index provider, or endorsement of the product by the index provider.

The product is not in any way sponsored, sold or promoted by any relevant stock market, relevant index, related exchange, index sponsor or investment fund provider, and they make no warranty or representation whatsoever, express or implied, either as to the results to be obtained from the use of the relevant stock market and/or the figure at which the relevant stock market, relevant index, related exchange or investment fund level stands at any particular time on any particular day or otherwise. They shall not be liable (whether in negligence or otherwise) to any person for any error in the relevant stock market, relevant index, related exchange or relevant investment fund and shall not be under any obligation to advise any person of any error therein.

Find out more

For more information, please contact your Financial Planning Manager.

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

