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**FINAL TERMS**

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**DATED 11 MAY 2011**



**The Royal Bank of Scotland N.V.**

*(incorporated in The Netherlands with its statutory seat in Amsterdam)*

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100,000 RBS WATER INDEX TURBO SHORT CERTIFICATES

INDICATIVE ISSUE PRICE: EUR 4.81

300,000 S&P GSCI EXCESS RETURN INDEX TURBO SHORT CERTIFICATES

INDICATIVE ISSUE PRICE: EUR 0.51

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THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR POLITICAL SUBDIVISION OF THE UNITED STATES, AND MAY NOT BE EXERCISED, OFFERED, SOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO THE REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE U.S. STATE SECURITIES LAWS. FURTHERMORE, TRADING IN THE SECURITIES HAS NOT BEEN APPROVED BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISSION UNDER THE UNITED STATES COMMODITY EXCHANGE ACT, AS AMENDED, AND NO U.S. PERSON MAY AT ANY TIME TRADE OR MAINTAIN A POSITION IN THE SECURITIES.

## FINAL TERMS

*Terms used herein shall be deemed to be defined as such for the purposes of the General Conditions and the Product Conditions applicable to each Series of Securities described herein (the "relevant Product Conditions") as set forth in the Base Prospectus relating to Turbos dated 15 October 2010 (the "Base Prospectus") as supplemented from time to time which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "Prospectus Directive"). This document constitutes the Final Terms of each Series of the Securities described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus as so supplemented. Full information on the Issuer and each Series of the Securities described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus as so supplemented. The Base Prospectus as so supplemented is available for viewing at the office of the Issuer at 250 Bishopsgate, London EC2M 4AA, United Kingdom and copies may be obtained from the Issuer at that address.*

*These Final Terms must be read in conjunction with, and are subject to, the General Conditions and the relevant Product Conditions contained in the Base Prospectus as so supplemented. These Final Terms, the relevant Product Conditions and the General Conditions together constitute the Conditions of each Series of the Securities described herein and will be attached to the Global Certificate representing each such Series of the Securities. In the event of any inconsistency between these Final Terms and the General Conditions or the relevant Product Conditions, these Final Terms will govern.*

*The Netherlands Authority for the Financial Markets has provided the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Financial Market Authority (FMA), Commission Bancaire, Financiere et des Assurances (CBFA), Comisión Nacional del Mercado de Valores (CNMV), Comissão do Mercado de Valores Mobiliários (CMVM), Autorité des Marchés Financiers (AMF), Irish Financial Services Regulatory Authority (IFSRA), Commissione Nazionale per le Società e la Borsa (CONSOB), Commission de Surveillance du Secteur Financier (CSSF), Financial Services Authority (FSA), the Financial Supervisory Authority (FIN-FSA), the Danish Financial Services Authority (Finanstilsynet), the Swedish Financial Supervisory Authority, the Czech National Bank (CNB), Comisia Nationala a Valorilor Mobiliare (CNVM) and the Financial Supervisory Authority of Norway (Finanstilsynet) with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.*

*So far as the Issuer is aware, no person (other than the Issuer in its separate capacities as Issuer and Calculation Agent, see "Risk Factors – Actions taken by the Calculation Agent may affect the Underlying" and "Risk Factors - Actions taken by the Issuer may affect the value of the Securities" in the Base Prospectus) involved in the issue of the Turbo Certificates has an interest material to the offer.*

Issuer: The Royal Bank of Scotland N.V., acting through its principal office at Gustav Mahlerlaan 10, 1082 PP Amsterdam, The Netherlands or its London branch at 250 Bishopsgate, London EC2M 4AA

Clearing Agents: Euroclear Amsterdam, Euroclear Bank S.A. as operator of the Euroclear system, Clearstream Banking, société anonyme

Pricing Date: Not Applicable

Subscription Period: Not Applicable

Launch Date: 12 May 2011

As, if and when issued trading: 12, 13 and 16 May 2011

Issue Date: 17 May 2011

Listing: NYSE Euronext in Amsterdam, NYSE Euronext in Paris

Listing Date: 17 May 2011

Admission to Trading: Application has been made for the Securities to be admitted to trading on NYSE Euronext in Amsterdam with effect from 12 May 2011 and on NYSE Euronext in Paris with effect from 17 May 2011

Announcements to Holders: Delivered to Clearing Agents

Principal Agent: The Royal Bank of Scotland N.V., London branch, 250 Bishopsgate, London EC2M 4AA

Agent: ABN AMRO Bank N.V., MF 2020 Kemelstede 2, P.O. Box 3200, 4800 DE Breda, The Netherlands

Calculation Agent: The Royal Bank of Scotland N.V., London branch, 250 Bishopsgate, London EC2M 4AA

Indication of Yield: Not Applicable

Sales Restriction: The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended, and no U.S. person may at any time trade or maintain a position in the Securities.

Form of the Securities: Dematerialised Form

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## INDEX TURBO CERTIFICATES

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<b>Series:</b>	<b>RBS Water Index Turbo Short Certificates</b>
Issue Price:	EUR 4.81 (Indicative)
Additional Market Disruption Events:	None
Business Day:	As specified in Product Condition 1
Cash Amount:	As specified in Product Condition 1
Index:	RBS Water Index (Bloomberg code: RBSZWATI)
Current Financing Level on the Launch Date:	250.00
Current Spread on the Launch Date:	2%
Current Stop Loss Premium Rate on the Launch Date:	6% of Current Financing Level on the Launch Date
Emerging Market Disruption Events:	As specified in Product Condition 1
Entitlement:	0.1
Exercise Time:	10.00 a.m. Central European Time
Final Reference Price:	As specified in Product Condition 1
Final Valuation Date:	Not Applicable
Financing Level Currency:	USD
Issuer Call Commencement Date:	The first Business Day following the three month period from and including the Launch Date
Issuer Call Notice Period:	One year
Maximum Premium:	10% of Current Financing Level
Maximum Spread:	3.5%
Minimum Premium:	5% of Current Financing Level
Notional Dividend Amount:	Not Applicable
Notional Dividend Period:	As specified in Product Condition 1
Relevant Currency:	As specified in Product Condition 1
Relevant Number of Trading Days:	For the purposes of: Issuer Call Date: 5, or in respect of an Emerging Market Disruption Event only, 180 Valuation Date: 5, or in respect of an Emerging Market Disruption Event only, 180
Reset Date:	15th day
Securities Exchange:	NYSE Euronext in Amsterdam
Settlement Currency:	EUR
Settlement Date:	Up to the fifth Business Day following the Valuation Date, the last day of the Stop Loss Termination Valuation Period or the Issuer Call Date, as the case may be
Standard Currency:	As specified in Product Condition 1
Stop Loss Event:	As specified in Product Condition 1
Stop Loss Price on the Launch Date:	235.00

Stop Loss Price Rounding:	Downwards to the nearest 0.1 Index Point where "Index Point" means the standard market quotation basis used by the Index Sponsor with respect to the Index
Stop Loss Reset Date:	15th day
Stop Loss Termination Reference Price:	As specified in Product Condition 1
Trigger Event:	Not Applicable
Valuation Date(s):	The last Trading Day of March in each year, commencing no earlier than one year after the Launch Date
Amendment to General Conditions and/or Product Conditions:	Not Applicable
ISIN:	NL0009793264
Common Code:	61797254
Mnemonic Code:	U823N
Sales Restriction:	The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the " <b>Securities Act</b> ") and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended, and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Bloomberg page where information about the past and future performance of the Underlying and its volatility can be obtained: RBSZWATI and as more particularly described in the appendix attached hereto.

Index disclaimer(s):	Standard & Poor's does not guarantee the accuracy and/or completeness of the RBS Water Index (USD) TR, any data included therein, or any data from which it is based, and Standard & Poor's shall have no liability for any errors, omissions, or interruptions therein. Standard & Poor's makes no warranty, express or implied, as to results to be obtained from the use of the RBS Water Index (USD) TR. Standard & Poor's makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the RBS Water Index (USD) TR or any data included therein. Without limiting any of the foregoing, in no event shall Standard & Poor's have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages. The Royal Bank of Scotland N.V. has developed, maintained and is responsible for the methodology that is employed in connection with the RBS Water Index (USD) TR. Standard and Poor's role is limited to providing consulting services to The Royal Bank of Scotland N.V.
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and performing calculations and data distribution in connection with the Index. Standard & Poor's does not sponsor, endorse, sell, or promote any investment fund or other vehicle that is offered by third parties and that seeks to provide an investment return based on the returns of the RBS Water Index (USD) TR. A decision to invest in any such investment fund or other vehicle should not be made in reliance on any of the statements set forth in this document. Prospective investors are advised to make an investment in any such fund or vehicle only after carefully considering the risks associated with investing in such funds, as detailed in an offering memorandum or similar document that is prepared by or on behalf of the issuer of the investment fund or vehicle.

<b>Series:</b>	<b>S&amp;P GSCI Excess Return Index Turbo Short Certificates</b>
Issue Price:	EUR 0.51 (Indicative)
Additional Market Disruption Events:	None
Business Day:	As specified in Product Condition 1
Cash Amount:	As specified in Product Condition 1
Index:	S&P GSCI Excess Return Index (Bloomberg code: SPGSCIP)
Current Financing Level on the Launch Date:	595.00
Current Spread on the Launch Date:	2%
Current Stop Loss Premium Rate on the Launch Date:	7.5% of Current Financing Level on the Launch Date
Emerging Market Disruption Events:	As specified in Product Condition 1
Entitlement:	0.01
Exercise Time:	10.00 a.m. Central European Time
Final Reference Price:	As specified in Product Condition 1
Final Valuation Date:	Not Applicable
Financing Level Currency:	USD
Issuer Call Commencement Date:	The first Business Day following the three month period from and including the Launch Date
Issuer Call Notice Period:	One year
Maximum Premium:	15% of Current Financing Level
Maximum Spread:	3.5%
Minimum Premium:	6% of Current Financing Level
Notional Dividend Amount:	Not Applicable
Notional Dividend Period:	As specified in Product Condition 1
Relevant Currency:	As specified in Product Condition 1
Relevant Number of Trading Days:	For the purposes of: Issuer Call Date: 5, or in respect of an Emerging Market Disruption Event only, 180 Valuation Date: 5, or in respect of an Emerging Market Disruption Event only, 180
Reset Date:	15th day
Securities Exchange:	NYSE Euronext in Amsterdam
Settlement Currency:	EUR
Settlement Date:	Up to the fifth Business Day following the Valuation Date, the last day of the Stop Loss Termination Valuation Period or the Issuer Call Date, as the case may be
Standard Currency:	As specified in Product Condition 1
Stop Loss Event:	As specified in Product Condition 1
Stop Loss Price on the Launch Date:	550.00
Stop Loss Price Rounding:	Downwards to the nearest whole 1 Index Point where "Index Point" means the standard market quotation basis used by the Index Sponsor with respect to the Index

Stop Loss Reset Date:	15th day
Stop Loss Termination Reference Price:	As specified in Product Condition 1
Trigger Event:	Not Applicable
Valuation Date(s):	The last Trading Day of March in each year, commencing no earlier than one year after the Launch Date
Amendment to General Conditions and/or Product Conditions:	Not Applicable
ISIN:	NL0009793272
Common Code:	61797220
Mnemonic Code:	U824N
Sales Restriction:	The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the " <b>Securities Act</b> ") and the Securities may not be exercised, offered, sold, transferred or delivered within the United States or to, or for the account or benefit of, any U.S. person as defined in Regulation S under the Securities Act. Furthermore, trading in the Securities has not been approved by the United States Commodity Futures Trading Commission under the United States Commodity Exchange Act, as amended, and no U.S. person may at any time trade or maintain a position in the Securities.

## INFORMATION ON THE UNDERLYING

Bloomberg page where information about the past and future performance of the Underlying and its volatility can be obtained: SPGSCIP

Index disclaimer(s):	This product is not sponsored, endorsed, sold or promoted by Standard & Poor's, a division of McGraw-Hill, Inc. ("S&P"). S&P makes no representation or warranty, express or implied, to the owners of the product(s) or any members of the public regarding the advisability of investing in securities generally or in the Products particularly or the ability of the S&P Index to track general stock market performance. S&P's only relationship to the Licensee is the licensing of certain trademarks and trade names of S&P and of the S&P Index which is determined, composed and calculated by S&P without regard to The Royal Bank of Scotland N.V. or the products. S&P have no obligation to take the needs of The Royal Bank of Scotland N.V. or the owners of the product(s) into consideration in determining, composing or calculating the S&P Index. S&P is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the products to be issued or in the determination or calculation of the equation by which the products are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the products. S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P INDEX OR ANY
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## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms.

## APPENDIX A – RBS Water Stocks Index (USD) TR Description

### 1. Definitions:

“**3 Month ADT**” means the average daily turnover of a Share Company in USD or the equivalent amount in another currency calculated by applying the prevailing Exchange Rate; the 3 Month ADT is calculated on the basis of the last 3 months and is provided by Bloomberg using the < Avg Daily Value Traded 3m> function;

“**ANR**” means the Analyst recommendation (buy, hold, sell) on 12 month consensus provided by Bloomberg on the Equity ANR function. If data are not available on the respective Bloomberg page, the Index Calculator will take the data from a page replacing the stated page or if no replacement page is available from any other data provider as selected at the reasonable discretion of the Index Calculator;

“**Business Day**” means a day on which commercial banks in London and New York are usually open for business to the public and settle payments;

“**Distributions**” means the cash equivalent of any and all distributions, dividends or other return or payment made in respect of an Existing Share net of applicable withholding taxes at the relevant rate adjusted by application of any applicable tax treaty without reference to tax credits;

“**Excess Amount**” means an amount equal to the difference between a Share Value and the Increase Share Amount on the Re-Weighting Date following an Increase Event;

“**Exchange Rate**” means the prevailing rate of exchange between the currency in which the Share is traded and the Settlement Currency as determined by the Index Calculator on the relevant date;

“**Existing Share**” means a Share, which is, immediately prior to the current Substitution Event, Increase Event or Re-Weighting Date, included in the Water Stocks Index;

“**Increase Share Amount (“ISA”)**” means the amount to be invested notionally in a New Share on an Re-weighting Date following an Increase Event. Whereby:

$$ISA_t = \frac{\text{Index Value}_t}{\text{Total number of Existing Water Stocks Index Components} + \text{number of New Shares}}$$

“**Index Calculator**” means, Standard & Poor’s, 55 Water Street, New York, NY 10041 or its successor;

“**Index Launch Date**” means 10 October 2005;

“**Market Disruption Event**” means

- General moratorium in respect of banking activities in country in which the Relevant Exchange is located; or
- Price Source Disruption. It becomes impossible to obtain the Exchange Rate at any Business Day in the inter-bank market; or
- Governmental Default with respect to any security or indebtedness for money borrowed or guaranteed by any Governmental Authority, there occurs a default, event of default or other similar condition or event (howsoever described) including, but not limited to, (A) the failure of timely payment in full of principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security indebtedness for money borrowed or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for money borrowed or guarantee without the consent of all

holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for money borrowed or guarantee; or

- Inconvertibility/non-transferrability The occurrence of any event which (A) generally makes it impossible to convert the currencies in the Exchange Rate through customary legal channels for conducting such conversion in the principal financial centre of the Settlement Currency or (B) generally makes it impossible to deliver the Settlement Currency from accounts in the country of the principal financial centre of the Settlement Currency to accounts outside such jurisdiction or the Settlement Currency between accounts in such jurisdiction or to a party that a non-resident of such jurisdiction; or
- Nationalisation. Any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives this Issuer (or any of its Affiliates) of all or substantially all of its assets in the country of the principal financial centre of the Settlement Currency; or
- Illiquidity. It is impossible to obtain a firm quote for the Exchange Rate for an amount which the Issuer considers necessary to discharge its obligations under the Securities; or
- A change in law in the country of the principal financial centre of the Underlying Currency which may affect the ownership in and/or the transferability of the Underlying Currency; or
- The imposition of any tax and/or levy with punitive character which is imposed in the country of the principal financial centre of the Underlying Currency;
- The unavailability of the Settlement Currency in the country of the principal financial centre of the Underlying Currency;

The Calculation Agent may make such adjustments to the Conditions in order to account for any such event if it consider it appropriate to do so and the Valuation Date, Issuer Call Date or Extraordinary Early Termination Date may be adjusted accordingly provided that if after 180 Trading Days a disruption / adjustment event is subsisting then in that case (i) the 180th Trading Day shall be deemed to be the Valuation Date, Issuer Call Date or Extraordinary Early Termination Date (regardless of the Market Disruption Event); and (ii) the Calculation Agent shall determine the closing level of the Index (which may be zero) having regard to the then prevailing market conditions, the last reported trading price of the underlying components of the Index and such other factors as the Calculation.

“**New Share**” means a Share which following the Substitution Date or an Increase Event will be included in the Water Stocks Index and upon inclusion will be referred to as Existing Share;

“**Number of Shares  $i$** ” means in relation to each Water Stocks Index Component  $i$ :

(A) on the Index Launch Date:

$$\frac{\text{Initial Index Value}}{\text{Number of Water Stocks Index Components} \times \text{Price } i}$$

(B) on each Re-weighting Date:

$$\frac{\text{Index Value before rebalance}}{\text{Number of Water Stocks Index Components} \times \text{Price } i}$$

(C) on each Substitution Date:

For all Shares  $i_{\text{new}}$  to enter in the Water Stocks Index:

$$\text{Number of Shares } i_{\text{new}} = \frac{\sum_{j_{\text{old}} \in R} (\text{Number of Shares})_{j_{\text{old}}} \times (\text{Price})_{j_{\text{old}}}}{(\text{Price})_{i_{\text{new}}} \times M}$$

Whereby

- M** = number of new Index Components entering the Water Stocks Index on the Substitution Date;
- R** = Set of those subscripts  $j_{\text{old}} \in \{1, \dots, N\}$  which denote Shares being dropped from the Water Stocks Index on the Substitution Date.

“**Price**” means the last traded price on the Relevant Exchange on the respective Trading Day and, if not expressed in the Settlement Currency, converted into the Settlement Currency using the prevailing Exchange Rate;

“**Qualifying Share**” means a Share of a Qualifying Share Company;

“**Qualifying Share Company**” means a Share Company complying with the Water Stocks Index Selection Criteria;

“**Relevant Exchange**” means for any Water Stocks Index Component and Water Reserve Universe Component respectively such exchange or quotation system on which the respective Water Stocks Index Component and Water Reserve Universe Component respectively has its or their ADRs or GDRs respectively have their primary listing or is mainly traded;

“**Re-weighting Date**” means the 1<sup>st</sup> of October of each year starting 1<sup>st</sup> of October, 2006, or, if such day is not a Trading Day, the following Trading Day, such Re-weighting Date also being a Substitution Date, subject to a Market Disruption Event;

“**Settlement Currency**” means USD;

“**Share**” means each ordinary share of the Share Company or if no ordinary Shares are listed, the preferred share of the Share Company or for the under section 4 (iii) b listed countries ADRs and GDRs of the Share Companies;

“**Share Company**” means each company, which is for the time being included in the Water Stocks Index or in the Reserve Water Universe;

“**Share Value**” means the number of Existing Shares times the Price of such Share;

“**Shortfall Amount**” means an amount equal to the difference between an Increase Share Amount and the Share Value on the Re-Weighting Date following an Increase Event;

“**Substitution Date**” means every Trading Day on which a Substitution Event occurs, subject to a Market Disruption Event. Substitutions will be done with effect from the second following Trading Day.

“**Substitution Event**” means that a Water Stocks Index Component does not comply anymore with all of the WISC except for the 3 Month ADT minimum amount as defined under 4 (ii) d which is considered only as a selection criteria qualifying for entering the Water Stocks Index;

“**Target Number**” means 10 Water Stocks Index Components;

“**Technical Constraints**” means that the Issuer may, but is not obliged to, refuse to include in the Index such Index Components selected following the Index Methodology for notional inclusion in the Index which do not comply with the Methodology or due to Technical Constraints. Technical Constraint means the Issuer's inability to hedge itself in respect of the Index Component due to either market, compliance, regulatory, reporting or reputational constraints or due to any local regulations which would require it to make a take-over bid, or due to lack of internal approval.

“**Transaction Price**” means the Price at which the relevant asset would notionally have been acquired or disposed of (as appropriate) at the relevant time as such asset is notionally included in or removed from the Index, taking into account any applicable Composition Charges. Where an asset is to be notionally removed from the Index, its Transaction Price shall be on the basis of its disposal and where an asset is notionally to be included, its Transaction Price shall be on the basis of its acquisition; and

“Trading Day” means any day that is a trading day on all the Relevant Exchanges for the Water Stocks Index Components other than a day on which trading on any such Relevant Exchange is scheduled to close prior to its regular weekday closing time.

## 2. General description

The index (“Water Index”) is initially equally weighted and tracks 10 companies which derive at least 45% of their revenues from servicing water or activities linked to water such as, inter alia, sanitation, delivery, cleaning, transportation, packaging, storage, pumping and water metering (each a “Water related Company” and together “Water Related Companies”), including RWE AG, and Suez SA which have been initially included due to their importance of water business each conducts on a global level.

A further selection criteria is such that Water Related Companies have a total market capitalisation of minimum USD 500,000,000 or the equivalent amount in another currency calculated by applying the Exchange Rate.

If a stock is covered by analysts, the percentage of “Buy” and “Hold” Analyst recommendations (ANR) for such a stock shall be at least 50% of total recommendations.

The Water Stocks Index is geographically diversified containing companies listed in the US, UK, France, Germany and Switzerland at the Index Launch Date.

## 3. Initial Water Stocks Index Composition and Minimum Number of Water Stocks Index Components

On the Index Launch Date the Water Stocks Index will initially comprise the shares (the “Shares”) of the following 10 companies (each a “Share Company” and together “Share Companies”) as selected by the Index Calculator on the Index Launch Date (each a “Water Stocks Index Component” and together the “Water Stocks Index Components”).

initial weighting	Share Company	Country	Market Cap (mn USD)	Volume Avg 3m (USD)	% Water Business	% BUY/HOLD
10%	AQUA AMERICA INC	USA	3,533.01	12,194,826.00	100.00%	89%
10%	GEBERIT AG-REG	SUI	5,055.37	10,894,409.18	100.00%	90%
10%	IDEX CORP	USA	2,191.64	8,993,927.24	55.55%	100%
10%	KELDA GROUP PLC	UK	16,291.86	2,713,981,792.83	95.98%	60%
10%	NORTHUMBRIAN WATER GROUP PLC	UK	7,806.62	1,222,217,695.61	48.84%	82%
10%	PENNON GROUP PLC	UK	8,404.27	1,350,771,838.26	55.90%	67%
10%	PENTAIR INC	USA	3,702.35	24,987,535.25	68.63%	100%
10%	RWE AG	GER	25,473.95	201,215,035.42	9.65%*	86%
10%	SUEZ SA	FRA	33,524.50	191,424,427.10	28.00%*	80%
10%	VEOLIA ENVIRONNEMENT	FRA	17,238.93	59,887,015.44	64.90%	92%

All data as of 22 September 2005, Sources: Bloomberg, Tompson, Standard&Poor's

\*RWE AG and Suez SA have been initially selected as index components due to their importance of water business each conducts on a global level.

The Water Stocks Index Components will be initially equally weighted (each Share Company at 10%) in the Water Stocks Index based on the Price of the Water Stocks Index Components on the Index Launch Date.

The Water Stocks Index shall comprise at any time of at least seven Qualifying Share Companies (“Minimum Number of Water Stocks Index Components”) and ceases to exist if there are less than seven Qualifying Share Companies eligible.

## 4. Water Stocks Index Selection Criteria (“WISC”)

To qualify for inclusion in the Water Stocks Index, a Share Company must meet the following selection criteria, together referred to as the “WISC”:

- (i) The Share Company must be a Water-Related Company which is included in either (i) the Water Stocks Index on the Index Launch Date, or (ii) the Reserve Water Universe;

and

- (ii) At the date of selection

- a. the Share Company must have a minimum total market capitalisation of min. USD 500,000,000 or the equivalent amount in another currency calculated by applying the Exchange Rate as published on the respective Bloomberg page <Bloomberg Code Equity DES>; if the company is covered by an analyst/analysts, at least 50% of the ANR for the respective Share Company shall be “buy” and/or “hold”.  
If a company is not or not yet covered by Analysts it may however qualify for Water Stocks Index membership or for the Water Reserve Universe;
- b. at least 45% of the Share Company's portion of business must derive from Water or Water related businesses as indicated in the last available quarterly and/or annual report. This percentage will be monitored on every Trading Day using the database of the financial market information provider Thomson (extel full reports section); Except from this rule are RWE AG and Suez SA due to their importance of water business each conducts on a global level.
- c. the Share Company must show a 3 Month ADT of minimum USD 7,500,000.

If any of the above mentioned data provider pages are not available, the Index Calculator shall take the data from a page replacing the stated page or if no replacement page is available from any other data provider as selected at the reasonable discretion of the Index Calculator;

and

- (iii) a. Only Share Companies listed on official stock exchanges from the following countries qualify for inclusion in the Water Stocks Index:

Australia	
Canada	New Zealand
EU members	Norway
Hong Kong	Singapore
Iceland	Switzerland
Japan	USA

- b. In addition to this rule Share Companies listed on official stock exchanges from the following countries qualify for inclusion in the Water Stocks Index:

Argentina	Morocco
Bahrain	Nigeria
Brazil	Oman
Bulgaria	Pakistan
Chile	Peru
China	Philippines
Colombia	Romania
Croatia	Russia
Egypt	Saudi Arabia
India	Slovakia
Indonesia	South Africa
Israel	Sri Lanka
Jordan	Taiwan
Korea	Thailand
Malaysia	Turkey
Mexico	Venezuela
	Zimbabwe

In this case only the companies' ADRs listed in New York or GDRs listed in London will be considered. Companies listed above without ADRs listed in New York or GDRs listed in London will not qualify as Water Stocks Index Components.

and

- (iv) The inclusion of a New Share into the Water Stocks Index is subject to Technical Constraints.

**5. Water Stocks Index Composition and Method of Calculation**

The value of the Water Stocks Index (“**Index Value**”) will be calculated and published by the Index Calculator on every Business Day t, subject to a Market Disruption Event, according to the following formula:

$$\text{Index Value}_t = \sum_{i=1}^N (\text{Number of Shares})_{i,t} \times (\text{Price})_{i,t}$$

If, in the determination of the Index Calculator, a Market Disruption Event has occurred on any Business Day, the Index will be calculated and published by the Index Calculator on the first succeeding Business Day, on which the Calculation Agent determines that there is no Market Disruption Event, unless the Index Calculator determines that there is a Market Disruption Event occurring on each of the five Business Days immediately following the original Business Day on which (but for the Market Disruption Event) the Index would have been calculated and published by the Index Calculator. In that case (regardless of the Market Disruption Event) the Index Calculator shall determine the Price of the Share affected by the Market Disruption and the Index Value having regard to the then prevailing market conditions, the last reported trading price of the respective Water Stocks Index Components and such other factors as the Index Calculator determines to be relevant.

Distributions are reinvested proportionally according to each Shares’ weight in the Index. The Water Stocks Index will then be calculated as follows, for all Shares  $i$ , , ( $i = 1, \dots, N$ )

$$\text{Number of Shares}_{i,ex} = \text{Number of Shares}_i \times [1 + D_j \times \text{Number of Shares}_j / \text{Index Value}_{ex}]$$

whereby

$$\text{Number of Shares}_{i,ex} = \text{Number of Shares of the } i\text{th share following the ex-date;}$$

$$D_j = \text{Distributions of the } j\text{th share net of applicable withholding taxes at a rate adjusted by application of the United Kingdom tax treaty and without reference to tax credits.}$$

$$\text{Index Value}_{ex} = \text{Index Value as defined above, but using the ex-dividend price of the } j\text{th Share.}$$

**6. Annual Re-weighting of the Water Stocks Index**

The Water Stocks Index shall be re-weighted on each Re-weighting Date, subject to a Market Disruption Event. The Existing Shares shall be weighted equally with effect from the Re-weighting Date.

The basis for the re-weighting shall be the Prices of the Shares from Re-weighting Date taking into account the Exchange Rate if not already expressed in the Settlement Currency.

$$(\text{Index Value})_{\text{before rebalance}} = (\text{Index Value})_{\text{after rebalance}}$$

If, in the determination of the Index Calculator, a Market Disruption Event has occurred on any Re-weighting Date, the Re-weighting shall be postponed to the first succeeding Trading Day on which the Calculation Agent determines that there is no



Market Disruption Event, unless the Index Calculator determines that there is a Market Disruption Event occurring on each of the five Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Re-weighting Date. In that case (i) the fifth Trading Day shall be deemed to be the Re-weighting Date (regardless of the Market Disruption Event); and (ii) the Index Calculator shall determine the Price of the Share affected by the Market Disruption and the Index Value having regard to the then prevailing market conditions, the last reported trading price of the respective Water Stocks Index Components and such other factors as the Index Calculator determines to be relevant.

On the Index Launch Date the Initial Water Stocks Index Value will be USD 100.00 (“**Initial Index Value**”).

If on an Re-weighting Date following the substitution, if any, the number of Water Stocks Index Components is below the Target Number (“**Increase Event**”), the number of the Water Stocks Index Components maybe increased up to the Target Number according to the WISC.

## **7. Water Reserve Universe and Selection Criteria**

The Water Reserve Universe will comprise Qualifying Share Companies (each a “**Water Reserve Universe Component**” and together the “**Water Reserve Universe Components**”) selected out of the Index Calculator’s stock database comprising more than 10,000 stocks covering 75 countries.

The Water Reserve Universe contains Qualifying Shares which are not Index Components, ranked after their total market capitalisation in USD or the equivalent amount in another currency calculated by applying the Exchange Rate using the under source 4. (ii) mentioned data provider and data provider pages. The Water Reserve Universe Component with the highest total market capitalisation in USD or the equivalent amount in another currency calculated by applying the Exchange Rate is ranked No. 1.

## **8. Water Stocks Index Component Substitution**

The Index Calculator will determine if all Water Stocks Index Components still qualify as Qualified Share Companies on every Trading Day. If a Substitution Event occurs, the affected Water Stocks Index Component shall be substituted by a Water Reserve Universe Component on the Substitution Date, subject to a Market Disruption Event.

The Index Calculator shall substitute for such relevant outgoing Share a New Share with effect from the Substitution Date according to the following:

- (i) The next eligible Qualifying Share of the Water Reserve Universe in the order of the highest total market capitalisation in USD with a minimum of USD 500,000,000 or the equivalent amount in another currency calculated by applying the Exchange Rate on the relevant Substitution Date shall substitute the removed Share;
- (ii) If no Qualifying Share exists the Index Component value of such outgoing Share will be notionally invested pro rata in the remaining Index Components.
- (iii) Shares removed from the Water Stocks Index shall be included in the Reserve Water Universe;

The basis for the substitution shall be the respective Transaction Prices of the Trading Day preceding the relevant Substitution Date.

If, in the determination of the Index Calculator, a Market Disruption Event has occurred on any Substitution Date, the Substitution shall be postponed to the first succeeding Trading Day on which the Calculation Agent determines that there is no Market Disruption Event, unless the Index Calculator determines that there is a Market Disruption Event occurring on each of the five Trading Days immediately following the original date which (but for the Market Disruption Event) would have been a Re-Substitution Date. In that case (i) the fifth Trading Day shall be deemed to be the Substitution Date (regardless of the Market Disruption Event); and (ii) the Index Calculator shall determine the Price of the Share affected by the Market Disruption and the Index Value having regard to the then prevailing market conditions, the last reported trading price of the respective Water Stocks Index Components and such other factors as the Index Calculator determines to be relevant.

## **9. Increase of the Number of Water Stocks Index Components**

If, on an Re-weighting Date, the number of Qualifying Share Companies in the Water Reserve Universe exceeds the number of Share Companies to be notionally removed from the Water Stocks Index according to the WISC (“**Increase Event**”), the number of Water Stocks Index Components may be increased up to a limit of 10 by including the next eligible Qualifying Share Companies being comprised in the Reserve Water Universe. Hereby the following applies:

- (i) The Increase Share Amount will be invested in each New Share to be included in the Water Stocks Index;
- (ii) For those Existing Shares whose Share Value exceeds the respective Increase Share Amount its Share Value shall be decreased by the respective Excess Amount;
- (iii) For those Existing Shares whose Share Value is less than the respective Increase Share Amount its Share Value shall be increased by the respective Shortfall Amount.

## **10. Publication of the Water Stocks Index**

The daily prices of the Water Stocks Index will be published on Bloomberg page RBSZWATI and on Reuters page .RBSZWATI.

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