

JB Global Income & Equity Accelerator Series 4 – Class B Shares in Berkshire Hathaway Inc

Supplementary Product Disclosure Statement

This Supplementary Product Disclosure Statement dated 21 May 2010 ("SPDS") supplements the Product Disclosure Statement dated 16 March 2010 issued by RBS Group (Australia) Pty Limited (ABN 78 000 862 797, AFSL 247013) ("RBS") for the *JB Global Income & Equity Accelerator Series 4 – Class B Shares in Berkshire Hathaway Inc* (the "PDS"). This SPDS is to be read together with the PDS.

Investors should reach an investment decision only after carefully reading and understanding the PDS and considering, with their advisers, the suitability of the Units in light of their specific circumstances.

The definitions and principles of construction used in the PDS apply in this SPDS.

Amendment to Section 3.2 "Key Information": *Participation Rate* (page 8)

Background

Due to changes in market conditions the figure of "19%" contained in the Participation Rate formula in Section 3.2 "Key Information" under the heading *Participation Rate* on page 8 of the PDS is amended by this SPDS. The "19%" figure represents the level of volatility that would have provided a relatively optimum performance of the Units relative to the performance of the Reference Asset based on the cost of the investment at the time the PDS was issued (this figure is referred to as the "**Volatility Level**"). Due to changes in market conditions since the PDS was issued, the Volatility Level will be 17.5%, which was the level determined on the Commencement Date.

Amendment

The last 5 paragraphs under the heading *Participation Rate* on page 8 are deleted in their entirety and replaced with the following:

The Participation Rate will be calculated by reference to the level of volatility using the following formula:

$$PR_t = \text{Min} (200\%, \text{Volatility Level} / \text{Volatility}_t)$$

Where:

Volatility_t has the same meaning as described in the Formulae and Calculation Table in Section 15; and

Volatility Level, expressed as a percentage, will be 17.5% which was the level determined on the Commencement Date. It is used in the above formula to provide, using historical data, a relatively optimal performance of the Units relative to the performance of the Reference Asset based on the cost of the investment.

Specifically, Investors should note that there may be a risk that the level of volatility will remain high throughout the majority or whole of the Investment Term. Should this occur, the Participation Rate may never reach 100% exposure to the Reference Asset.

Various factors can impact the Volatility Level that was set on the Commencement Date. These factors and their impact on the Volatility Level include:

Variable	Change in variable	Anticipated impact on the Volatility Level
Level of Volatility	↑	↑
Interest Rates	↑	↓

Correlation between the Australian dollar against movement of Reference Index, and Volatility of the Australian dollar against the US dollar.	↑	↓
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The Volatility Level is 17.5%, which was the level determined on the Commencement Date.

Amendment to Section 3.2 “Key Information”: *Participation Rate* (page 8) and Section 4.5 “Participation Rate and volatility – How can volatility affect my investment?” (page 20)

In accordance with the change to the Participation Rate formula (outlined above) the indicative Participation Rate of “75%” contained in Section 3.2 “Key Information” on page 8 of this PDS is amended as follows:

As at the date of this SPDS, the Participation Rate would have been approximately 57%. This is based on a Volatility Level of 17.5% and historical volatility of 30.94%

The Issuer intends to publish the applicable Participation Rate (on a weekly basis) on its website at www.rbs.com.au/structuredproducts.

Amendment to Sections 4.1.2 to 4.2 (pages 14 – 19).

Sections 4.1.2 to 4.2 on pages 14 – 19 of the PDS are deleted in their entirety and replaced as follows:

4.1.2 Minimum Final Value

The minimum Final Value per Unit at Maturity will be \$1.00 provided the Units are held to the scheduled Maturity Date. If an Early Maturity Event or Issuer Buy-Back occurs, the amount received per Unit may be significantly less than \$1.00.

4.1.3 Two potential Coupon payments

Investors have the potential to receive two Coupon payments during the Investment Term, of an amount up to a maximum of 8.1% of the Issue Price.

The First Coupon will be paid at the end of the first year of the Investment Term, and will be the lower of \$1.00 multiplied by:

- 9%; and
- the increase in the Strategy Value over the first year of the Investment Term (from the Commencement Date to the First Coupon Determination Date),

less Performance Fees paid by the Issuer to the Lead Advisor. The Performance Fee will be 10% of the amount which would otherwise have been payable as the First Coupon if no fees were deducted. There will be no First Coupon if there has not been an increase in the Strategy Value over the first year of the Investment Term. Where the Strategy Value has remained constant or declined over this period, there will be no First Coupon paid and Investors will not be required to make any payment to the Issuer.

The Second Coupon will be paid at the end of the second year of the Investment Term, and will be the lower of \$1.00 multiplied by:

- 9%; and
- the increase in the Strategy Value over the first two years of the Investment Term (from the Commencement Date to the Second Coupon Determination Date),

less the amount of the First Coupon and any Performance Fees applicable to the First Coupon and the Second Coupon. The Performance Fee in relation to the Second Coupon will be 10% of the amount which would otherwise have been payable as the Second Coupon if no Performance Fees

were deducted. Please refer to the Coupon formula in Section 15 'Formulae and Calculation Table' of the PDS.

There will be no Second Coupon if there has not been an increase in the Strategy Value over the second year of the Investment Term. Where the Strategy Value has remained constant or declined over this period, there will be no Second Coupon paid and Investors will not be required to make any payment to the Issuer.

Each Coupon (if any) will be paid on the Coupon Payment Date which is five Business Days after the relevant Coupon Determination Date.

4.2 Strategy Value

The Strategy Value is calculated by:

- taking the change in the level of the Reference Asset from the close of the previous Business Day to the close of the current Business Day;
- multiplying it by the Participation Rate (which determines the exposure to the Reference Asset) from the previous Business Day;
- multiplying this amount by the Strategy Value from the previous Business Day; and
- adjusted by the Index Adjustment Factor, pro-rated for one Business Day.

In other words, the Strategy Value determines the varying levels of exposure to the Reference Asset depending on the volatility (Participation Rate) of the Reference Asset over the previous 100 Business Days. The Strategy Value is in turn used to calculate the Coupons and the Final Value. Please refer to the Strategy Value formula in Section 15 'Formulae and Calculation Table' of the PDS.

Amendment to Section 4.5 (pages 20 – 21).

Section 4.5 on pages 20 – 21 of the PDS is deleted in its entirety and replaced as follows:

4.5 Participation Rate and volatility – How can volatility affect my investment?

Volatility refers to the amount of uncertainty or risk that may impact on the value of a security and is measured by the variability in the price of a security over a period of time. If a security's price changes rapidly (both positively and negatively) over a short period of time, it will be considered to have high volatility. Conversely, if a security's price rarely changes, it will be considered to have low volatility. A high level of volatility is considered to be an indication that a security may have more risk.

The Participation Rate is a tool through which the volatility of the Reference Asset is measured, and the Calculation Agent adjusts the level of exposure to the Reference Asset accordingly to minimise risk. The level of volatility will be used to determine the Participation Rate in accordance with the formula set out in Section 3.2 'Key Information' of this PDS. Please see the Formulae and Calculation Table at Section 15 for the formula used to calculate volatility. The Participation Rate will vary from day to day and is calculated using the formula set out in Section 3.2 'Key information' of this PDS. The Participation Rate will be between 0% and 200%. As at the date of this PDS, the Participation Rate would have been 73%, this is due to current historical volatility levels of approximately 26% and a current Volatility Level of 19%.

Generally, the lower the volatility, the higher the Participation Rate, and therefore the higher the exposure to the Reference Asset. Realised volatility is also known as historical volatility and is a measure of actual volatility.

The Issuer intends to publish the Participation Rate, Strategy Value and the actual volatility (for each previous 100 Business Days) weekly (or more frequently) on its website at www.rbs.com.au/structuredproducts.

Amendment to Section 7.3 "How is the Strategy Value calculated" (page 29).

The formula for calculating Strategy Value (on day t) is deleted in its entirety and replaced as follows:

The Strategy Value_t = Strategy Value_{t-1} x [1 + Participation Rate_{t-1} x (Reference Asset Level_t / Reference Asset Level_{t-1} - 1)] - Strategy Value₍₀₎ x Index Adjustment Factor x Act_t / 360

Where:

Strategy Value_t means the Strategy Value on day t

Strategy Value_{t-1} means the Strategy Value the day before t

Strategy Value₍₀₎ means 100 as of the Commencement Date

Participation Rate_{t-1} means the Participation Rate on the Business Day before t

Reference Asset Level_t means the Reference Asset Closing Price on day t

Reference Asset Level_{t-1} means the Reference Asset Closing Price on the Business Day before t

Index Adjustment Factor is 1.1% per annum

Act_t means calculations are on a daily accruals basis

On the Commencement Date the Strategy Value is set to 100. If we assume that on the day after the Commencement Date the:

- closing level of the Reference Asset (Class B Shares in Berkshire Hathaway Inc) has risen from 72.50 to 73.23,
- Volatility Level is 17.5%; and
- Volatility_{t-1} over the previous 100 days was 17.5% and therefore the Participation Rate is 100% (see example calculation below),

then the Strategy Value for that day would be calculated as follows:

$$\begin{aligned}\text{Strategy Value} &= 100 \times [1 + 100\% \times (73.23/72.50 - 1)] - 100 \times 0.011 \times 1/360 \\ &= 100 \times [1 + 1.0 \times (1.01 - 1)] - 0.0031 \\ &= 100 \times 1.01 - 0.0031 \\ &= 101.00\end{aligned}$$

Note that based on Participation Rate formula set out in Section 3.2 'Key Information' of this PDS, the Participation Rate of 100% used above assumes a Volatility Level of 17.5% and a realised or historical volatility over the previous 100 days of 17.5% (i.e. Volatility_{t-1}). That is,

$$\begin{aligned}\text{Participation Rate}_{t-1} &= \text{Min} (200\%, \text{Volatility Level}/\text{Volatility}_{t-1}) \\ &= \text{Min} (200\%, 17.5\%/17.5\%) \\ &= \text{Min} (200\%, 100\%) \\ &= 100\%\end{aligned}$$

Other Information

In all other respects, the PDS remains unaltered. No circumstance has arisen and no information has become available since the date of the PDS that would materially affect an Investor's assessment of the capacity of RBS to fulfil its obligations in respect of the Units and the risks, rights and obligations associated with the Units.

Investors should reach an investment decision only after carefully reading and understanding the PDS, this SPDS and any other supplementary product disclosure statements to the PDS, and considering, with their advisers, the suitability of the Units in the light of their specific circumstances.

Right to Withdraw

In accordance with section 1016E of the Corporations Act, Investors have 1 month from the date of this SPDS to withdraw their Application. Investors can withdraw their Application by contacting JB Global Pty Limited on 1300 522 644. Should an Investor choose to withdraw their Application the Issuer will refund their Application Amount in full.

Investors who wish to continue with their investment need not do anything. Investors who wish to continue with their investment in the Units are subject to the PDS (as supplemented by this SPDS).

RBS Group (Australia) Pty Limited

JB Global Pty Limited