

Increased offer document



for National Westminster Bank Plc

RBSNatWest

best vision best benefits lowest risk THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services Act 1986 if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all your NatWest Ordinary Shares please forward this document and the accompanying documents immediately to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. These documents and the accompanying documents must not, however, be forwarded, distributed or transmitted in or into Canada, Australia or Japan.

This document should be read in conjunction with the accompanying blue Form of Acceptance, the Original Offer Document, the Listing Particulars and the Supplementary Listing Particulars. Copies of the Listing Particulars and the Supplementary Listing Particulars which have been prepared in accordance with the Listing Rules made under section 142 of the Financial Services Act 1986 have been delivered to the Registrar of Companies in Scotland for registration in accordance with section 149 of that Act.

RBS has applied to The London Stock Exchange for the New RBS Ordinary Shares to be admitted to the Official List. It is expected that Admission will become effective and dealings will commence on the first business day following the day on which the Increased Offer becomes or is declared unconditional in all respects (subject only to the condition relating to Admission). The New RBS Ordinary Shares will only be made available to NatWest Ordinary Shareholders and to BSCH and otherwise pursuant to the Partial Cash Alternative and will not be generally made available or marketed to the public in the United Kingdom. The Loan Notes to be issued in connection with the Increased Offer will not be listed on, or dealt in under the rules of, any recognised stock exchange.

Merrill Lynch International and Goldman Sachs International, each of which is regulated in the United Kingdom by The Securities and Futures Authority Limited, are acting for RBS and no-one else in connection with the Increased Offer and will not be responsible to anyone other than RBS for providing the protections afforded to the customers of Merrill Lynch International and Goldman Sachs International, nor for giving advice in relation to the Increased Offer.

Your attention is specifically drawn to, and all statements relating to the business, financial position and prospects of each of RBS and NatWest should be viewed in the light of, the Year 2000 compliance issues which are set out in the accompanying Supplementary Listing Particulars and Part I of the Listing Particulars.

The procedure for acceptance of the Increased Offer is set out in the letter from Goldman Sachs and Merrill Lynch contained in this document and in the accompanying blue Form of Acceptance. To accept the Increased Offer, the blue Form of Acceptance must be completed and returned, whether or not your NatWest Ordinary Shares are in CREST, as soon as possible and in any event so as to be received by Computershare Services PLC at PO Box 453, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4TH or by hand only during normal business hours to Computershare Services PLC at 7th Floor, Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR not later than 1.00 p.m. (London time), 8.00 a.m. (New York City itme) on 14 February 2000. If you are in any doubt as to the procedures for acceptance of the Increased Offer or require assistance with the completion of the Forms of Acceptance, please telephone Computershare Services PLC on 0870 702 0167.

The Increased Offer is not being made in or into, and is not capable of acceptance in or from Canada, Australia or Japan. Accordingly, copies of this document and any other document relating to the Original Offer or the Increased Offer are not being, and must not be, mailed or otherwise distributed or sent in or into Canada, Australia or Japan. Custodians, nominees and trustees should observe these restrictions and should not send or distribute this document in or into Canada, Australia or Japan.

The Increased Offer is being made in the United States pursuant to a prospectus meeting the requirements of the U.S. securities laws and containing detailed information about RBS and its management, as well as financial statements. This prospectus and other appropriate documentation for use in the United States is available from RBS and should be used in the United States in lieu of this document.

See Part B and Part C of Appendix II to this document for further information for overseas shareholders and for the restrictions on the distribution of the New RBS Ordinary Shares and the Loan Notes proposed to be issued in connection with the Increased Offer.

Certain statements in this document are "forward looking statements". All forward looking statements involve risks and uncertainties and are based on current expectations regarding important risk factors. Statements contained herein regarding the consummation and benefits of the proposed transaction, as well as expectations with respect to future interest receivable, ability to sustain margins, and realisation of financial and operating synergies and efficiencies, are subject to known or unknown risks, uncertainties and contingencies, many of which are beyond the control of RBS, which may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements. Factors that might cause forward looking statements to differ materially from actual results include, among other things, requirements imposed by regulatory authorities to permit the transaction to be consummated, competitive factors in the industries in which RBS and NatWest compete, changes in the monetary and interest rate policies of the Bank of England and other G-7 central banks, inflation, deflation, the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries, fluctuations in interest rates, equity prices and foreign currencies, the adequacy of loss reserves, the inability to hedge certain risks economically, changes in consumer spending and other habits, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which RBS and NatWest and their respective affiliates operate.

Increased Offer by

Goldman Sachs International and Merrill Lynch International

on behalf of

The Royal Bank of Scotland Group plc for National Westminster Bank Plc

Details of shareholder helplines and internet address:

If you have any questions about RBS's Increased Offer for NatWest you should direct them to the helplines set out below:

Technical questions about how to complete the blue Form of Acceptance, or about the Partial Cash Alternative, the Mix and Match Election, the Loan Note Alternative or the closing date of the Increased Offer, or **if you have already accepted RBS**'s **Original Offer:**

• Computershare Services PLC:

0870 702 0167

If you have lost your NatWest share certificates or other documents of title:

Computershare Services PLC:

0870 702 0000

General questions about the Increased Offer and any questions about how to withdraw your acceptance of the Bank of Scotland offer for NatWest:

Shareholders Helpline:

UK:

0800 169 1967

International:

+44 181 253 8153

You may also wish to refer to our website where we post key public announcements concerning our Increased Offer:

Website:

www.rbs.co.uk

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31 January 2000

To NatWest Ordinary Shareholders and, for information only, to holders of NatWest Preference Shares and participants in NatWest Share Schemes

Devi Shareholder

On 31 January 2000, the Board of The Royal Bank of Scotland Group plc announced an increased offer for each NatWest Ordinary Share. The key financial and other details of our Increased Offer are set out in the document called "Key Information Sheet" which accompanies this document. We have also included in this mailing a booklet called "Comparing the Alternatives" which sets out our vision for RBSNatWest and the reasons why we think you should accept our Increased Offer.

On 16 December 1999, we sent you our Original Offer Document. In addition to setting out the terms of the Original Offer, that document explained in detail our plans to create a new force in banking through the combination of RBS's growth culture and innovation with NatWest's scale and presence.

Since we mailed our Original Offer, further details have emerged about the alternative proposals from NatWest and the Bank of Scotland. It is now clear that the three proposals are quite different:

- We aim to create a pre-eminent force in European banking, which will have excellent prospects for growth and will be able to create substantial value for its shareholders
- NatWest's defence seems designed to make disposals maximise cash distribution, leaving the core businesses which have grown only very slowly over recent years
- Bank of Scotland's proposals are a hybrid of these two. They would produce a bigger bank than NatWest on its own, but it would be essentially limited to the UK, and concentrated on lending.

It is over a month since I wrote to you with our Original Offer. I write today with details of improved terms and with renewed conviction that our proposals are the best of the alternatives before shareholders, customers and staff of NatWest. I hope you share our vision for RBSNatWest and, if you have not done so already, I urge you to accept our Increased Offer without delay.

To accept the Increased Offer, you should complete, sign and return the accompanying blue Form of Acceptance without delay, and, in any case, so as to be received by the Receiving Agent no later than 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000.

Yours sincerely

Viscount Younger Chairman

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SUMMARY OF SHAREHOLDER CHOICES

This summary must be read in conjunction with the full text of the letter from Goldman Sachs and Merrill Lynch set out opposite and the accompanying Key Information Sheet.

Basic Terms

To receive the Basic Terms which are

For each NatWest Ordinary Share

New RBS Ordinary Shares and

cash

you should accept the Increased Offer. The number of New RBS Ordinary Shares and cash comprising the Basic Terms are set out in the Key Information Sheet.

If you want to receive more New RBS Ordinary Shares or more cash or want to receive Loan Notes you need to make elections on the Form of Acceptance.

Partial Cash Alternative If you want to receive more cash instead of some of your New RBS Ordinary Shares, you should elect for the Partial Cash Alternative. The amount of cash you will receive for each NatWest Ordinary Share is set out in the Key Information Sheet.

Mix and Match Election

Additional cash

If you have elected for the Partial Cash Alternative, you may also make an Additional Cash Election under the Mix and Match Election.

Additional cash will only be available to the extent that other shareholders have elected for New RBS

Ordinary Shares instead of cash under the Mix and Match Election or have not

elected for the Partial Cash

Alternative.

Additional New RBS Ordinary Shares If you have not elected for the Partial Cash Alternative, you may also make an election to receive more new RBS Ordinary Shares under the Mix and Match Election. Additional New RBS Ordinary Shares will only be available to the extent that other shareholders have elected for cash instead of shares. You cannot make a Share Election if you elect for the Partial Cash Alternative.

Loan Note Alternative If you would like to receive some or all of the cash consideration under the Basic Terms or the Mix and Match Election in the form of Loan Notes, you should elect for the Loan Note Alternative. The Loan Note Alternative is not available for the additional cash made available under the Partial Cash Alternative.

APPENDIX I

Letter from Goldman Sachs and Merrill Lynch



Goldman Sachs International Peterborough Court 133 Fleet Street London EC4A 2BB Registered in England No. 2263951



Merrill Lynch International Ropemaker Place 25 Ropemaker Street London EC2Y 9LY Registered in England No. 2312079

31 January 2000

To NatWest Ordinary Shareholders and, for information only, to holders of NatWest Preference Shares and participants in NatWest Share Schemes

Dear Sir/Madam

INCREASED OFFER FOR NATWEST

1. Introduction

On 31 January 2000, the Board of RBS announced the terms of an increased offer, to be made jointly by Merrill Lynch and Goldman Sachs on behalf of RBS, to acquire all of the NatWest Ordinary Shares.

The Basic Terms of the Increased Offer comprise both New RBS Ordinary Shares and cash for each NatWest Ordinary Share in the amounts specified in the Key Information Sheet. This is the consideration you will receive if the Increased Offer becomes wholly unconditional and you make no further elections in your blue Form of Acceptance. The Basic Terms are described in paragraph 2 below and in the Key Information Sheet.

You can elect to receive fewer New RBS Ordinary Shares but more cash under the Partial Cash Alternative as described in paragraph 3 below.

If you want to vary the proportions in which you receive New RBS Ordinary Shares and cash, you may do so under the Mix and Match Election but only to the extent that other NatWest Ordinary Shareholders make offsetting elections. This is described in paragraph 4 below.

If you want to receive some or all of your entitlement to cash (excluding cash under the Partial Cash Alternative) in the form of Loan Notes you may do so under the Loan Note Alternative described in paragraph 5 below.

2. The Increased Offer

On behalf of RBS, we hereby offer to acquire, on the terms and subject to the conditions set out or referred to in this document, the Key Information Sheet and in the blue Form of Acceptance, all of the NatWest Ordinary Shares. A NatWest Ordinary Shareholder who validly accepts the Increased Offer will receive:

For each NatWest Ordinary Share

New RBS Ordinary Shares and cash

in the amounts set out in the Key Information Sheet. This constitutes the Basic Terms.

Application has been made to the London Stock Exchange for the Admission of the New RBS Ordinary Shares to the Official List.

The Increased Offer is subject to the conditions and further terms set out in Appendix II to this document, in the blue Form of Acceptance and in the Key Information Sheet.

The cash consideration payable under the Increased Offer will be financed from various sources, further details of which are set out in paragraph 9 below.

3. The Partial Cash Alternative

NatWest Ordinary Shareholders who validly accept the Increased Offer may elect to receive cash instead of the Relevant Percentage (as specified in the Key Information Sheet) of the New RBS Ordinary Shares which they would otherwise be entitled to receive under the Basic Terms. The amount of cash such NatWest Ordinary Shareholders will receive for each NatWest Ordinary Share, and the number of New RBS Ordinary Shares such NatWest Ordinary Shareholders will receive for each NatWest Ordinary Share, are also specified in the Key Information Sheet. Electing for the Partial Cash Alternative will enable NatWest Ordinary Shareholders to use the Mix and Match Election to increase, subject to availability, the proportion of cash they receive instead of New RBS Ordinary Shares.

NatWest Ordinary Shareholders must not elect for additional New RBS Ordinary Shares (i.e. make an Additional Share Election) under the Mix and Match Election if they elect for the Partial Cash Alternative.

The Partial Cash Alternative is conditional on the Increased Offer becoming or being declared unconditional in all respects. It will remain open for acceptances until 1.00 p.m. (London time), on 14 February 2000 and will, if the Increased Offer is then unconditional as to acceptances, remain open until 3.00 p.m. on 28 February 2000 and will then close and cease to be available for acceptance. If the Partial Cash Alternative closes, RBS reserves the right to reintroduce a cash alternative, subject to the Code.

To the extent NatWest Ordinary Shareholders do not elect for the Partial Cash Alternative, the cash available under the Partial Cash Alternative will be used to satisfy elections for additional cash under the Mix and Match Election.

Your attention is drawn to the further information about the Partial Cash Alternative set out in the Key Information Sheet and paragraphs 4 and 7 of Part B of Appendix II to this document.

4. The Mix and Match Election

NatWest Ordinary Shareholders who validly accept the Increased Offer may elect, subject to availability, to use the Mix and Match Election to vary the proportions in which they receive New RBS Ordinary Shares and cash in respect of their holdings of NatWest Ordinary Shares. However, the total number of New RBS Ordinary Shares and the total amount of cash to be issued under the Increased Offer will not be varied as a result of Mix and Match Elections. Accordingly, RBS's ability to satisfy Mix and Match Elections will be dependent upon the extent to which other NatWest Ordinary Shareholders make offsetting elections (and, in the case of an election for additional cash, to the extent they do not make elections for the Partial Cash Alternative). To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata basis. To the extent that elections can be satisfied, NatWest Ordinary Shareholders will receive New RBS Ordinary Shares instead of cash and vice versa.

NatWest Ordinary Shareholders will only be able to elect for additional cash under the Mix and Match Election if they also elect for the Partial Cash Alternative (see paragraph 3 above).

NatWest Ordinary Shareholders who make Mix and Match Elections will not necessarily know the exact number of New RBS Ordinary Shares or the amount of cash they will be entitled to until settlement of the consideration under the Increased Offer, although an announcement will be made, when the Increased Offer becomes or is declared unconditional in all respects (subject only to the condition relating to Admission), of the approximate extent to which Mix and Match Elections will be satisfied.

The Mix and Match Election is conditional on the Increased Offer becoming or being declared unconditional in all respects. It will remain open until 1.00 p.m. on 14 February 2000 and will, if the Increased Offer is then unconditional as to acceptances, remain open until 3.00 p.m. on 28 February 2000 and will then close and cease to be available for acceptance. If the Mix and Match Election closes, RBS reserves the right to reintroduce a mix and match facility, subject to the Code.

The Mix and Match Election will not affect the entitlement of those NatWest Ordinary Shareholders who do not make Mix and Match Elections.

Your attention is drawn to the further information about the operation of the Mix and Match Election set out in paragraphs 5 and 7 of Part B of Appendix II to this document.

5. The Loan Note Alternative

NatWest Ordinary Shareholders who validly accept the Increased Offer may elect to receive Loan Notes instead of the cash consideration to which they would otherwise be entitled under the Basic Terms and/or an election for additional cash under the Mix and Match Election (i.e. an Additional Cash Election). They will not be entitled to Loan Notes instead of cash made available under the Partial Cash Alternative. Their entitlement to Loan Notes will be on the following basis:

For every £1 cash under £1 nominal the Basic Terms and/or an Additional Cash Election of Loan Notes

The Loan Notes to be issued under the Increased Offer will be issued in amounts and integral multiples of £1 nominal value.

The Loan Notes will bear interest, from the date of issue to the relevant holder of Loan Notes, at a rate of LIBOR for six month sterling deposits determined on the first business day of the relevant interest period. Interest will be payable (less any tax required by law to be deducted therefrom) in arrears on 30 June and 31 December in each year. The first interest payment date will be 30 June 2000 in respect of the period from and including the date(s) of issue of Loan Notes to relevant holder(s) up to (but excluding) 30 June 2000 on an accrued basis.

Holders of Loan Notes will have the right to require RBS to redeem at par all or some (being £100 in nominal amount or any integral multiple thereof) of their Loan Notes on 31 March 2001 and on subsequent interest payment dates. If at any time the aggregate amount of all the Loan Notes outstanding is less than £100 million, RBS shall have the right, on any interest payment date falling after 31 December 2000, to repay all the outstanding Loan Notes at par together with accrued interest. Unless previously redeemed or purchased, the Loan Notes will be redeemed at par together with all accrued interest on the fifth anniversary of the date upon which the Increased Offer becomes or is declared unconditional in all respects (subject only to the condition relating to Admission).

RBS's joint corporate brokers, Credit Lyonnais, Merrill Lynch, and Warburg Dillon Read, have advised RBS that, in their opinion, based on market conditions on 28 January 2000 (being the latest practicable date prior to the publication of this document), if the Loan Notes had been in issue, the estimated value of the Loan Notes would have been approximately 99.9 pence per £1 nominal value.

The Loan Notes will be issued in registered form in integral multiples of £1 nominal amount, will be transferable (subject to certain restrictions) and will constitute unsecured obligations of RBS. The Loan Notes will not contain any restriction on borrowings or charging or disposal of assets by RBS. No application will be made to any stock exchange for the Loan Notes to be listed.

Further details of the terms and conditions of the Loan Notes are set out in Appendix III to this document.

The Loan Note Alternative is conditional on the Increased Offer becoming or being declared unconditional in all respects. It will remain open for as long as the Increased Offer remains open for acceptance. Your attention is drawn to the further information on the Loan Note Alternative set out in paragraph 6 of Part B of Appendix II to this document and in the blue Form of Acceptance.

6. Benefits for Customers and Employees

RBS is a customer-focused organisation. It has been at the forefront of improved products and customer service, particularly through Direct Line, RBS Advanta and the Virgin One Account. RBS plans to apply this customer-focused strategy to NatWest.

RBS fully recognises that within NatWest there is a very large body of talented and committed management and employees. RBS believes that the substantial majority of both NatWest and RBS employees will have improved prospects and career opportunities due to RBS's approach to the development of the business and the strengthened competitive position of the Enlarged RBS Group.

The existing employment rights, including pension rights, of the management and employees of RBS and NatWest will be fully safeguarded. It is envisaged that, although the combination of RBS and NatWest will result in a reduction in the number of employees of the Enlarged RBS Group, this should be achievable largely on a voluntary basis and through normal staff turnover and, in any event, after appropriate consultation.

7. RBS Profit Forecast

Subject to unforeseen circumstances and on the basis and assumptions set out below and in Appendix IV to this document, the Directors forecast the following results for the six months to 31 March 2000.

RBS Group profit before tax is forecast to increase by 31 per cent. to £695 million (1999 – £531 million). Profit before tax and exceptional items is forecast to increase by 23 per cent. to £651 million (1999 – £531 million).

RBS Group total income is forecast to rise 19 per cent. to £2,325 million, while operating expenses, before exceptional items, increase by 12 per cent. to £1,133 million. The RBS Group's cost income ratio is forecast to improve from 51.8 per cent. to 48.7 per cent.

Earnings per share are forecast to rise by 28 per cent. from 37.9p to 48.4p. After adjusting for exceptional items, earnings per share are forecast to rise by 19 per cent., from 37.9p to 45.0p.

The profit forecast has been prepared using the accounting policies normally adopted by the RBS Group and is based upon the unaudited management accounts of the RBS Group for the three months to December 1999 and management estimates and forecasts for the three months ending 31 March 2000. The bases and assumptions underlying the profit forecast together with reporting letters from PricewaterhouseCoopers, Merrill Lynch and Goldman Sachs relating to the forecast are set out in Appendix IV of this document.

8. Background to and Reasons for the Increased Offer

RBS is confident that the proposed combination with NatWest will create a new force in banking. The combined entity will have a very strong position in the UK, international presence and options and clear strategies for future growth. RBS seeks fully to capture the potential benefits of consolidation, extracting costs savings, for example through the elimination of duplicated support services, capturing revenue benefits through the combination of brands, customers, products and skills, and achieving greater scale with the ability to create value through opportunities in the UK and Europe.

The transaction will enable RBS to create substantial value. RBS has estimated that cost savings of £1,180 million can be achieved within three years following completion of the Increased Offer, comprising de-duplication cost savings amounting to £600 million and efficiency costs savings amounting to £580 million. Furthermore, RBS has identified an estimated £240 million of profit enhancement from identified revenue initiatives within three years of completion of the Increased Offer.

Assuming achievement of the full £1,180 million of cost savings and £240 million of initial revenue benefits, the combination of RBS and NatWest will be accretive to earnings for the Enlarged RBS Group in the first year after completion of the Increased Offer (before goodwill and restructuring charges).

RBS is able to offer NatWest Ordinary Shareholders the terms of the Increased Offer as a result of its confidence that its strong management team will be able fully to capture the benefits of consolidation through a clear and detailed implementation plan and a low risk approach to integration.

RBS remains fully committed to the successful conclusion of the Increased Offer.

No part of the statements in the above paragraphs should be interpreted to mean that the earnings per share of the Enlarged RBS Group, for the current or future financial years, will necessarily match or exceed the historical published earnings per share of RBS.

9. Financing and Capital

The cash consideration under the Increased Offer will be financed from the following sources:

- (a) The Basic Terms: from RBS's internal cash resources, the Underwriting Letter described in paragraph 10.1.2 of the Listing Particulars, the BSCH Share Issue, the CGU Subscription Agreement and the Commitment Facility;
- (b) The Partial Cash Alternative: from the BSCH Underwriting and from the sources in 9(a) above:
- (c) Additional Cash Elections: from the sources in 9(a) above and, to the extent available following satisfaction of elections for the Partial Cash Alternative, the BSCH Underwriting.

RBS has received shareholder approval for the issue of preference share capital up to an equivalent value of £1.4 billion in connection with the Increased Offer. Shareholders have also approved the issue to BSCH of £1.2 billion in equivalent value of New RBS Ordinary Shares. These measures will ensure that RBS has an efficient capital structure within the supervisory requirements of the Financial Services Authority following completion of the Increased Offer.

10. NatWest Share Schemes

The Increased Offer will extend to any NatWest Ordinary Shares unconditionally allotted or issued upon exercise of options granted under the NatWest Share Schemes whilst the Increased Offer remains open for acceptance or such earlier date as RBS, subject to the Code, may decide. To the extent that such options are not so exercised, and if the Increased Offer becomes or is declared unconditional in all respects, RBS will make appropriate proposals to option holders under the NatWest Share Schemes.

11. Shareholder Approval

The Increased Offer is being financed, in part, by the proposed creation and issue to CGU⁽¹⁾ of 900 million new RBS non-cumulative convertible sterling preference shares. The creation of the new class of RBS non-cumulative convertible sterling preference shares requires the amendment of RBS's articles of association, a procedure that requires the consent of RBS shareholders. The Board of RBS have today given notice to RBS shareholders of an Extraordinary General Meeting to be held on 28 February 2000 at which the necessary resolution to approve the Increased Offer will be proposed. Details of the Extraordinary General Meeting and the resolution to be proposed at the Extraordinary General Meeting are contained in the Circular that will be sent to RBS Ordinary Shareholders.

12. Procedure for Acceptance of the Increased Offer

To accept the Increased Offer, you must complete and return the blue Form of Acceptance in accordance with the instructions printed on it and, if your NatWest Ordinary Shares are in uncertificated form (that is, in CREST), comply with the instructions in paragraph (d) below.

⁽¹⁾ There are no agreements or arrangements, formal or informal, in relation to acceptance or non-acceptance of any offer by any party for NatWest in respect of any of CGU's holdings in NatWest, whether held on behalf of external clients, internal funds, shareholders or otherwise.

You may still do this even if you have already accepted the Original Offer. You certainly should do this to make new elections under the Increased Offer.

However, if you have already accepted the Original Offer, you will be entitled to receive at least the Basic Terms of the Increased Offer without taking any further action. This is because under the terms of the Original Offer (see paragraph 5(a) on page 48 of the Original Offer Document) you are deemed to have accepted the Increased Offer, now that such an offer has been made by RBS, and to have appointed a director of either Merrill Lynch or Goldman Sachs as your attorney and/or agent to complete a blue Form of Acceptance for you in respect of the Increased Offer. Whilst such attorney and/or agent has your authority to make elections for new consideration for you under the Increased Offer, you are strongly encouraged to complete and return a blue Form of Acceptance yourself, to avoid the need to rely on that procedure on your behalf.

Accordingly, if you wish to change the form in which you wish to receive your consideration, you should return the accompanying blue Form of Acceptance clearly inserting "YES" in the Box titled "Amended Acceptance" and otherwise complete and deliver it in accordance with the instructions set out below.

This section should be read in conjunction with the instructions and the notes on the blue Form of Acceptance which are deemed to form part of the terms of the Increased Offer.

(a) Holders of NatWest Ordinary Shares

The attention of NatWest Ordinary Shareholders is drawn to Part C of Appendix II to this document and the relevant provisions of the blue Form of Acceptance.

You should note that, if you hold NatWest Ordinary Shares in both certificated and uncertificated form (that is, in CREST), you should complete a separate blue Form of Acceptance for each holding. If you hold NatWest Ordinary Shares in uncertificated form, but under different member account IDs, you should complete a separate blue Form of Acceptance in respect of each member account ID. Similarly, if you hold NatWest Ordinary Shares in certificated form but under different designations, you should complete a separate blue Form of Acceptance in respect of each designation. Additional Forms of Acceptance can be obtained from Computershare Services PLC (Telephone number: 0870 702 0167).

(i) To accept the Basic Terms

To accept the Basic Terms, you must complete Box 2 and, if your NatWest Ordinary Shares are in CREST, Box 7 of the blue Form of Acceptance. In all cases you must sign Box 6 of the accompanying blue Form of Acceptance in the presence of an independent witness, who should also sign in accordance with the instructions printed on it. If you do not insert a number in Box 2 or if you insert in Box 2 a number greater than your registered holding of NatWest Ordinary Shares the subject of the relevant blue Form of Acceptance, then if you have signed Box 6 a valid acceptance of the Basic Terms will be deemed to have been made by you in respect of all the NatWest Ordinary Shares held by you the subject of the relevant blue Form of Acceptance.

(ii) To elect for the Partial Cash Alternative

To make an election for the Partial Cash Alternative instead of the Relevant Percentage (as specified in the Key Information Sheet) of the New RBS Ordinary Shares to which you are entitled under the Basic Terms, you must complete Box 2 and insert an 'X' in Box 3 of the Form of Acceptance. You must then sign Box 6 in the presence of an independent witness, who should also sign in accordance with the instructions printed on it. If you intend to elect to receive Loan Notes under the Loan Note Alternative by filling in Box 5, this will not affect your entitlement under the Partial Cash Alternative. The Loan Note Alternative is not available for the additional cash made available under the Partial Cash Alternative and you will only receive cash under the Partial Cash Alternative and not Loan Notes.

(iii) To make a Mix and Match Election

To make a Mix and Match Election in respect of some or all of your NatWest Ordinary Shares you must complete Box 2 and either Box 4A or Box 4B of the blue Form of Acceptance. You

must then sign Box 6 in the presence of an independent witness, who should also sign in accordance with the instructions printed on it. YOU MUST NOT COMPLETE BOTH BOX 4A AND BOX 4B — If you do so, you will be deemed **not** to have made a valid Mix and Match Election.

Additional Cash Election

If, in relation to some or all of your NatWest Ordinary Shares, you wish to elect to receive just cash as consideration under the Increased Offer (i.e. to make an Additional Cash Election), in addition to cash to which you are entitled under the Basic Terms and the terms of the Partial Cash Alternative (see (ii) above), you must complete Box 2, insert an 'X' in Box 3 and insert in Box 4A the percentage of your entitlement to New RBS Ordinary Shares to which you would otherwise be entitled under the Basic Terms for which, taking into account (i.e. including) the percentage already elected for under the Partial Cash Alternative, you wish to receive additional cash. This percentage (which must be a whole number) must accordingly be a higher percentage than the Relevant Percentage (as specified in the Key Information Sheet). If you insert a percentage which is less than the Relevant Percentage, your Additional Cash Election will not be treated as valid. If you insert a number greater than 100 per cent. you will be deemed to have inserted 100 per cent. Any percentage number inserted in Box 4A which includes a fraction will be rounded down to the nearest whole number. If you make an Additional Cash Election you must also elect for the Partial Cash Alternative. If you do not do so, your election for the Additional Cash Election will be void.

Additional Share Election

If instead, in relation to some or all of your NatWest Ordinary Shares, you wish to elect to receive just New RBS Ordinary Shares (and no cash) as consideration under the Increased Offer (i.e. to make an Additional Share Election) you must put the relevant number of NatWest Ordinary Shares in Box 4B. If you wish to receive all your cash entitlement under the Basic Terms in additional New RBS Ordinary Shares, you must insert the same number of NatWest Ordinary Shares in Box 4B as you have in Box 2. You may not make an Additional Share Election if you have elected for the Partial Cash Alternative, and, if you do so, your Additional Share Election will be void.

(iv) To elect for the Loan Note Alternative

To elect for the Loan Note Alternative you should insert in Box 2 the total number of NatWest Ordinary Shares in respect of which you wish to accept the Increased Offer. You should then insert in Box 5 the percentage of cash that you may be entitled to receive in aggregate under the Basic Terms and any Additional Cash Election (but not under the Partial Cash Alternative) in respect of which you wish to receive Loan Notes instead of cash. If, for example, you wish to receive all your cash entitlement under the Basic Terms and any Additional Cash Election in Loan Notes, you must insert the number 100 in Box 5. In all cases you must sign Box 6.

If you have any questions as to how to complete the blue Form of Acceptance or wish to receive additional Forms of Acceptance, please telephone the helpline on 0870 702 0167.

(b) Return of Forms of Acceptance

To accept the Increased Offer, the blue Form of Acceptance should be completed and returned, whether or not your NatWest Ordinary Shares are in CREST, by post or by hand to Computershare Services PLC, PO Box 453, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4TH or by hand only during normal business hours to Computershare Services PLC, 7th Floor, Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR, together (if your NatWest Ordinary Shares are in certificated form) with the relevant share certificate(s) and/or other document(s) of title, as soon as possible, but in any event so as to arrive no later than 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000. A reply-paid envelope for use in the UK only is enclosed for your convenience.

(c) NatWest Ordinary Shares in certificated form — documents of title

If your NatWest Ordinary Shares are in certificated form, a completed and signed blue Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or the other document(s) of title is/are lost

or not readily available you should nevertheless complete, sign and return the blue Form of Acceptance as stated above so as to be received by Computershare Services PLC, PO Box 453, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4TH or by hand only during normal business hours to Computershare Services PLC, 7th Floor, Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR, by not later than 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000.

You should send with the blue Form of Acceptance, any share certificate(s) and/or other document(s) of title which you may have available and a letter stating that the remaining document(s) will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or document(s) of title. The relevant share certificate(s) and/or document(s) of title should be forwarded as soon as possible. No acknowledgment of receipt of documents will be given. If you have lost your share certificate(s) and/or other document(s) of title you should contact NatWest's registrars, Computershare Services PLC, PO Box No 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH (telephone number 0870-702-0000) for a letter of indemnity for lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned by post to Computershare Services PLC, PO Box 453, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4TH.

(d) Additional procedures for NatWest Ordinary Shares in uncertificated form (that is, in CREST)

If your NatWest Ordinary Shares are in uncertificated form you should insert in Box 7 of the accompanying blue Form of Acceptance the participant ID and member account ID under which such NatWest Ordinary Shares are held by you in CREST and otherwise complete and return the blue Form of Acceptance as described above. In addition, you should take (or procure to be taken) the action set out below to transfer the NatWest Ordinary Shares in respect of which you wish to accept the Increased Offer to an escrow balance (that is, issue a TTE instruction) specifying Computershare Services PLC, (in its capacity as a CREST participant under its participant ID referred to below) as the Escrow Agent, as soon as possible and in any event so that the transfer to escrow settles no later than 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000.

If you are a CREST sponsored member you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your NatWest Ordinary Shares are held. In addition, only your CREST sponsor will be able to send the TTE instruction to CRESTCo in relation to your NatWest Ordinary Shares.

You should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction to CRESTCo which must be properly authenticated in accordance with CRESTCo's specifications and which must contain, in addition to the other information required for a TTE instruction to settle in CREST, the following details:

- the number of NatWest Ordinary Shares to be transferred to an escrow balance;
- your member account ID. This must be the same member account ID as inserted in Box 7 of the blue Form of Acceptance;
- your participant ID. This must be the same participant ID as the participant ID as inserted in Box 7 of the blue Form of Acceptance;
- the participant ID of the Escrow Agent. This is 0RA46;
- the member account ID of the Escrow Agent. This is RBSNWB;
- the blue Form of Acceptance reference number. This is the reference number that appears next to Box 7 of the blue Form of Acceptance. This reference number should be inserted in the first eight characters of the shared note field on the TTE instruction. Such insertion will enable Computershare Services PLC to match the TTE instruction to your blue Form of Acceptance. You should keep a separate record of this reference number for future reference:
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000; and
- the Corporate Action Number for the Increased Offer. This is allocated by CRESTCo and can be found by viewing the relevant Corporate Action details in CREST.

After settlement of the TTE instruction you will not be able to access the NatWest Ordinary Shares concerned in CREST for any transaction or charging purposes. If the Increased Offer becomes or is declared unconditional in all respects the Escrow Agent will transfer the NatWest Ordinary Shares concerned to itself in accordance with paragraph (e) of Part C of Appendix II to this document.

You are recommended to refer to the CREST manual published by CRESTCo for further information on the CREST procedures outlined above. For ease of processing you are requested, wherever possible, to ensure that a blue Form of Acceptance relates to only one transfer to escrow.

If no blue Form of Acceptance reference number, or an incorrect blue Form of Acceptance reference number, is included in the TTE instruction, RBS may treat any amount of NatWest Ordinary Shares transferred to an escrow balance in favour of the Escrow Agent specified above from the participant ID and member account ID identified in the TTE instruction as relating to any Form(s) of Acceptance which relate(s) to the same member account ID and participant ID (up to the amount of NatWest Ordinary Shares inserted or deemed to be inserted on the Form(s) of Acceptance concerned).

You should note that CRESTCo does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your NatWest Ordinary Shares to settle prior to 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000. In this regard, you are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

RBS will make an appropriate announcement if any of the details contained in this paragraph (d) alter for any reason in any respect that is material to NatWest Ordinary Shareholders.

(e) Deposits of NatWest Ordinary Shares into, and withdrawals of NatWest Ordinary Shares from, CREST

Normal CREST procedures (including timings) apply in relation to any NatWest Ordinary Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Increased Offer (whether any such conversion arises as a result of a transfer of NatWest Ordinary Shares or otherwise). NatWest Ordinary Shareholders who are proposing so to convert any such NatWest Ordinary Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the NatWest Ordinary Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Increased Offer (in particular, as regards delivery of share certificate(s) or other document(s) of title or transfers to an escrow balance as described above) prior to 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000.

(f) Validity of acceptances

Without prejudice to Parts B and C of Appendix II to this document, subject to the provisions of the Code, RBS reserves the right to treat as valid in whole or in part any acceptance of the Increased Offer which is not entirely in order or which is not accompanied by the relevant TTE instruction or (as applicable) the relevant share certificate(s), and/or other document(s) of title. In that event no allotment of New RBS Ordinary Shares, issue of Loan Notes or cash under the Increased Offer will be made until after the relevant TTE instruction has settled or (as applicable) the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to RBS have been received.

If you are in any doubt as to the procedure for acceptance please contact the Receiving Agent, Computershare Services PLC, by telephone on 0870 702 0167 or at one of the addresses in paragraph (b) above. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

13. Overseas Shareholders

The attention of NatWest Ordinary Shareholders who are citizens, nationals or residents of jurisdictions outside the United Kingdom is drawn to paragraph 9 of Part B, and paragraph (c) of Part C of Appendix II to this document, and to the relevant provisions of the blue Form of Acceptance, which they should read before taking any action.

The making of the Increased Offer to NatWest Ordinary Shareholders resident in, or citizens or nationals of, jurisdictions outside the United Kingdom or to persons who are custodians, nominees of or trustees for citizens, residents or nationals of such jurisdictions and the availability of the New RBS Ordinary Shares and/or the Loan Notes to such persons, may be prohibited or affected by the laws of the relevant overseas jurisdiction.

The Increased Offer is not being made in or into, and is not capable of acceptance in or from Canada, Australia or Japan. The Increased Offer is being made in the United States pursuant to another document. Accordingly, copies of this document and any other document relating to the Original Offer or the Increased Offer are not being, and must not be, mailed or otherwise distributed or sent in or into the United States, Canada, Australia or Japan. Custodians, nominees and trustees should observe these restrictions and should not send or distribute this document in or into the United States, Canada, Australia or Japan. The Increased Offer will be available in the United States pursuant to a US registration statement. A prospectus meeting the requirements of the US securities laws and containing detailed information about RBS and its management, as well as financial statements, and other appropriate documentation for use in the United States, is available from RBS.

The relevant clearances in relation to the New RBS Ordinary Shares and the Loan Notes have not been, nor is it intended that they will be, obtained from the securities commission or similar authority of any province or territory of Canada and no prospectus has been, nor is it intended that one will be, filed or registration made under any securities laws of any province or territory of Canada, nor has a prospectus in relation to the New RBS Ordinary Shares or the Loan Notes been lodged, nor is it intended that one will be lodged with, or registered by the Australian Securities Commission, nor have any steps been taken, nor is it intended that any steps will be taken, to enable the New RBS Ordinary Shares or the Loan Notes to be offered in compliance with applicable securities laws of Japan. Accordingly, unless an exemption under applicable securities laws is available, or such steps are consequently taken, neither the New RBS Ordinary Shares nor the Loan Notes may be offered, sold, re-sold, transferred or delivered, directly or indirectly, in, or into or from, Canada, Australia or Japan or any other jurisdiction in which the offer of the New RBS Ordinary Shares or the Loan Notes would constitute a violation of relevant laws or require registration thereof.

See paragraph 9 of Part B and paragraph (c) of Part C of Appendix II to this document for further information for overseas shareholders.

14. Listing, settlement and dealings

Application has been made to the London Stock Exchange for the New RBS Ordinary Shares and the New RBS Ordinary Shares which may be issued to BSCH to be admitted to the Official List. It is expected that Admission will become effective, and that dealings in the New RBS Ordinary Shares, for normal settlement, will commence on the London Stock Exchange on the first business day following the date on which the Increased Offer becomes or is declared unconditional in all respects (subject only to the condition relating to Admission). The Loan Notes will not be listed on, or dealt in under the rules of, any recognised stock exchange.

Subject to the Increased Offer becoming or being declared unconditional in all respects (except as provided in paragraph 9 of Part B of Appendix II to this document in the case of certain overseas NatWest Ordinary Shareholders and save with the consent of the Panel), settlement of the consideration to which accepting NatWest Ordinary Shareholders are entitled under the Increased Offer will be effected:

- (i) in the case of acceptances received, valid and complete in all respects, by the date on which the Increased Offer becomes or is declared unconditional in all respects, within 14 days of such date; or
- (ii) in the case of acceptances received, valid and complete in all respects after the date on which the Increased Offer becomes or is declared unconditional in all respects but while the Increased Offer remains open for acceptance, within 14 days of such receipt, in the following manner:

(a) NatWest Ordinary Shares in uncertificated form (that is, in CREST)

Where an acceptance relates to NatWest Ordinary Shares in uncertificated form:

(i) any New RBS Ordinary Shares to which an accepting NatWest Ordinary Shareholder is entitled will be issued to such shareholder in uncertificated form. RBS will procure that CRESTCo is

instructed to credit the appropriate stock account in CREST of the accepting NatWest Ordinary Shareholder concerned with such shareholders' entitlement to New RBS Ordinary Shares. The stock account concerned will be an account under the same member ID and member account ID as appeared on the Form of Acceptance concerned. In addition, the instruction to CRESTCo will specify the Form of Acceptance Reference Number that appeared on the Form of Acceptance concerned;

- (ii) any Loan Notes will be issued in definitive form and will not be settled through CREST. Definitive certificates for Loan Notes will be despatched by first class post (or such other method as may be approved by the Panel); and
- (iii) any cash payment to which an accepting NatWest Ordinary Shareholder is entitled under the terms of the Increased Offer will be paid by means of CREST by RBS procuring the creation of an assured payment obligation in favour of the accepting NatWest Ordinary Shareholder's payment bank in respect of the cash payment due, in accordance with the CREST assured payment arrangements.

RBS reserves the right to settle all or any part of the consideration, for all or any accepting NatWest Ordinary Shareholders, in the manner referred to in paragraph (b) below, if, for any reason, it wishes to do so.

(b) NatWest Ordinary Shares in certificated form

Where an acceptance relates to NatWest Ordinary Shares in certificated form, the New RBS Ordinary Shares to which the accepting NatWest Ordinary Shareholders are entitled under the terms of the Increased Offer will be issued in certificated form.

Definitive certificates for the New RBS Ordinary Shares and any Loan Notes, and cheques for the appropriate amount of cash due, will be despatched by first class post (or by such other method as may be approved by the Panel) at the risk of the person(s) entitled thereto, to accepting NatWest Ordinary Shareholders or their appointed agents (but not into Canada, Australia or Japan). All cash payments will be made in sterling.

(c) General

Pending the issue of definitive certificates for the New RBS Ordinary Shares in certificated form, transfers will be certified against the register held by the Receiving Agent. Temporary documents of title will not be issued.

All mandates, instructions and other instruments in force relating to holdings of NatWest Ordinary Shares will, unless and until revoked or varied, continue in full force in relation to payments or notices in respect of the New RBS Ordinary Shares and the Loan Notes. If a NatWest Ordinary Shareholder holds existing RBS Ordinary Shares, the mandates, instructions and instruments in force for such RBS Ordinary Shares will supersede the mandates, instructions and instruments for the NatWest Ordinary Shares.

If the Increased Offer does not become or is not declared unconditional in all respects: (i) completed Forms of Acceptance, share certificate(s), and/or other document(s) of title will be returned by post (or such other method as may be approved by the Panel), within 14 days of the Increased Offer lapsing, to the person or agent whose name and address is set out in the relevant box of the Form of Acceptance or, if none is set out, to the first named holder at his registered address; and (ii) the Escrow Agent will, immediately after the lapsing of the Increased Offer (or within such longer period, not exceeding 14 days after the Increased Offer lapses, as the Panel may approve), give TFE instructions to CRESTCo to transfer all NatWest Ordinary Shares held in escrow balances and in relation to which it is the Escrow Agent to the original available balances of the NatWest Ordinary Shareholders concerned.

All documents and remittances sent by, to or from NatWest Ordinary Shareholders or their appointed agents will be sent at their own risk.

15. United Kingdom taxation

The statements below summarise advice received by the Directors of RBS in relation to certain aspects of the UK tax treatment of the Increased Offer for NatWest Ordinary Shareholders. They are

intended only as a general guide to current UK tax law and practice for NatWest Ordinary Shareholders who are resident or ordinarily resident in the UK for tax purposes, who are the beneficial owners of their NatWest Ordinary Shares and who hold them as investments. **Any person who is in any doubt as to his tax position or who may be subject to tax in any jurisdiction outside the UK should consult an appropriate professional adviser.**

(a) UK taxation of chargeable gains ("CGT")

Liability to CGT will depend on the particular circumstances of NatWest Ordinary Shareholders and on the form of consideration received.

(i) Cash

An accepting NatWest Ordinary Shareholder will generally, to the extent that he receives cash under the Increased Offer, be treated as effecting a disposal or part disposal of his NatWest Ordinary Shares for the purposes of CGT and may, depending on his individual circumstances, incur a liability to CGT.

Special rules apply for the purposes of CGT where a holder of NatWest Ordinary Shares receives cash and New RBS Ordinary Shares and/or Loan Notes, and the amount of cash received is "small" compared with the value of his NatWest Ordinary Shares. For these purposes the receipt of an amount of cash of £3,000 or less, or (if more) of five per cent. or less of the market value of the NatWest Ordinary Shares will be treated as "small". If these rules apply there will be no disposal or part disposal of the holder's NatWest Ordinary Shares in respect of the receipt of cash.

(ii) Receipt of New RBS Ordinary Shares and Loan Notes

A NatWest Ordinary Shareholder not holding (either alone or together with persons connected with him) more than five per cent. of NatWest Ordinary Shares or any other class of shares in or debentures of NatWest should not, to the extent that he receives New RBS Ordinary Shares or Loan Notes under the Increased Offer, be treated as having made a disposal of NatWest Ordinary Shares for the purposes of United Kingdom taxation of chargeable gains. Any gain or loss which would otherwise have arisen on a disposal of his NatWest Ordinary Shares will, in the case of an individual or other non-corporate shareholder, be "rolled-over" into the New RBS Ordinary Shares and the Loan Notes, as the case may be, will be treated as the same asset as his NatWest Ordinary Shares acquired at the same time and for the same consideration as he acquired his NatWest Ordinary Shares.

To the extent that a NatWest Ordinary Shareholder within the charge to corporation tax receives New RBS Ordinary Shares, any gain or loss which would otherwise have arisen on a disposal of his NatWest Ordinary Shares will be "rolled-over" into the New RBS Ordinary Shares and the New RBS Ordinary Shares will be treated as the same asset as his NatWest Ordinary Shares acquired at the same time and for the same consideration as he acquired his NatWest Ordinary Shares. To the extent that a NatWest Ordinary Shareholder within the charge to corporation tax receives Loan Notes, any gain or loss which would otherwise have arisen on a disposal of his NatWest Ordinary Shares for a consideration equal to market value at the time of the exchange of the NatWest Ordinary Shares for Loan Notes will be "held over" and deemed to accrue on a subsequent disposal (including on redemption or repayment) of the Loan Notes.

Any NatWest Ordinary Shareholder who holds (either along or together with persons connected with him) more than five per cent. of NatWest Ordinary Shares or any other class of shares in, or debentures of, NatWest is advised that an application for clearance will be made to the Inland Revenue under Section 138 of the Taxation of Chargeable Gains Act 1992 in respect of the Increased Offer, although receipt of such clearance is not a condition of the Increased Offer. Provided such clearance is given, any such shareholder will be treated in the manner described in the preceding paragraphs.

(iii) Disposal of New RBS Ordinary Shares or Loan Notes

A subsequent disposal of New RBS Ordinary Shares or of Loan Notes (including on redemption or repayment) may result in a liability to UK taxation of chargeable gains.

For a NatWest Ordinary Shareholder who is an individual or other non-corporate shareholder, the Loan Notes should not constitute qualifying corporate bonds for the purposes of UK taxation of chargeable gains. Accordingly, any chargeable gain or allowable loss on disposal (including

on redemption or repayment) of the Loan Notes and/or any chargeable gain or allowable loss on the disposal of New RBS Ordinary Shares should be calculated taking into account the allowable original cost to the holder of acquiring the relevant NatWest Ordinary Shares. Indexation allowance on that cost should be available (when calculating a chargeable gain but not an allowable loss) in respect of the period of ownership of the NatWest Ordinary Shares up to April 1998. Thereafter, some taper relief may be available to reduce the amount of chargeable gain realised on the subsequent disposal. In broad terms it is expected that the allowable original cost of the relevant NatWest Ordinary Shares will be apportioned to the New RBS Ordinary Shares and/or the Loan Notes and/or the cash received according to their respective market values at the time of the exchange of the NatWest Ordinary Shares.

For a NatWest Ordinary Shareholder within the charge to corporation tax, the Loan Notes will be qualifying corporate bonds for the purposes of UK taxation of chargeable gains. Accordingly, no indexation allowance will be available for the period of ownership of the Loan Notes and, except to the extent that any gain or loss which would otherwise have arisen on the disposal of its NatWest Ordinary Shares was "held over" and crystallises on the subsequent disposal as described above, no gain or allowable loss shall arise. For a NatWest Ordinary Shareholder within the charge to corporation tax, any chargeable gain or allowable loss on the subsequent disposal of New RBS Ordinary Shares should be calculated taking into account the original cost to the holder of acquiring the relevant NatWest Ordinary Shares and (when calculating a chargeable gain but not an allowable loss) indexation allowance on that cost. In broad terms it is expected that the allowable original cost of the relevant NatWest Ordinary Shares will be apportioned to the New RBS Ordinary Shares and/or the Loan Notes and/or the cash received according to their respective market values at the time of the exchange of the NatWest Ordinary Shares.

(b) Dividends payable in respect of the New RBS Ordinary Shares

RBS will not be required to account for advance corporation tax in respect of dividends. Furthermore, RBS will not be required to withhold tax at source when paying a dividend.

An individual holder of New RBS Ordinary Shares resident in the UK (for tax purposes) should generally be entitled to a tax credit in respect of any dividend paid by RBS which he can offset against his total income tax liability. The amount of the tax credit for dividends paid is equal to 10 per cent. of the aggregate of the dividend and the tax credit (the "gross dividend"), which is also equal to one-ninth of the amount of the net cash dividend. The gross dividend is included in computing the income of such an individual holder for UK tax purposes.

The rate of income tax on dividends will be 10 per cent. of the gross dividend for taxpayers liable to income tax at rates not exceeding the basic rate. The tax credit will discharge the income tax liability on the dividend of an individual holder of New RBS Ordinary Shares who is not liable to income tax at a rate higher than the basic rate. Higher rate taxpayers will be liable to tax on the dividend at the rate of 32.5 per cent. of the gross dividend; the tax credit will be set against but not fully match their tax liability on the dividend and they will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which is also equal to 25 per cent. of the net cash dividend received) to the extent that the gross dividend, when treated as the top slice of their income, falls above the threshold for higher rate income tax.

UK resident taxpayers who are not liable to UK tax on the dividends, including individuals not liable to income tax, pension funds and charities, will not generally be entitled to claim repayment of the tax credit attaching to dividends paid by RBS although charities will generally be entitled to limited compensation in lieu of repayable tax credits until 5 April 2004. Tax credits on dividends paid by RBS in respect of New RBS Ordinary Shares held in personal equity plans or individual savings accounts will generally be repayable until 5 April 2004.

A UK resident corporate holder of New RBS Ordinary Shares will not normally be liable to corporation tax in respect of any dividend received. Such a holder will not be able to claim repayment of tax credits attaching to dividends.

A holder of New RBS Ordinary Shares who is not resident in the UK for tax purposes will generally not benefit from any entitlement to a refund of any part of the tax credit.

(c) Interest on the Loan Notes

(i) Withholding tax

Payments of interest on the Loan Notes will be made subject to the deduction of a sum representing United Kingdom income tax at the lower rate (currently 20 per cent.) unless RBS has been directed by the Inland Revenue, in respect of a particular holding of Loan Notes, to make the payment free of deduction or subject to a reduced rate of deduction pursuant to the terms of a double taxation treaty. RBS will not gross up payments of interest on the Loan Notes to compensate for any amount in respect of tax which it is required to deduct at source.

(ii) Taxation of Interest

The gross amount of the interest on the Loan Notes will form part of the recipient's income for the purposes of United Kingdom income tax or corporation tax, credit being allowed for the tax withheld. Holders of the Loan Notes who are individuals and are taxed at the lower or basic rate of income tax only will have no further tax to pay in respect of the interest. Individual holders of Loan Notes taxed at the higher rate of income tax and corporate holders of Loan Notes may have further tax to pay in respect of the interest. In certain cases, holders of Loan Notes may be able to recover from the Inland Revenue an amount in respect of the tax withheld.

On a transfer of Loan Notes by an individual, a charge to UK income tax may arise under the "accrued income scheme" in respect of the interest on the Loan Notes which has accrued since the preceding interest payment.

A holder of Loan Notes which is a company within the charge to UK corporation tax in respect of the Loan Notes will generally bring into the charge to tax as income, interest on, and any profits and gains arising from, the Loan Notes in each accounting period broadly in accordance with the holder's authorised accounting treatment for this purpose.

(d) Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No stamp duty or SDRT will be payable by NatWest Ordinary Shareholders who accept the Increased Offer.

16. Delisting of NatWest Ordinary Shares and NatWest ADSs

When the Increased Offer becomes or is declared unconditional in all respects, RBS intends to procure the making of an application by NatWest for the cancellation of the listing of NatWest Ordinary Shares on the London Stock Exchange and it is anticipated that such cancellation will take effect no earlier than 20 business days after the Increased Offer becomes unconditional in all respects. In addition, as soon as it is appropriate and possible to do so, and subject to the Increased Offer becoming or being declared unconditional in all respects, RBS intends to seek to procure the making of applications to delist the NatWest ADSs from the New York Stock Exchange, deregister the NatWest ADSs under the Exchange Act and terminate the ADR programme in respect of NatWest Ordinary Shares. It is intended that the NatWest Preference Shares will retain their existing public listings.

17. Regulatory

On 16 December 1999 the Secretary of State for Trade and Industry accepted the recommendation of the Director General of Fair Trading not to refer the proposed acquisition of NatWest by RBS to the Competition Commission.

18. Further information

Your attention is drawn to the further information contained in the Appendices to this document, the accompanying Supplementary Listing Particulars, the blue Form of Acceptance and the Key Information Sheet.

19. Action to be taken

You are urged to complete, sign and return the blue Form of Acceptance and other required documents as soon as possible, but in any event so as to be received by the Receiving Agent no later than 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000.

Yours faithfully

for and on behalf of Goldman Sachs International

for and on behalf of Merrill Lynch International

Andrew Chisholm Managing Director Matthew Greenburgh Managing Director

Richard Murley Managing Director Paul Thompson Director

APPENDIX II

Conditions and Further Terms of the Increased Offer

Part A: Conditions of the Increased Offer

The Increased Offer is subject to the following conditions:

- (a) valid acceptances being received (and not, where permitted, withdrawn) by 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000 (or such later time(s) and/or date(s) as RBS may, subject to the rules of the Code, decide) in respect of not less than 90 per cent. (or such lesser percentage as RBS may decide) of the NatWest Ordinary Shares to which the Increased Offer relates, provided that this condition will not be satisfied unless RBS shall have acquired or agreed to acquire, whether pursuant to the Increased Offer or otherwise, NatWest Ordinary Shares carrying, in aggregate, more than 50 per cent. of the voting rights then exercisable at a general meeting of NatWest, including for this purpose, to the extent (if any) required by the Panel, any such voting rights attaching to any NatWest Ordinary Shares that may be unconditionally allotted or issued before the Increased Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding conversion or subscription rights or otherwise; and for this purpose:
 - (i) the expression "NatWest Ordinary Shares to which the Increased Offer relates" shall be construed in accordance with sections 428-430F of the Act; and
 - (ii) shares which have been unconditionally allotted shall be deemed to carry the voting rights which they will carry upon issue;
- (b) the London Stock Exchange agreeing to admit to the Official List the New RBS Ordinary Shares and (unless or to the extent otherwise agreed by the Panel) such admission becoming effective in accordance with the Listing Rules or (if determined by RBS and subject to the consent of the Panel) the London Stock Exchange agreeing to admit such shares to the Official List subject only to (i) the allotment of such shares and/or (ii) the Increased Offer becoming or being declared unconditional in all respects;
- (c) the passing at an extraordinary general meeting of RBS (or any adjournment thereof) of such resolution or resolutions as may be necessary or incidental to approve, implement and effect the Increased Offer, the acquisition of any NatWest Ordinary Shares pursuant to the Increased Offer or otherwise, the allotment of New RBS Ordinary Shares or RBS Ordinary Shares pursuant to the Increased Offer or otherwise;
- (d) the approval of RBS's acquisition of NatWest by the Board of Governors of the US Federal Reserve System and by such other federal and state regulatory authorities of the United States or any State thereof as may be requisite having been obtained and remaining in full force and effect, and the expiration of all applicable statutory waiting periods in respect thereof, or arrangements satisfactory to the Board of Governors of the US Federal Reserve System or such other federal and state regulatory authorities as aforesaid having been put in place in relation to the operation of the US activities of the wider NatWest Group (as defined below) pending the completion of the US regulatory approval processes;
- (e) if required, all filings having been made and all applicable waiting periods under the United States Hart-Scott Rodino Antitrust Improvements Act of 1976 and the regulations thereunder having expired, lapsed or been terminated as appropriate in each case in connection with the Increased Offer and the acquisition or proposed acquisition of any shares in, or control of, NatWest by RBS;
- (f) the Financial Services Authority (the "FSA") having notified RBS in writing in terms satisfactory to RBS that it does not object to any person who will, pursuant to the Increased Offer and/or pursuant to the acquisition or proposed acquisition of any shares in, or control of, NatWest by RBS, become a controller of NatWest or any member of the wider NatWest Group (as defined below) for the purposes of the Banking Act 1987, or the period allowed under such Act for the FSA to notify any objections to any such person becoming a controller having expired without notification of such objection;
- (g) the FSA having notified RBS in writing in terms satisfactory to RBS that it does not object to any person who will, pursuant to the Increased Offer and/or pursuant to the acquisition or proposed acquisition of any shares in, or control of, NatWest by RBS, become a controller of

NatWest or any other member of the wider NatWest Group (as defined below) for the purposes of the Insurance Companies Act 1982, or the period allowed under such Act for the FSA to notify any objections to any such person becoming a controller having expired without notification of such objection;

- (h) all relevant regulators (as defined in Regulation 46 of the Investment Services Regulations 1995) having notified RBS in writing in terms satisfactory to RBS that they do not object to any person who will, pursuant to the Increased Offer and/or pursuant to the acquisition or proposed acquisition of any shares in, or control of, NatWest by RBS, become a controller of any member of the wider NatWest Group (as defined below) for the purposes of those Regulations, or the period allowed under those Regulations for such relevant regulators to notify any objections to any such person becoming a controller having expired without notification of such objection;
- (i) the Personal Investment Authority (the "PIA") having notified its approval in writing in terms satisfactory to RBS in respect of each person who will, pursuant to the Increased Offer and/or pursuant to the acquisition or proposed acquisition of any shares in, or control of, NatWest by RBS, become a controller of NatWest or any member of the wider NatWest Group (as defined below) for the purposes of the Rules of the PIA;
- (j) the Investment Management Regulatory Organisation ("IMRO") having notified its approval in writing in terms satisfactory to RBS in respect of each person who will, pursuant to the Increased Offer and/or pursuant to the acquisition or proposed acquisition of any shares in, or control of NatWest by RBS, become a controller of NatWest or any member of the wider NatWest Group (as defined below) for the purposes of the Rules of IMRO, or the period allowed under the Rules for IMRO to notify any objections to any such person becoming a controller having expired without notification of such objection;
- (k) the Securities and Futures Authority (the "SFA") having notified its approval in writing in terms satisfactory to RBS in respect of each person who will, pursuant to the Increased Offer and/or pursuant to the acquisition or proposed acquisition of any shares in, or control of, NatWest by RBS, become a controller of NatWest or any other member of the wider NatWest Group (as defined below) for the purposes of the Rules of the SFA;
- (I) no government or governmental, quasi-governmental, supranational, statutory or regulatory body, court, trade agency, professional association or any other person or body in any jurisdiction (each a "Relevant Authority") having taken, instituted, implemented or threatened, or decided to take, institute or implement, any action, proceeding, suit, investigation or enquiry, or made, proposed or enacted any statute, regulation or order or taken any other steps, and there not continuing to be outstanding any statute, legislation or order, which would or might:
 - (i) make the Increased Offer or the acquisition by RBS of any NatWest Ordinary Shares, or control of NatWest, void, illegal or unenforceable, or otherwise restrict, restrain, prohibit or otherwise interfere with the implementation thereof, or impose additional conditions or obligations with respect thereto, or otherwise challenge or interfere therewith;
 - (ii) result in a delay in the ability of RBS, or render RBS unable, to acquire some or all of the NatWest Ordinary Shares or control of NatWest;
 - (iii) require, prevent or delay the divestiture by NatWest or any of its subsidiaries or subsidiary undertakings or any associated company or any company of which 20 per cent. or more of the voting capital is held by the NatWest Group or any partnership, joint venture, firm or company in which any member of the NatWest Group may be interested (the "wider NatWest Group") or by RBS or any of its subsidiaries or subsidiary undertakings or any associated company or any company of which 20 per cent. or more of the voting capital is held by the RBS Group or any partnership, joint venture, firm or company in which any member of the RBS Group may be interested (the "wider RBS Group") of all or any portion of their respective businesses, assets or property, or impose any limitation on the ability of any of them to conduct their businesses or own their assets or property;
 - (iv) impose any limitation on the ability of any member of the wider NatWest Group or the wider RBS Group to acquire or to hold or to exercise effectively any rights of ownership of shares or loans or securities convertible into shares in any member of the wider RBS Group or of the wider NatWest Group held or owned by it or to exercise management control over any member of the wider RBS Group or of the wider NatWest Group;

- (v) save pursuant to the Increased Offer, require any member of the wider RBS Group or the wider NatWest Group to offer to acquire any shares or other securities (or the equivalent) in any member of the wider NatWest Group or the wider RBS Group owned by a third party; or
- (vi) otherwise materially and adversely affect the business, assets, liabilities, profits or prospects of any member of the wider RBS Group or of any member of the wider NatWest Group,

and all applicable waiting and other time periods during which any such Relevant Authority could decide to take, institute, implement or threaten any such action, proceeding, suit, investigation or enquiry having expired, lapsed or been terminated;

- (m) all necessary or expedient filings have been made, all appropriate waiting periods (including any extensions thereof) under any applicable legislation or regulation of any jurisdiction having expired, lapsed or been terminated, in each case in respect of the Increased Offer and the acquisition of any NatWest Ordinary Shares, or of control of NatWest, by RBS, and all authorisations, orders, recognitions, grants, consents, licences, confirmations, clearances, permissions and approvals ("Authorisations") necessary or appropriate for, or in respect of, the Increased Offer and the proposed acquisition of any NatWest Ordinary Shares, or of control of NatWest, by RBS and to carry on the business of any member of the RBS Group or of the NatWest Group having been obtained, in terms and in a form satisfactory to RBS from all appropriate Relevant Authorities and from persons or bodies with whom any member of the RBS Group or the NatWest Group has entered into contractual arrangements and all such Authorisations remaining in full force and effect and there being no notice of any intention to revoke or not to renew any of the same, and all necessary statutory or regulatory obligations in any jurisdiction having been complied with;
- (n) there being no provision of any arrangement, agreement, licence or other instrument to which any member of the wider NatWest Group is a party or by or to which any such member or any of their assets may be bound, entitled or be subject and which, in consequence of the proposed acquisition of any NatWest Ordinary Shares, or control of NatWest, by RBS or otherwise, would or might, to an extent which is material, result in:
 - (i) any moneys borrowed by, or other indebtedness (actual or contingent) of, any such member of the wider NatWest Group being or becoming repayable or being capable of being declared repayable immediately or prior to their stated maturity;
 - (ii) the creation of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member or any such security (whenever arising or having arisen) becoming enforceable;
 - (iii) any such arrangement, agreement, licence or instrument being terminated or adversely modified or any action being taken of an adverse nature or any obligation arising thereunder;
 - (iv) any assets of any such member being disposed of other than in the ordinary course of business;
 - the interest or business of any such member in or with any firm or body or person, or any arrangements relating to such interest or business, being terminated or adversely modified or affected;
 - (vi) any such member ceasing to be able to carry on business under any name under which it presently does so; or
 - (vii) the creation of liabilities by any such member:
- (o) except as publicly announced by NatWest prior to 29 November 1999, no member of the wider NatWest Group having, since 30 June 1999:
 - (i) issued or agreed to or authorised or proposed the issue of additional shares of any class, or securities convertible into, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities (save as between NatWest and wholly-owned subsidiaries of NatWest and save for options granted, and for any NatWest Ordinary Shares allotted upon exercise of options granted, under the NatWest Share Schemes) or redeemed, purchased or reduced any part of its share capital or passed any resolution to effect any such redemption, purchase or reduction including in relation to the proposed

- tender offer to purchase NatWest Ordinary Shares announced on 27 November 1999, notwithstanding the public announcement of such proposed tender offer;
- (ii) declared, paid or made or proposed to declare, pay or make any bonus in respect of shares, any dividend or any other distribution other than to other members of the wider NatWest Group:
- (iii) authorised or proposed or announced its intention to authorise or propose any merger, demerger, reconstruction, amalgamation, scheme, commitment or acquisition or disposal of assets or shares in any undertaking or any change in its share or loan capital;
- (iv) issued or proposed the issue of any debentures or incurred any indebtedness or contingent liability;
- (v) disposed of or transferred, mortgaged or encumbered any asset or any right, title or interest in any asset;
- (vi) entered into any contract or commitment (whether in respect of capital expenditure or otherwise) which is of a long-term or unusual nature or magnitude or otherwise not in the ordinary course of business and which involves or could involve an obligation of such a nature or magnitude;
- (vii) taken any corporate action or had any order made for its winding-up, dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any of its assets and revenues;
- (viii) entered into or varied the terms of any service agreement with any of the Directors of NatWest; or
- (ix) entered into any agreement or commitment or passed any resolution with respect to any of the transactions or events referred to in this paragraph (o);
- (p) since 30 June 1999, except as publicly announced by NatWest prior to 29 November 1999:
 - (i) there having been no adverse change in the business, financial or trading position or profits or prospects of any member of the wider NatWest Group;
 - (ii) no litigation, arbitration proceedings, prosecution or other legal proceedings having been instituted, announced or threatened by or against or remaining outstanding against any member of the wider NatWest Group which in any such case could have a material affect on that member of the wider NatWest Group;
- (q) RBS not having discovered that:
 - (i) the financial or business information concerning the wider NatWest Group as contained in the information publicly disclosed at any time by any member of the wider NatWest Group either contains a material misrepresentation of fact or omits to state a fact necessary to make the information contained therein not materially misleading; or
 - (ii) any member of the wider NatWest Group is subject to any liability, contingent or otherwise, which is not disclosed (a) in the annual report and accounts of NatWest for the financial year ended 31 December 1998 or (b) in the interim report for the six months to 30 June 1999 or (c) in the offer document and listing particulars dated 20 September 1999 and published by NatWest in connection with the Legal & General Increased Offer; and
- (r) in relation to any release, emission, disposal or other fact or circumstance which causes or might cause pollution of the environment or harm to human health, no past or present member of the wider NatWest Group or any customer (including any borrower or guarantor) of any such member of the wider NatWest Group having, in any manner, to an extent which is material (i) committed any violation of any laws, statutes, ordinances, regulations or other requirements of any Relevant Authority; and/or (ii) incurred any liability (whether actual or contingent) with respect thereto.

RBS reserves the right to waive, in whole or in part, all or any of the above conditions apart from conditions (a), (b) and (c).

The Increased Offer will lapse unless all of the conditions set out above have been fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by RBS in its reasonable opinion to be or to remain satisfied, by midnight on whichever is the later of 21 days after (i) 14 February 2000 and (ii) the date on which condition (a) is fulfilled, or such later date as RBS may with the consent of the Panel decide.

Part B: Further Terms of the Increased Offer

Unless the context otherwise requires, any reference in this document and in the blue Form of Acceptance:

- (i) to the "Increased Offer" will mean the Increased Offer (including, where relevant, the Partial Cash Alternative, the Mix and Match Election and the Loan Note Alternative) and will include any revision, variation or renewal thereof or extension thereto and any election in connection therewith:
- (ii) to "acceptances of the Increased Offer" will include deemed acceptances of the Increased Offer;
- (iii) to an acceptance of the Partial Cash Alternative, the Mix and Match Election or the Loan Note Alternative will include an election or deemed election therefor:
- (iv) to the Increased Offer "becoming unconditional" will include, unless the context otherwise requires, references to the Increased Offer being or being declared unconditional;
- (v) to the Increased Offer being or becoming or being declared "unconditional" will be construed as the Increased Offer being or becoming or being declared unconditional as to acceptances whether or not any other condition of the Increased Offer remains to be fulfilled; and
- (vi) to the "Increased Offer Document" will mean this document and any other document containing details of the Increased Offer.

1. Acceptance Period and Acceptance Condition

- (a) The Increased Offer will initially be open for acceptance until 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000. Although no revision is envisaged, if the Increased Offer is (with the consent of the Panel) revised it will remain open for acceptance for a period of at least 14 days (or such lesser period as may be permitted by the Panel) from the date on which the revised offer is posted to NatWest Ordinary Shareholders.
- The Increased Offer, whether revised or not, shall not (without the consent of the Panel) be (b) capable of becoming unconditional after midnight (London time), 7.00 p.m. (New York City time) on 14 February 2000 (or any other time and/or date beyond which RBS has stated, and not, where permitted, withdrawn such statement, that the Increased Offer will not be extended), nor of being kept open for acceptance after that time and/or date unless the Increased Offer has previously become unconditional, provided that RBS reserves the right, with the permission of the Panel, to extend the time for the Increased Offer to become unconditional to any later time(s) and/or date(s). Except with the consent of the Panel, RBS may not, for the purpose of determining whether or not the acceptance condition has been satisfied, take into account acceptances received or purchases of NatWest Ordinary Shares made after 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000 (or any other time(s) and/or date(s) beyond which RBS has stated, and not, where permitted, withdrawn such statement, that the Increased Offer will not be extended) or such later time(s) and/or date(s) as RBS, with the permission of the Panel, may determine. If the latest time and date at which the Increased Offer may become unconditional is extended beyond midnight (London time), 7.00 p.m. (New York City time) on 14 February 2000, acceptances received and purchases of NatWest Ordinary Shares made in respect of which the relevant documents are received by the Receiving Agent after 1.00 p.m. (London time), 8.00 a.m. (New York City time) on the relevant date may (except where the Code permits) only be taken into account with the agreement of the Panel.
- (c) If the Increased Offer becomes unconditional it will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired. If the Increased Offer has become unconditional and it is stated by or on behalf of RBS that the Increased Offer will remain open until further notice, then not less than 14 days' notice in writing will be given by or on behalf of RBS prior to the closing of the Increased Offer to those NatWest Ordinary Shareholders who have not accepted the Increased Offer.
- (d) If a competitive situation arises (as determined by the Panel) after a "no increase" and/or a "no extension" statement has been made by or on behalf of RBS in relation to the Increased Offer, RBS may, if it has specifically reserved the right to do so at the time such statement was made,

or otherwise with the consent of the Panel, choose not to be bound by or withdraw such statement and be free to revise and/or extend the Increased Offer provided that it complies with the requirements of the Code, and in particular, that (i) RBS announces such withdrawal as soon as possible and in any event within four business days after the firm announcement of the competing offer or other competitive situation and notifies NatWest Ordinary Shareholders to that effect in writing at the earliest practicable opportunity or, in the case of NatWest Ordinary Shareholders with registered addresses outside the United Kingdom or whom RBS reasonably believes to be nominees, custodians or trustees holding NatWest Ordinary Shares for such persons, by announcement in the United Kingdom at the earliest opportunity; and (ii) any NatWest Ordinary Shareholders who accepted the Increased Offer after the date of the "no increase" or "no extension" statement are given a right of withdrawal in accordance with paragraph 3(d) below. RBS may choose not to be bound by a "no increase" or "no extension" statement if, having reserved the right to do so, it would otherwise prevent the posting of an increased or improved Increased Offer (either as to the value or nature of the consideration offered or otherwise) which is recommended for acceptance by the board of directors of NatWest or in any other circumstances permitted by the Panel.

(e) For the purpose of determining at any particular time whether the acceptance condition has been satisfied, RBS shall be entitled to take account only of those NatWest Ordinary Shares carrying voting rights which have been issued or unconditionally allotted or which arise as a result of the exercise of conversion rights before such time unless NatWest has notified the Receiving Agent on behalf of RBS, before that time in writing, of the relevant details of such issue, allotment or conversion prior thereto at the address and by the method of delivery referred to in paragraph 12(b) of the letter from Merrill Lynch and Goldman Sachs in this document. Notification by telex, facsimile or other electronic transmission will not be sufficient for this purpose.

2. Announcements

- (a) Without prejudice to paragraph 3(b) below, by 8.00 a.m. (London time), 3.00 a.m. (New York City time) on the next business day (the "relevant day") following the day on which the Increased Offer is due to expire or becomes or is declared unconditional or is revised or extended, as the case may be (or such later time(s) or date(s) as the Panel may agree), RBS will make an appropriate announcement and simultaneously inform the London Stock Exchange of the position. Such announcement will also state (unless otherwise permitted by the Panel) the total number of NatWest Ordinary Shares and rights over NatWest Ordinary Shares (as nearly as practicable):
 - for which acceptances of the Increased Offer have been received (showing the extent, if any, to which such acceptances have been received from any person(s) acting or deemed to be acting in concert with RBS for the purposes of the Increased Offer);
 - (ii) acquired or agreed to be acquired by or on behalf of RBS or any person acting or deemed to be acting in concert with RBS during the course of the Offer Period;
 - (iii) held by or on behalf of RBS or any person(s) acting or deemed to be acting in concert with it prior to the Increased Offer Period;

and will specify the percentage of the NatWest Ordinary Shares represented by each of these figures.

In computing the number of NatWest Ordinary Shares represented by acceptances and/or purchases for the above purposes, there may be included or excluded, for announcement purposes, subject to paragraph 8(c) below, acceptances and purchases not in all respects in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title or not accompanied by the relevant TTE instruction or which are subject to verification. Any decision to extend the time and/or date by which the acceptance condition has to be fulfilled may be made at any time up to, and will be announced not later than, 8.00 a.m. (London time), 3.00 a.m. (New York City time) on the relevant day (or such later time(s) and/or date(s) as the Panel may agree) and the announcement will state the next expiry time and date (unless the Increased Offer is then unconditional, in which case the announcement may state that the Increased Offer will remain open until further notice).

- (b) In this Appendix II, references to the making of an announcement or the giving of notice by or on behalf of RBS includes the release of an announcement by public relations consultants of RBS or by Merrill Lynch and/or Goldman Sachs on behalf of RBS to the press and the delivery by hand or telephone, telex or facsimile or other electronic transmission of an announcement to the London Stock Exchange. An announcement made otherwise than to the London Stock Exchange shall be notified simultaneously (unless the Panel agrees otherwise) to the London Stock Exchange.
- (c) Without limiting the manner in which RBS may make any public announcement and subject to RBS's obligations under applicable law, RBS will have no obligation to publish, advertise or otherwise communicate any such public announcement other than by making a release to the London Stock Exchange.

3. Rights of Withdrawal

- (a) Acceptances of the Increased Offer may only be withdrawn in the circumstances, and in accordance with the procedures, set out in paragraphs 3(b) to 3(h) below.
- If RBS, having announced the Increased Offer to be unconditional, fails to comply by 3.30 p.m. (b) (London time), 10.30 a.m. (New York City time) on the relevant day (as defined in paragraph 2(a) above) (or such later time(s) and/or date(s) as the Panel may agree) with any of the other requirements specified in paragraph 2(a) above, an accepting NatWest Ordinary Shareholder may (unless the Panel agrees otherwise) immediately thereafter withdraw his acceptance of the Increased Offer by written notice (signed by such NatWest Ordinary Shareholder or his agent duly appointed in writing and evidence of whose appointment satisfactory to RBS is produced with the notice) given by post or by hand to Computershare Services PLC at PO Box 453, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4TH or during normal business hours by hand only at Computershare Services PLC, 7th Floor, Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR receiving such notice on behalf of RBS. Subject to paragraph 1(b) above, this right of withdrawal may be terminated not less than eight days after the relevant day by RBS confirming, if that be the case, that the Increased Offer is still unconditional and complying with the other relevant requirements specified in paragraph 2(a) above. If any such confirmation is given, the first period of 14 days referred to in paragraph 1(c) will run from the date of such confirmation and compliance.
- (c) If, by 3.00 p.m. (London time), 10.00 a.m., (New York City time) on 3 February 2000 (or such later time(s) and/or date(s) as the Panel may agree) the Increased Offer has not become unconditional, an accepting NatWest Ordinary Shareholder may withdraw his acceptance of the Original Offer or the Increased Offer at any time thereafter by written notice in the manner referred to in paragraph 3(b) above before the earlier of (i) the time that the Increased Offer becomes unconditional and (ii) the final time for lodgement of acceptances of the Increased Offer which can be taken into account in accordance with paragraph 1(b) above.
- (d) If a "no increase" and/or "no extension" statement has been withdrawn in accordance with paragraph 1(d) above, any acceptance of the Increased Offer after such statement is made may be withdrawn thereafter in the manner referred to in paragraph 3(b) above not later than the eighth day after the date on which notice of the withdrawal of such statement is posted to the relevant NatWest Ordinary Shareholders.
- (e) Any NatWest Ordinary Shareholder withdrawing his acceptance of the Original Offer or the Increased Offer pursuant to paragraphs 3(b), (c) or (d) above shall also be deemed to have withdrawn any election made under the Original Offer or the Increased Offer.
- (f) Except as provided by this paragraph 3 (and subject to paragraphs 7 and 8 below), acceptances of, and elections under, the Increased Offer shall be irrevocable.
- (g) In this paragraph 3, "written notice" (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting NatWest Ordinary Shareholder(s) or of his/their agent(s) duly appointed in writing (evidence of whose appointment is produced with the notice in a form satisfactory to RBS). Notification by telex or facsimile or other electronic transmission or copies will not be sufficient to constitute written notice. Any notice which is postmarked in/or otherwise appears to RBS or its agents to have

been sent from one of the jurisdictions specified in paragraph 9 below may not be treated as valid.

(h) All questions as to the validity (including time of receipt) of any notice of withdrawal will be determined by RBS whose determination (except as required by the Panel) will be final and binding. None of RBS, Merrill Lynch, Goldman Sachs, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give such notification.

4. The Partial Cash Alternative

- (a) The Partial Cash Alternative forms part of the Increased Offer by RBS to NatWest Ordinary Shareholders and, subject to the remainder of this paragraph 4, is available to accepting NatWest Ordinary Shareholders conditionally upon the Increased Offer becoming unconditional in all respects. It will remain open for acceptances until 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000 and will, if the Increased Offer is then unconditional as to acceptances, remain open for acceptance until 3.00 p.m. (London time), 10.00 a.m. (New York City time) on 28 February 2000 and will then close and cease to be available for acceptance. If the Partial Cash Alternative closes RBS reserves the right to re-introduce a cash alternative, subject to the Code.
- (b) Under the Partial Cash Alternative, RBS agrees with each person who validly accepts the Increased Offer and validly elects for the Partial Cash Alternative to procure that each such person shall receive a cash payment, free of all expenses, in accordance with the terms of the Partial Cash Alternative as described in paragraph 3 of the letter from Goldman Sachs and Merrill Lynch contained in this document.
- (c) The cash required to satisfy valid elections for the Partial Cash Alternative will be provided as follows and in the following order: first RBS will procure that BSCH will pay or procure to be paid (subject to the terms and conditions of the BSCH Underwriting) for the benefit of the NatWest Ordinary Shareholders who make valid elections under the Partial Cash Alternative, the cash payments described in paragraph 4(b) above. Any New RBS Ordinary Shares which would otherwise be received by a NatWest Ordinary Shareholder electing for the Partial Cash Alternative and whose election is satisfied pursuant to this sub-paragraph (c) will be allotted and issued by RBS to BSCH (or such persons as BSCH may procure) in consideration for the transfer to RBS from that shareholder of his NatWest Ordinary Shares. Secondly, the balance of the cash payments described in paragraph 4(b) above will, if required, be provided by RBS.
- (d) The entitlements of NatWest's Ordinary Shareholders to receive cash instead of New RBS Ordinary Shares under the Partial Cash Alterative will be subject to reduction to the extent that their entitlement under the Basic Terms of the Increased Offer is rounded down to the nearest whole New RBS Ordinary Share.
- (e) The maximum number of new RBS Ordinary Shares in respect of which BSCH will have an obligation to (or to procure persons to) accept the allotment and issue of and/or to make or procure the making of cash payments for the benefit of persons accepting the Increased Offer and electing for the Partial Cash Alternative is 47,169,811.
- (f) To the extent that valid elections for the Partial Cash Alternative are received, by the time on which the Partial Cash Alternative closes, in respect of a number of New RBS Ordinary Shares to which NatWest Ordinary Shareholders would otherwise become entitled under the Basic Terms but for such elections which is greater than the number referred to in paragraph 4(e) above, whether as a result of an increase in the number of NatWest Ordinary Shares allotted or in issue due to the exercise of options granted under the NatWest Share Schemes or otherwise, no New RBS Ordinary Shares will be allotted in respect of such excess and RBS will instead pay in cash the amount to which the relevant NatWest Ordinary Shareholders are entitled and the consideration under the Increased Offer shall be varied accordingly to that extent.
- (g) An election for the Partial Cash Alternative will only be valid if the Form of Acceptance, correct and complete in all respects, together with all relevant TTE instructions and/or (if appropriate) all relevant share certificate(s) and/or other document(s) of title, is returned so as to be received by the time and date on which the Partial Cash Alternative closes (irrespective of whether or not such documents have been forwarded to RBS or its agent or a TTE instruction has been given in respect of the Increased Offer).

- (h) If any Form of Acceptance which includes an election for the Partial Cash Alternative is either received after the time and date upon which the Partial Cash Alternative closes or is received before such time and date but is not valid or complete in all respects at such time and date, such election shall, for all purposes, be void, but the acceptance (if otherwise valid) shall, subject to the provisions of paragraph 8(c) below, be deemed to be an acceptance of the Increased Offer in respect of the number of NatWest Ordinary Shares inserted or deemed to be inserted in Box 2 of the Form of Acceptance and the relevant NatWest Ordinary Shareholder will, on the Increased Offer becoming unconditional in all respects, be entitled to receive the consideration due under the Basic Terms in respect thereof.
- (i) The obligations of BSCH (as underwriter) in respect of the Partial Cash Alternative are owed solely to RBS. The obligations of BSCH will be discharged in full upon payment of the amounts due from BSCH under the terms of the BSCH Underwriting to RBS's receiving agent, Computershare Services PLC or to RBS (as appropriate). RBS shall procure that Computershare Services PLC, subject to receipt of such payment, makes due payment and RBS shall issue the consideration otherwise due, in each case in accordance with the terms of the Increased Offer. BSCH shall have no liability to RBS or NatWest Ordinary Shareholders in respect of any obligations of or default by RBS or Computershare Services PLC.
- (j) The New RBS Ordinary Shares to be issued to BSCH (or such persons as it may procure) pursuant to the Partial Cash Alternative will be acquired fully paid, free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever and together with all rights now or thereafter attaching to them, including the right to receive and retain all dividends and other distributions (if any) declared, made or paid after allotment.
- (k) A NatWest Ordinary Shareholder may not make an Additional Share Election under the Mix and Match Election if he elects for the Partial Cash Alternative. If he does so, the Additional Share Election will be void.
- (I) Elections by NatWest Ordinary Shareholders under the Loan Note Alternative will not affect their entitlement under the Partial Cash Alternative. However, the Loan Note Alternative is not available for cash made available under the Partial Cash Alternative and NatWest Ordinary Shareholders who elect for the Partial Cash Alternative will only receive cash thereunder and not Loan Notes.

5. The Mix and Match Election

- (a) Elections for additional cash under the Mix and Match Election made by NatWest Ordinary Shareholders who validly accept the Partial Cash Alternative (i.e. Additional Cash Elections) will be satisfied in full where sufficient cash is available (after taking into account such amounts of cash as RBS, Merrill Lynch and Goldman Sachs reasonably determine to retain in order to facilitate the operation by RBS of the provisions of Sections 428-430F of the Act) as a result of other accepting NatWest Ordinary shareholders not making elections under the Partial Cash Alternative or validly making Additional Share Elections thereby releasing cash to which they would otherwise be entitled under the Basic Terms. Additional Cash Elections will be satisfied first from cash made available as a result of other accepting NatWest Ordinary Shareholders not making elections under the Partial Cash Alternative and then only from cash made available as a result of such shareholders making valid Additional Share Elections. If the amount of cash so made available is insufficient to satisfy in full all Additional Cash Elections, then such excess elections will be scaled down pro rata as nearly as practicable and the balance of the consideration will be satisfied in New RBS Ordinary Shares under the Basic Terms.
- (b) Elections for New RBS Ordinary Shares under the Mix and Match Election made by NatWest Ordinary Shareholders in excess of their basic entitlements to New RBS Ordinary Shares (i.e. Additional Share Elections) will be satisfied in full where sufficient New RBS Ordinary Shares are available (after taking into account such number thereof as RBS, Merrill Lynch and Goldman Sachs reasonably determine to retain in order to facilitate the operation by RBS of the provisions of Sections 428-430F of the Act) as a result of other accepting NatWest Ordinary Shareholders validly making Additional Cash Elections, thereby releasing New RBS Ordinary Shares to which they would otherwise be entitled under the Basic Terms. If the number of New RBS Ordinary Shares so made available is insufficient to satisfy in full all Additional Share Elections then such excess elections will be scaled down pro rata as nearly as practicable and the balance of the consideration will be satisfied in cash under the Basic Terms.

- (c) The Mix and Match Election is conditional on the Increased Offer becoming or being declared unconditional in all respects. It will remain open until 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000 and will, if the Increased Offer is then unconditional as to acceptances, remain open until 3.00 p.m. on 28 February 2000 and will then close and cease to be available for acceptance. If the Mix and Match Election closes, RBS reserves the right to re-introduce a mix and match facility, subject to the Code.
- (d) An election under the Mix and Match Election will be valid only if the Form of Acceptance, correct and complete in all respects, together with all relevant TTE instructions and/or (if appropriate) all relevant share certificate(s) and/or other document(s) of title, is returned so as to be received after the time and date on which the Mix and Match Election closes (irrespective of whether or not such documents have been forwarded to RBS or its agent or a TTE instruction has been given in respect of the Increased Offer).
- (e) An Additional Share Election will only be accepted in respect of a whole number of NatWest Ordinary Shares. Fractions of New RBS Ordinary Shares will not be allotted or issued to accepting NatWest Ordinary Shareholders making Additional Share Elections but will be aggregated and sold in the UK market and the net proceeds of sale distributed *pro rata* to the NatWest Ordinary Shareholders entitled thereto, save that individual entitlements to amounts of less than £3 will be retained for the benefit of the Enlarged RBS Group.
- (f) Additional Cash Elections made for a percentage number which includes a fraction will be rounded down to the nearest whole number. Additional Cash Elections for a number less than the Relevant Percentage (as specified in the Key Information Sheet) will be void and for a number greater than 100 per cent. will be deemed to be for 100 per cent.
- (g) If any Form of Acceptance which includes a Mix and Match Election is either received after the time and date upon which the Mix and Match Election closes or is received before such time and date but is not valid or complete in all respects at such time and date, such election shall, for all purposes, be void but such acceptance (if otherwise valid) shall, subject to the provisions of paragraph 8(c) below, be deemed to be an acceptance of the Increased Offer in respect of the number of NatWest Ordinary Shares inserted or deemed to be inserted in Box 2 of the Form of Acceptance and the relevant NatWest Ordinary Shareholder will, subject to the Increased Offer becoming unconditional in all respects, be entitled to receive the consideration due under the Basic Terms in respect thereof.
- (h) If RBS chooses to leave the Mix and Match Election open for any period or periods after the date upon which the Increased Offer becomes unconditional in all respects, RBS shall be entitled, at its absolute discretion, to treat elections received (or validated or completed) during such period or periods as forming a separate pool or pools for the purposes of determining the amount of cash and New RBS Ordinary Shares available to meet such elections on whatever basis RBS may determine.
- (i) Mix and Match Elections will not affect the entitlements of NatWest Ordinary Shareholder(s) who do not make a Mix and Match Election. For the avoidance of doubt, the Mix and Match Election is not and should not be regarded as an alternative offer.
- (j) Mix and Match Elections will be invalidated if NatWest Ordinary Shareholders elect for an Additional Share Election and an Additional Cash Election.
- (k) If a NatWest Ordinary Shareholder makes an Additional Cash Election under the Mix and Match Election, he must also validly elect for the Partial Cash Alternative. If he does not do so, his election for the Additional Cash Election will be void.

6. The Loan Note Alternative

- (a) The Loan Note Alternative is conditional upon the Increased Offer becoming unconditional in all respects. It will remain open for as long as the Increased Offer remains open for acceptance.
- (b) An election for the Loan Note Alternative will only be valid if the Form of Acceptance, correct and complete in all respects, together with all relevant TTE instructions and/or (if appropriate), all relevant share certificates and/or other document(s) of title, is returned so as to be received by the time and date on which the Loan Note Alternative closes (irrespective of whether or not such documents have been forwarded to RBS or its agent or a TTE instruction has beeen given in respect of the Increased Offer).

- (c) If any Form of Acceptance which includes an election for the Loan Note Alternative is either received after the time and date on which the Loan Note Alternative closes or is received before such time and date but is not valid or complete in all respects at such time and date, such election shall, for all purposes be void but any such acceptance which is otherwise valid shall, subject to the provisions of paragraph 8(c) below, be deemed to be an acceptance of the Increased Offer in respect of the number of NatWest Ordinary Shares inserted or deemed to be inserted in Box 2 of the Form of Acceptance and the relevant NatWest Ordinary Shareholder will, subject to the Increased Offer becoming unconditional in all respects, be entitled to receive the consideration due under the Basic Terms in respect thereof.
- (d) Fractional entitlements to Loan Notes will be disregarded and will not be issued to NatWest Ordinary Shareholders who validly accept the Increased Offer and validly elect for the Loan Note Alternative:
- (e) Elections for the Loan Note Alternative will not affect NatWest Ordinary Shareholders' entitlement to the Partial Cash Alternative but the Loan Note Alternative does not apply to the additional cash made available under the Partial Cash Alternative (including any additional cash made available under the Partial Cash Alternative which is not required to satisfy elections under the Partial Cash Alternative, on account of NatWest Ordinary Shareholders not making an election therefor, and which is made available instead to satisfy Additional Cash Elections).

7. Revisions of the Increased Offer and the Mix and Match Election

- Although no such revision of the Increased Offer is envisaged, if the Increased Offer and/or the (a) Partial Cash Alternative and/or the Loan Note Alternative and/or the Mix and Match Election (in their original or any previously revised form(s)) are revised (either in their terms or conditions or in the value or nature of the consideration offered or otherwise), and any such revised Increased Offer(s) represent(s), on the date on which such revision is announced (on such basis as Merrill Lynch and Goldman Sachs advise RBS that they consider appropriate), an improvement (or no diminution) in the value of the consideration compared with the consideration or terms previously offered, the benefit of the revised Increased Offer and/or the Partial Cash Alternative and/or the Loan Note Alternative and/or the Mix and Match Election will, subject to paragraphs 7(b), 7(c) and 9 below, be made available to any NatWest Ordinary Shareholders who have validly accepted the Increased Offer and/or Partial Cash Alternative and/or Loan Note Alternative and/or Mix and Match Election in their original or any previously revised form(s) and not validly withdrawn such acceptance (each a "Previous Acceptor"). The acceptance of the Increased Offer by or on behalf of a Previous Acceptor (and/or the Mix and Match Election and/or the Partial Cash Alternative and/or the Loan Note Alternative) (in their original or any previously revised form(s)) shall, subject as provided in paragraphs 7(b), 7(c) and 9 below, be deemed to be an acceptance of the Increased Offer as so revised and shall, subject as aforesaid, also constitute the separate appointment of each of RBS and Merrill Lynch and Goldman Sachs and their respective directors as his attorney and/or agent with authority (i) to accept any such revised Increased Offer on behalf of such Previous Acceptor (whether or not he shall also have elected for the Mix and Match Election and/or the Partial Cash Alternative and/or the Loan Note Alternative) and (ii) if such revised Increased Offer includes an alternative form or forms of consideration, to make on his behalf such elections for and/or accept such alternative form or forms of consideration on his behalf in such proportions (as nearly as practicable) as those made by such Previous Acceptor in the form of acceptance(s) previously executed by him or on his behalf as Merrill Lynch and Goldman Sachs think fit and (iii) to execute on behalf of and in the name of such Previous Acceptor all such further documents (if any) and to do all such things (if any) as may be required to give effect to such acceptances and/or elections. In making any such acceptances or making any such election, the attorney and/or agent shall take into account the nature of any previous acceptances and/or elections made by or on behalf of the Previous Acceptor and such other facts or matters as he may reasonably consider relevant.
- (b) The deemed acceptances and elections referred to in this paragraph 7 shall not apply, and the authorities and powers of attorney conferred by paragraph 7(a) above shall not be exercised if, as a result thereof, the Previous Acceptor would (on such basis as Merrill Lynch and Goldman Sachs advise RBS that they consider appropriate) thereby receive and/or retain (as appropriate) less consideration in aggregate under or in consequence of the revised Increased Offer and/or the Partial Cash Alternative and/or the Loan Note Alternative and/or the Mix and Match Election

than would have been received and/or retained (as appropriate) in aggregate consideration as a result of acceptance of the Increased Offer and/or the Mix and Match Election and/or the Partial Cash Alternative and/or the Loan Note Alternative in the form in which it was previously accepted and/or elected by such Previous Acceptor or on his behalf (unless such Previous Acceptor has previously agreed in writing to receive and/or retain (as appropriate) less in aggregate consideration).

- (c) The deemed acceptances and elections referred to in this paragraph 6 shall not apply, and the authorities conferred by this paragraph 7 shall be ineffective, to the extent that a Previous Acceptor shall lodge with the Receiving Agent, within 14 days of the posting of the document pursuant to which the revision of the Increased Offer is made available to NatWest Ordinary Shareholders (or such later date as RBS may determine), a blue Form of Acceptance or some other form issued by or on behalf of RBS in which he validly elects to receive the consideration receivable by him under such revised Increased Offer in some other manner.
- (d) Subject to paragraphs 7(b) and 7(c) above, the authorities conferred by this paragraph 7 and any acceptance of a revised Increased Offer and/or any election(s) pursuant thereto shall be irrevocable unless and until the Previous Acceptor becomes entitled to withdraw his acceptance under paragraph 3 above and duly does so.
- (e) Subject to paragraph 9 below, RBS reserves the right to treat an executed Form of Acceptance (in respect of the Increased Offer (in its original or any previously revised form(s)) which is received (or dated) on or after the announcement or issue of any revised Increased Offer and/or the Partial Cash Alternative and/or the Mix and Match Election and/or the Loan Note Alternative in any revised form as a valid acceptance of the revised Increased Offer and/or the Partial Cash Alternative and/or Loan Note Alternative and/or the Mix and Match Election, in such revised form and/or, where applicable, a valid election for any alternative form of consideration made available pursuant thereto, and such acceptance shall constitute an authority in the terms of paragraph 7(a) above, *mutatis mutandis*, on behalf of the relevant NatWest Ordinary Shareholder.

8. General

- (a) Save with the consent of the Panel, the Increased Offer will lapse unless all conditions relating to the Increased Offer have been satisfied or (if capable of waiver) waived or, where appropriate, have been determined by RBS in its reasonable opinion to be or remain satisfied, by midnight (London time), 7.00 p.m. (New York City time) on the later of 6 March 2000 and the date which is 21 days after the date on which the Increased Offer becomes unconditional, or such later date(s) as RBS may, with the consent of the Panel, decide. If the Increased Offer lapses for any reason, then the Increased Offer will cease to be capable of further acceptance and accepting NatWest Ordinary Shareholders and RBS will cease to be bound by prior acceptances. RBS shall be under no obligation to waive or treat as satisfied any of the conditions (d) to (r) (inclusive) in Part A of this Appendix II by a date earlier than the latest date specified or referred to above for the satisfaction thereof notwithstanding that such condition or the other conditions of the Increased Offer may at such earlier date have been waived or satisfied and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of being satisfied.
- (b) Save with the consent of the Panel, settlement of the consideration to which any NatWest Ordinary Shareholder is entitled under the Increased Offer will be implemented in full in accordance with the terms of the Increased Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which RBS and/or Merrill Lynch and/or Goldman Sachs may otherwise be, or claim to be, entitled as against such NatWest Ordinary Shareholder and will be effected in the manner described in paragraph 14 of the letter from Merrill Lynch and Goldman Sachs contained in this document. Subject to paragraph 9 below, no consideration will be sent to an address specified in such paragraph 9.
- (c) Without prejudice to the right reserved by RBS to treat Forms of Acceptance as valid even though not entirely in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title, or not accompanied by the relevant TTE instruction, except as otherwise agreed with the Panel:
 - (i) an acceptance of the Increased Offer will only be counted towards fulfilling the acceptance condition if the requirements of Note 4 and, if applicable, Note 6 to Rule 10 of the City Code are satisfied in respect of it;

- (ii) a purchase of NatWest Ordinary Shares by RBS, its wholly-owned subsidiaries or its nominee(s) or, if RBS is required by the Panel to make an offer for NatWest Ordinary Shares under the provisions of Rule 9 of the Code, by a person acting in concert with RBS (or its wholly-owned subsidiaries or nominees), if any, will only be counted towards fulfilling the acceptance condition if the requirements of Note 5 and, if applicable, Note 6 to Rule 10 of the Code are satisfied in respect of it; and
- (iii) the Increased Offer will not become unconditional unless the Receiving Agent shall have issued a certificate to RBS and/or Merrill Lynch and/or Goldman Sachs which states the number of NatWest Ordinary Shares in respect of which acceptances have been received which comply with paragraph (i) above and the number of NatWest Ordinary Shares otherwise acquired, whether before or during the Increased Offer Period, which comply with the requirements of paragraph (ii) above. Copies of such certificate will be sent to the Panel and to J.P. Morgan Securities Limited as soon as possible after issue.
- (d) The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance and the terms set out in the Key Information Sheet, in each case constitute part of the terms of the Increased Offer. Words and expressions defined in this document have the same meanings when used in the Form of Acceptance and the Key Information Sheet unless the context otherwise requires. The provisions of this Appendix II shall be deemed to be incorporated in the Form of Acceptance.
- (e) The Increased Offer and/or elections under the Partial Cash Alternative, the Loan Note Alternative and the Mix and Match Election and the Form of Acceptance, and all acceptances and elections of them, or pursuant thereto, and all contracts made pursuant thereto and any action taken or made or deemed to be taken or made under any of the foregoing are governed by and shall be construed in accordance with English law. Execution by or on behalf of a NatWest Ordinary Shareholder of a Form of Acceptance constitutes his irrevocable submission, in relation to all matters arising out of or in connection with the Increased Offer and the Form of Acceptance, to the jurisdiction of the courts of England and his agreement that nothing shall limit the right of RBS or Merrill Lynch or Goldman Sachs to bring any action, suit or proceeding arising out of or in connection with the Increased Offer or the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction.
- (f) All references in this document and in the Form of Acceptance to 14 February 2000 shall (except in paragraph 1(a) above and where the context otherwise requires) be deemed, if the expiry date of the Increased Offer is extended, to refer to the expiry date of the Increased Offer as so extended.
- (g) Any omission or failure (or decision not) to dispatch this document, the Supplementary Listing Particulars, the Form of Acceptance or any other document relating to the Increased Offer and/or any notice required to be despatched under the terms of the Increased Offer to, or any failure to receive the same by, any person to whom the Increased Offer is made or should be made, shall not invalidate the Increased Offer in any way or create any implication that the Increased Offer has not been made to any such person. Subject to paragraph 9 below, the Increased Offer extends to persons to whom the Increased Offer is made or should be made but to whom this document, the Key Information Sheet, the Supplementary Listing Particulars, the Form of Acceptance and/or any such related document may not be despatched or by whom such documents may not be received, and such persons may collect copies of these documents from the Receiving Agent at any of the addresses set out in paragraph 3(b) above.
- (h) Notwithstanding any other provision in this Part B of Appendix II, RBS and Merrill Lynch and Goldman Sachs reserve the right to treat acceptances of the Increased Offer and/or elections pursuant thereto as valid if not entirely in order or not accompanied by the relevant share certificate(s), and/or other relevant document(s) of title or not accompanied by the relevant TTE instruction or if received by or on behalf of either of them at any place or places or in any manner determined by either of them otherwise than as set out in this document or in the Form of Acceptance.
- (i) All powers of attorney, appointments of agent and authorities on the terms conferred by or referred to in this Appendix II or in the Form of Acceptance are given by way of security for the performance of the obligations of the NatWest Ordinary Shareholder concerned and are irrevocable (in respect of powers of attorney in accordance with section 4 of the Powers of Attorney Act 1971) except in circumstances where the donor of such power of attorney, authority or appointment validly withdraws his acceptance in accordance with paragraph 3 above.

- (j) No acknowledgement of receipt of any Form of Acceptance, transfer by means of CREST, communication, notice, share certificate(s) and/or other document(s) of title will be given by or on behalf of RBS. All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from NatWest Ordinary Shareholders (or their designated agent(s)) will be delivered by or sent to or from them (or their designated agent(s)) at their own risk.
- (k) If the Increased Offer lapses, the relevant Form of Acceptance(s), share certificate(s), and/or other document(s) of title will (subject to paragraph 9 below) be returned by post (or such other method as may be approved by the Panel) within 14 days of the Increased Offer lapsing, at the risk of the person entitled thereto, to the person or agent whose name and address is set out in the relevant box in the Form of Acceptance or, if none is set out, to the first-named or sole holder at his registered address. The Receiving Agent will, immediately after the lapsing of the Increased Offer (or within such longer period as the Panel may permit, not exceeding 14 days after the lapsing of the Increased Offer), give TFE instructions to CRESTCo to transfer all NatWest Ordinary Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Increased Offer to the original balances of the NatWest Ordinary Shareholder(s) concerned.
- (I) In relation to any acceptance of the Increased Offer in respect of a holding of NatWest Ordinary Shares which is in uncertificated form, RBS reserves the right to make such alterations, additions or modifications to the terms of the Increased Offer as may be necessary or desirable to give effect to any purported acceptance of the Increased Offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Panel.
- (m) Elections under the Mix and Match Election, the Partial Cash Alternative and the Loan Note Alternative may only be made on a Form of Acceptance, and in respect of NatWest Ordinary Shares in respect of which the Increased Offer is validly accepted.
- (n) Subject to paragraph 9 below, the Increased Offer is made on 31 January 2000 and is capable of acceptance from and after that date. Copies of this document, the blue Form of Acceptance, the Supplementary Listing Particulars and any related documents may be collected from the Receiving Agent at any of the addresses set out in paragraph 3(b) above. A NatWest Form of Acceptance, appropriate for use from the United States, may be obtained from D.F. King & Co., the U.S. information agent, by calling (212) 269-5550 or (800) 714-3310.
- (o) If sufficient NatWest Ordinary Shares are acquired, whether pursuant to acceptances of the Increased Offer or otherwise, RBS intends to apply the provisions of sections 428 to 430F of the Act to acquire compulsorily any outstanding NatWest Ordinary Shares. When the Increased Offer becomes unconditional in all respects, RBS intends to procure the making of an application by NatWest for the cancellation of the listing of NatWest Ordinary Shares on the London Stock Exchange and it is anticipated that such cancellation will take effect no earlier than 20 business days after the Increased Offer becomes unconditional in all respects. In addition, as soon as it is appropriate and possible to do so, and subject to the Increased Offer becoming unconditional in all respects, RBS intends to seek to procure the making of applications to delist the NatWest ADSs from the New York Stock Exchange, deregister the NatWest ADSs under the Exchange Act and terminate the ADR programme in respect of NatWest Ordinary Shares. It is intended that the NatWest Preference Shares will retain their existing public listings.
- (p) All references in this Appendix II to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date hereof).
- (q) The New RBS Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing RBS Ordinary Shares, NatWest Ordinary Shares are to be acquired by RBS under the Increased Offer fully paid and free from all liens, equities, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching to them, including the right to receive and retain all dividends or other distributions (if any) declared, made or paid after 29 November 1999.

- (r) Fractions of New RBS Ordinary Shares will not be allotted or issued to accepting NatWest Ordinary Shareholders but will be aggregated and sold in the UK market and the net proceeds of sale distributed *pro rata* to the NatWest Ordinary Shareholders entitled thereto, save that individual entitlements to amounts of less than £3 will be retained for the benefit of the Enlarged RBS Group.
- (s) Due completion of a Form of Acceptance will constitute an instruction to RBS that, on the Increased Offer becoming unconditional in all respects, all mandates, instructions and other instruments in force relating to holdings of NatWest Ordinary Shares will, unless and until revoked or varied, continue in full force in relation to payments or notices in respect of the New RBS Ordinary Shares and the Loan Notes, provided that if a NatWest Ordinary Shareholder holds existing RBS Ordinary Shares, the mandates, instructions and instruments in force for such RBS Ordinary Shares will supersede the mandates, instructions and instruments for the NatWest Ordinary Shares.
- (t) If RBS is required by the Panel to make an offer for NatWest Ordinary Shares under the provisions of Rule 9 of the Code, RBS may make such alterations to the conditions of the Increased Offer (including condition (a) of Part A of this Appendix II) as are necessary to comply with the provisions of that Rule.
- (u) If the Increased Offer lapses the Mix and Match Election, the Partial Cash Alternative and the Loan Note Alternative will lapse.

9. Overseas Shareholders

- The making of the Increased Offer to NatWest Ordinary Shareholders resident in, or citizens or (a) nationals of, jurisdictions outside the United Kingdom or to persons who are custodians, nominees of or trustees for, citizens, residents or nationals of such jurisdictions and the availability of the New RBS Ordinary Shares and/or the Loan Notes to such persons, may be prohibited or affected by the laws of the relevant overseas jurisdiction. Such persons should inform themselves about and observe any applicable legal requirements of such jurisdiction. It is the responsibility of any such person wishing to accept the Increased Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, which may be required or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdictions. Any such person will be responsible for any such issue, transfer or other taxes or other requisite payments by whomsoever payable and RBS, Merrill Lynch and Goldman Sachs and any person acting on their behalf shall be fully indemnified and held harmless by such person for any such issue, transfer or other taxes as RBS. Merrill Lynch or Goldman Sachs may be required to pay.
- In particular, the Increased Offer is not being made in or into and is not capable of acceptance (b) in or from Canada, Australia or Japan. The Increased Offer is being made in the United States pursuant to another document. Accordingly, copies of this document and any other document relating to the Original Offer or the Increased Offer are not being, and must not be, mailed or otherwise distributed or sent in into or from the United States, Canada, Australia or Japan. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) should not distribute them in into or from such jurisdictions, and so doing may render invalid any related purported acceptance of the Increased Offer. Persons wishing to accept the Increased Offer from the United States should obtain a NatWest U.S. Form of Acceptance from D.F. King & Co., the U.S. information agent, by calling (212) 269-5550 or (800) 714-3310. Envelopes containing Forms of Acceptance, evidence of title or other documents relating in the Increased Offer should not be postmarked in Canada, Australia or Japan or otherwise dispatched from such jurisdictions and all acceptors must provide addresses outside such jurisdictions for the receipt of the consideration to which they are entitled under the Increased Offer or for the return of Forms of Acceptance and (in relation to NatWest Ordinary Shares in certificated form) share certificate(s), any/or other document(s) of title.
- (c) A NatWest Ordinary Shareholder may be deemed NOT to have accepted the Increased Offer or to have made a valid election thereunder if (i) he puts "NO" in Box 8 in the Form of Acceptance and therefore does not give the representation and warranty set out in paragraph (c) of Part C of this Appendix II or (ii) he completes Box 9A of the Form of Acceptance with an address in the United States, Australia, Canada or Japan or has a registered address in any

such jurisdiction, and in each case does not insert in Box 9B of the Form of Acceptance the name and address of a person or agent outside any such jurisdiction to whom he wishes the consideration to which he is entitled under the Increased Offer to be sent or (iii) he inserts in Box 9A of the Form of Acceptance the name and address of a person or agent in any such jurisdiction to whom he wishes the consideration to which he is entitled under the Increased Offer to be sent or (iv) the Form of Acceptance received from him is received in an envelope postmarked in, or which otherwise appears to RBS or its agents to have been sent from, any such jurisdiction. RBS reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representation and warranty set out in paragraph (c) of Part C of this Appendix II could have been truthfully given by the relevant NatWest Ordinary Shareholder and, if such investigation is made and as a result RBS determines (for any reason) that such representation and warranty could not have been so given, such acceptances and any election thereunder may be rejected as invalid.

- (d) If, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Supplementary Listing Particulars, the Form of Acceptance or any related document in, into or from the United States, Canada, Australia or Japan or uses the mails or any means or instrumentality (including, without limitation, by means of facsimile or electronic transmission, telephone or internet) of interstate or foreign commerce of or any facilities of a securities exchange of the United States in connection with such forwarding, such person should (i) inform the recipient of such fact (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient and (iii) draw the attention of the recipient to this paragraph 9. A U.S. prospectus may be obtained from D.F. King, the U.S. information agent, by calling (212) 264-5550 or (800) 714-3310.
- (e) RBS, Merrill Lynch and Goldman Sachs each reserve the right to notify any matter, including the fact that the Increased Offer has been made, to all or any NatWest Ordinary Shareholders:
 - (i) with a registered address outside the United Kingdom; or
 - (ii) whom RBS knows to be a custodian, trustee or nominee holding NatWest Ordinary Shares for persons who are citizens, residents or nationals of jurisdictions outside the United Kingdom,

by announcement or by paid advertisement in one or more daily national newspapers published and circulated in the United Kingdom (including in an evening paper circulated in London) in which event such notice shall be deemed to have been sufficiently given, notwithstanding any failure by any such NatWest Ordinary Shareholder(s) to receive or see such notice and all references in this document to notice or the provision of information in writing by or on behalf of RBS shall be construed accordingly.

(f) The provisions of this paragraph 9 override any terms of the Increased Offer inconsistent with them. The provisions of this paragraph 9 and/or any other terms of the Increased Offer relating to overseas NatWest Ordinary Shareholders may be waived, varied or modified as regards specific NatWest Ordinary Shareholders or on a general basis by RBS in its absolute discretion. References in this paragraph 9 to a NatWest Ordinary Shareholder shall include the person or persons executing a Form of Acceptance and, in the event of more than one person executing a Form of Acceptance, the provisions, of this paragraph shall apply to them jointly and to each of them.

Overseas NatWest Ordinary Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position you should consult your professional adviser in the relevant jurisdiction.

Part C: Form of Acceptance

Each NatWest Ordinary Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with RBS, Merrill Lynch and Goldman Sachs (so as to bind him, his personal representatives, heirs, successors and assigns) to the following effect:

- (a) that such execution of a Form of Acceptance, whether or not any other boxes on the Form of Acceptance are completed, shall constitute:
 - (i) an acceptance of the Increased Offer in respect of the relevant NatWest Ordinary Shareholder's entire holding of NatWest Ordinary Shares the subject of such Form of Acceptance (or such lesser number as may have been inserted in Box 2 of the Form of Acceptance) provided that if no number is inserted in Box 2, or a number is inserted in Box 2 which exceeds the NatWest Ordinary Shareholder's holding of NatWest Ordinary Shares the subject of such Form of Acceptance, the acceptance will be deemed to have been made in respect of the NatWest Ordinary Shareholder's entire holding of NatWest Ordinary Shares) the subject of such Form of Acceptance;
 - (ii) an election under the Partial Cash Alternative to receive cash instead of the Relevant Percentage (as specified in the Key Information Sheet) of the New RBS Ordinary Shares to which the relevant NatWest Ordinary Shareholder would otherwise be entitled under the Basic Terms if an "X" is inserted in Box 3 of the Form of Acceptance;
 - (iii) an election under the Mix and Match Election to receive, subject to availability, additional New RBS Ordinary Shares (instead of all or part of his entitlement to cash) or cash (instead of all or some of his entitlement to New RBS Ordinary Shares) to which he would otherwise be entitled under the Basic Terms in respect of the number of NatWest Ordinary Shares inserted, or deemed to be inserted, in Box 4B or the percentage of New RBS Ordinary Shares inserted, or deemed to be inserted, in Box 4A of the Form of Acceptance respectively;
 - (iv) an election under the Loan Note Alternative in respect of such percentage of cash as would otherwise be paid pursuant to the Basic Terms and any Additional Cash Election (but not under the Partial Cash Alternative) as is inserted, or deemed to be inserted, in Box 5 of the Form of Acceptance;
 - (v) an irrevocable request and authority to RBS or their agents to procure the despatch by post of a cheque in respect of the consideration payable to such shareholder in respect of his acceptance of the Basic Terms and/or the Partial Cash Alternative and/or the Additional Cash Election at such shareholder's risk to the person or agent whose name and address outside the United States, Canada, Australia and Japan are set out in Box 1 or Box 9B on the Form of Acceptance or, if none is set out, to the first-named holder at his registered address outside the United States, Canada Australia and Japan; and
 - (vi) an undertaking to execute any further documents, take any further action and give any further assurances which may be required to enable RBS to obtain the full benefit of the terms of this Appendix II and/or to perfect any of the authorities expressed to be given hereunder or otherwise in connection with such NatWest Ordinary Shareholder's acceptance of the Increased Offer,

in each case on and subject to the terms and conditions set out or referred to in this document and the Form of Acceptance and that, subject only to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix II, each such acceptance and election shall be irrevocable;

- (b) that the NatWest Ordinary Shares in respect of which the Increased Offer is accepted or deemed to be accepted are sold free from all liens and encumbrances, rights of pre-emption and any other third party rights and interests of any nature whatsoever and together with all rights attaching thereto on or after 29 November 1999 including, without limitation, voting rights and the right to receive and retain all dividends and other distributions declared, made or payable on or after 29 November 1999;
- (c) that, unless "NO" is inserted in Box 8 of the Form or Acceptance:
 - (i) the Form of Acceptance and any related offering documents have not been mailed or otherwise distributed or sent (directly or indirectly) in, into or from the United States,

- Canada, Australia or Japan or any other jurisdiction where such actions may constitute a breach of any legal or regulatory requirements of such jurisdiction;
- (ii) in connection with the Increased Offer, there has been no use, directly or indirectly, of the mails or any means or instrumentality (including, without limitation, by means of facsimile or electronic transmission, telephone or internet) of interstate or foreign commerce of or any facilities of a securities exchange of, or in or into, the United States;
- (iii) such NatWest Ordinary Shareholder was outside the United States, Canada, Australia and Japan when the Form of Acceptance was sent and at the time of accepting the Increased Offer in respect of the NatWest Ordinary Shares to which such Form of Acceptance relates;
- (iv) in respect of the NatWest Ordinary Shares to which the Form of Acceptance relates, such NatWest Ordinary Shareholder is not an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given any instructions with respect to the Increased Offer from outside the United States, Canada, Australia and Japan; and
- (v) if such accepting NatWest Ordinary Shareholder is not a citizen, resident or national of the United Kingdom, he has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or other requisite payments due from him in each case due in connection with such acceptance, in any jurisdiction and that he has not taken or omitted to take any action which will or may result in RBS, Merrill Lynch or Goldman Sachs or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Increased Offer,

An appropriate form of acceptance for use by U.S. shareholders, in which the representations in paragraphs (i) through (v) above will not apply in relation to or in respect of the United States, is available for use in the United States from D.F. King & Co., the U.S. information agent, by calling (212) 269-5580 or (800) 714-3110.

- (d) that the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes, subject to the Increased Offer becoming unconditional in all respects in accordance with its terms, the irrevocable separate appointment of each of RBS, Merrill Lynch and Goldman Sachs and their respective directors, authorised representatives and agents as such NatWest Ordinary Shareholder's attorney and/or agent (the "attorney"), and an irrevocable instruction to the attorney (in accordance with Section 4 of the Powers of Attorney Act 1971) to complete and execute all or any form(s) of transfer and/or other document(s) at the discretion of the attorney in relation to the NatWest Ordinary Shares referred to in paragraph (a)(i) above, in respect of which the accepting NatWest Ordinary Shareholder has not validly withdrawn the acceptance, in favour of RBS or such other person or persons as RBS or its agents may direct and to deliver such form(s) of transfer and/or other document(s) at the discretion of the attorney together with any share certificate(s) and/or other document(s) of title relating to such NatWest Ordinary Shares for registration within six months of the Increased Offer becoming unconditional in all respects and to do all such other acts and things as may in the opinion of the attorney be necessary or expedient for the purposes of, or in connection with, the acceptance of the Increased Offer and to vest in RBS or its nominee(s) the full legal and beneficial ownership of the NatWest Ordinary Shares as aforesaid;
- (e) that the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes the irrevocable appointment of the Receiving Agent as such NatWest Ordinary Shareholder's attorney and/or agent ("the attorney") and with an irrevocable instruction and authority to the attorney:
 - (i) subject to the Increased Offer becoming unconditional in all respects in accordance with its terms and to an accepting NatWest Ordinary Shareholder not having validly withdrawn the acceptance in accordance with paragraph 3 of Part B of this Appendix II, to transfer to itself (or to such other person or persons as RBS or its agents may direct) by means of CREST all or any of the Relevant NatWest Ordinary Shares (as defined below) (but not exceeding the aggregate number of NatWest Ordinary Shares in respect of which the

- Increased Offer is accepted or deemed to be accepted and in respect of which acceptance has not been validly withdrawn); and
- (ii) if the Increased Offer does not become unconditional in all respects, to give instructions to CRESTCo, immediately after the lapsing of the Increased Offer (or within such longer period as the Panel may permit, not exceeding 14 days from the lapsing of the Increased Offer), to transfer all Relevant NatWest Ordinary Shares to the original balance of an accepting NatWest Ordinary Shareholder,

and for the purposes of this paragraph (e) "Relevant NatWest Ordinary Shares" means NatWest Ordinary Shares in uncertificated form and in respect of which a transfer or transfers to escrow has or have been effected pursuant to the procedures described in paragraph 12(d) of the letter from Merrill Lynch and Goldman Sachs contained in this document and where the transfer(s) to escrow was or were made in respect of NatWest Ordinary Shares held under the same member account ID and participant ID as the member account ID and participant ID relating to the Form of Acceptance concerned (but irrespective of whether or not any Form of Acceptance reference number, or a Form of Acceptance reference number corresponding to that appearing on the Form of Acceptance concerned, was included in the TTE instruction concerned);

- (f) that the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes, subject to the Increased Offer becoming unconditional in all respects in accordance with its terms and to the accepting NatWest Ordinary Shareholder not having validly withdrawn the acceptance in accordance with paragraph 3 of Part B of this Appendix II, a separate and irrevocable authority and request:
 - (i) to NatWest or its agents to procure the registration of the transfer of the NatWest Ordinary Shares referred to in paragraph (a)(i) above in certificated form pursuant to the Increased Offer and the delivery of the share certificate(s) and/or any document(s) of title in respect thereof to RBS or as it may direct;
 - (ii) (subject to the provisions of paragraph 9 of Part B of this Appendix II) to RBS or its agents to procure, if applicable, that such NatWest Ordinary Shareholder's name is entered in the register of members of RBS in respect of the New RBS Ordinary Shares and in the register of holders of Loan Notes in respect of the Loan Notes to which he is entitled, subject in the case of the New RBS Ordinary Shares to the terms of the articles of association of RBS, and to procure the issue of a definitive certificate(s) of title for such Loan Notes;
 - (iii) to RBS or its agents, to record and act upon any instructions with regard to payments or notices which have been entered in the records of NatWest in respect of such NatWest Ordinary Shareholder's holding(s) of NatWest Ordinary Shares as if such mandates had been given in respect of his holding(s) of New RBS Ordinary Shares and/or Loan Notes, save to the extent that such NatWest Ordinary Shareholder has an existing holding of RBS Ordinary Shares in which case the execution of the Form of Acceptance and delivery to the Receiving Agent constitutes a separate request to RBS or its agents to act upon any instructions with regard to payments or notices which have been entered in the records of RBS in respect of such existing RBS Ordinary Shares as if such mandates had been given in respect of his holding(s) of New RBS Ordinary Shares and/or Loan Notes:
 - (iv) if the NatWest Ordinary Shares concerned are in certificated form (subject to the provisions of paragraph 9 of Part B of this Appendix II), to Merrill Lynch and Goldman Sachs, or their respective agents, to procure the despatch by post (or such other method as may be approved by the Panel) of a cheque in respect of any cash payment and/or any documents of title for any New RBS Ordinary Shares and/or Loan Notes to which such NatWest Ordinary Shareholder is entitled under the terms of the Increased Offer, at the risk of such NatWest Ordinary Shareholder, to the person or agent whose name and address outside Canada, Australia or Japan is set out in Box 1 or Box 9A or Box 9B (as the case may be) of the Form of Acceptance or, if none is set out, to the first-named or sole holder at his registered address outside the United States (unless an appropriate US registration statement has been declared effective and any necessary filings have been made), Canada, Australia or Japan; and
 - (v) if the NatWest Ordinary Shares concerned are in uncertificated form, to Merrill Lynch and Goldman Sachs, or their respective agents, (subject to the provisions of paragraph 9 of

Part B of this Appendix II) to procure the creation of an assured payment obligation in favour of the NatWest Ordinary Shareholder's payment bank in accordance with the CREST assured payment arrangements in respect of any cash payment in respect of fractional entitlements to New RBS Ordinary Shares (provided that RBS may (if, for any reason, it wishes to do so) determine that all or any part of such cash payment in respect of factional entitlements shall be paid by cheque despatched by post) and to issue any New RBS Ordinary Shares to which such NatWest Ordinary Shareholder is entitled in uncertificated form and procure the despatch by post (or such other method as may be approved by the Panel) of the documents of title for any Loan Notes to which the NatWest Ordinary Shareholder is entitled provided that paragraph (iv) above shall apply to the despatch of any consideration by post pursuant to this paragraph (v);

- (g) that the execution of the Form of Acceptance and its delivery to the Receiving Agent constitutes a separate authority to each of RBS, Merrill Lynch and Goldman Sachs and their respective directors in the terms of paragraph 7 of Part B of this Appendix II;
- (h) that, subject to the Increased Offer becoming unconditional in all respects in accordance with its terms (or, in the case of voting by proxy, if the Increased Offer will become unconditional in all respects or lapse depending upon the outcome of the resolution in question or in such other circumstances as RBS may request and the Panel may permit), in respect of the NatWest Ordinary Shares in respect of which the Increased Offer has been accepted or is deemed to be accepted, which acceptance has not been validly withdrawn, and which have not been registered in the name of RBS or as it may direct:
 - (i) RBS or its agents shall be entitled to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general meeting or separate class meeting of NatWest) attaching to any such NatWest Ordinary Shares;
 - (ii) the execution of a Form of Acceptance by the NatWest Ordinary Shareholder shall constitute, with regard to such NatWest Ordinary Shares:
 - (A) an authority to NatWest or its agents from such NatWest Ordinary Shareholder to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of NatWest (including any share certificate(s) or other document(s) of title issued as a result of conversion of such NatWest Ordinary Shares into certificated form) to RBS at its head office;
 - (B) an authority to RBS or its agents to sign any consent to short notice of a general meeting or separate class meeting on his behalf and/or to execute a form of proxy in respect of such NatWest Ordinary Shares appointing any person nominated by RBS to attend general meetings and separate class meetings of NatWest or its members or any of them (and any adjournment thereof) and to exercise the votes attaching to such NatWest Ordinary Shares on his behalf, such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Increased Offer; and
 - (C) the agreement of such NatWest Ordinary Shareholder not to exercise any of such rights without the consent of RBS and the irrevocable undertaking of such NatWest Ordinary Shareholder not to appoint a proxy for or to attend any such general meeting or separate class meeting;
- (i) that he will deliver to the Receiving Agent at any of the addresses set out in paragraph 12(b) of the letter from Merrill Lynch and Goldman Sachs contained in this document, his share certificate(s) and/or other document(s) of title in respect of the NatWest Ordinary Shares in certificated form referred to in paragraph (a)(i) of this Part C and in relation to which acceptance has not been validly withdrawn in accordance with paragraph 3 of Part B of this Appendix II, or an indemnity acceptable to RBS in lieu thereof, as soon as possible and in any event within six months of the Increased Offer becoming unconditional in all respects;
- (j) that he will take (or procure to be taken) the action set out in paragraph 12(b) of the letter from Merrill Lynch and Goldman Sachs contained in this document to transfer all NatWest Ordinary Shares in respect of which the Increased Offer has been accepted or is deemed to have been accepted and not validly withdrawn held by him in uncertificated form to an escrow balance as

- soon as possible and in any event so that the transfer to escrow settles within six months of the Increased Offer becoming unconditional in all respects;
- (k) that if, for any reason, any NatWest Ordinary Shares in respect of which a transfer to escrow balance has been effected in accordance with paragraph 12(d) of the letter from Merrill Lynch and Goldman Sachs contained in this document are converted to certificated form, he will (without prejudice to paragraph (h)(ii)(A) above) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such NatWest Ordinary Shares as so converted to the Receiving Agent at any of the addresses referred to in paragraph 12(b) of the letter from Merrill Lynch and Goldman Sachs contained in this document or to RBS at its head office or as RBS or its agents may direct;
- (I) that the creation of an assured payment obligation in favour of his payment bank in accordance with the CREST assured payments arrangements as referred to in paragraph (f)(v) above shall, to the extent of the obligation so created, discharge in full any obligation of RBS and/or Merrill Lynch and/or Goldman Sachs to pay him any cash payment to which he is entitled under the terms of the Increased Offer;
- (m) that, if he accepts the Increased Offer, he will do all such acts and things as may, in the opinion of RBS or the Receiving Agent be necessary or expedient to vest in RBS or its nominees(s), or such other person as RBS may decide, title to the number of NatWest Ordinary Shares inserted or deemed to be inserted in Box 2 of the Form of Acceptance and all such acts and things as may be necessary or expedient to enable the Receiving Agent to perform its functions as Escrow Agent for the purpose of the Increased Offer;
- (n) that the terms and conditions of the Increased Offer (and, if relevant, the Mix and Match Election and/or the Partial Cash Alternative and/or the Loan Note Alternative) contained in this document shall be incorporated in and form part of the Form of Acceptance, which shall be read and construed accordingly;
- (o) that he agrees to ratify each and every act or thing which may be done or effected by RBS, Merrill Lynch and/or Goldman Sachs or any of their respective directors or agents or NatWest or its agents, as the case may be, in the proper exercise of any of the powers and/or authorities hereunder:
- (p) that he will do all such acts and things as shall be necessary or expedient to vest in RBS (or its nominees or such other persons as it may decide) full legal and beneficial ownership of the NatWest Ordinary Shares to which such acceptance relates;
- (q) that, upon execution and delivery, any Form of Acceptance shall take effect as a deed;
- (r) that if any provision of Part B or Part C of this Appendix II shall be unenforceable or invalid or shall not operate so as to afford RBS, Merrill Lynch or Goldman Sachs or any authorised representative of any of them or their respective agents the benefit or authority expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents as may be required to enable those persons to secure the full benefits of Part B or Part C of this Appendix II; and
- (s) that he submits, in relation to all matters arising out of the Increased Offer (including, to the extent relevant, the Mix and Match Election and/or the Partial Cash Alternative and/or the Loan Note Alternative) and the Form of Acceptance, to the jurisdiction of the English courts.

References in this Part C to a NatWest Ordinary Shareholder shall include references to the person or persons executing a Form of Acceptance and in the event of more than one person executing a Form of Acceptance the provisions of this Part C shall apply to them jointly and to each of them. If an agent is appointed in the United States to perform similar functions to those performed by the Receiving Agent, the foregoing appointments, authorities and requests shall (except where the context requires otherwise) *mutatis mutandis* apply to such agent to the same extent that they apply to the Receiving Agent.

APPENDIX III

Particulars of the Loan Notes

The Loan Notes will be created by resolution of the Board of RBS and will be constituted by an instrument (the "Instrument") which will contain, among other things, provisions to the effect set out below:

1. Form and status

- 1.1 The Loan Notes will be issued by RBS, credited as fully paid, in amounts and integral multiples of £1 and will constitute unsecured and unsubordinated obligations of RBS. Fractional entitlements to Loan Notes will be disregarded and will not be issued, and no payment in respect thereof will be made, to persons accepting the Increased Offer. The Instrument will not contain any restrictions on borrowing by RBS or the disposal or charging of its assets.
- 1.2 Steps have not been taken to enable the Loan Notes to be offered in compliance with applicable securities laws of Canada or Japan and no prospectus in relation to the Loan Notes has been, or will be, lodged with, or registered by, the Australian Securities Commission.

2. Interest

- 2.1 The Loan Notes will bear interest per annum at LIBOR from, and including, the date of issue to the relevant holder of Loan Notes to (but excluding) the date of their redemption or purchase. "LIBOR" means, in respect of any interest period (as defined in paragraph 2.3 below), the rate which appears on the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the relevant page of the Bloomberg Financial Markets monitor as being the interest rates offered in the London Inter-Bank Market, as at 11.00 a.m. (London time) or as soon as practicable thereafter on the first day of any Interest Period (as defined in paragraph 2.3 below), or, if that day is not a Business Day, on the next preceding Business Day (as defined in paragraph 2.3 below), for six month deposits of pounds sterling or of the currency in which, at the time of the display, the notes are denominated (the "Loan Note Currency").
- 2.2 If the Interest Rate cannot be established in accordance with paragraph 2.1 for any Interest Period then the Interest Rate for that Interest Period shall be the arithmetic mean (rounded down, if necessary, to 4 decimal places) of the respective rates which are quoted, as of 11.00 a.m. (London time) or as soon as practicable thereafter, on the first day of that Interest Period or, if such a day is not a Business Day, on the next preceding Business Day, on the LIBOR page on the Reuters Monitor Money Rates Service (or such other page or service as may replace it for the purposes of displaying London inter-bank offered rates of leading reference banks in respect of pounds sterling or of the currency which is, at the time of the quote(s), the Loan Note Currency) as being the interest rates offered in the London Inter-Bank Market for six month deposits of pounds sterling or of the currency which is, at the time of the quote(s), the Loan Note Currency, but:
 - (i) if only two or three such offered quotations appear, the relevant arithmetic mean (rounded as mentioned above) shall be determined on the basis of those offered quotations; and
 - (ii) if no, or only one, such offered quotation appears, the relevant arithmetic mean (rounded as mentioned above) shall be determined instead on the basis of the respective rates (as quoted to the calculation agent at its request) at which any one or more banks selected by the calculation agent for such purpose (which bank or banks shall be so selected in consultation with RBS) is offering six month deposits of pounds sterling or of the currency which, at the relevant time, is the Loan Note Currency to leading banks in the London Inter-Bank Market at or as soon as practicable after 11.00 a.m. (London time) on the first day of the relevant Interest Period or, if that day is not a Business Day, on the next preceding Business Day.
- 2.3 Interest on the Loan Notes will accrue at the Interest Rate for the relevant Interest Period (as defined below) from day to day and will be calculated on the basis of a 365 day year and the

actual number of days elapsed in that Interest Period. Interest will be payable (subject to any requirement to deduct tax therefrom) by twice yearly instalments in arrears on the Interest Payment Dates on 30 June and 31 December in each year or, if either such day is not a Business Day (as defined below), on the next following Business Day in respect of the Interest Periods ending on (and including) the day immediately before those Interest Payment Dates, except that the first interest payment on the Loan Notes, which shall be made on 30 June 2000, will be in respect of the period from (and including) the date of issue to the relevant Holder of Loan Notes to (and including) 29 June 2000. Each of the periods from (and including) the date of issue of Loan Notes to the relevant Holder to (and including) the day immediately before 30 June 2000 and from (and including) 30 June 2000 or any subsequent interest payment date to (and including) the day immediately before the next following interest payment date is herein called an Interest Period. Business Day means a day other than a Saturday, Sunday or public holiday, on which banks generally are open for normal banking business in the City of London and the Borough of Manhattan in the City of New York.

3. Redemption, purchase and repayment

- 3.1 Unless previously redeemed or purchased by RBS and cancelled as provided below, the Loan Notes will be repaid for cash at par on the fifth anniversary of the date on which the Increased Offer becomes or is declared unconditional in all respects (or, if such day is not a business day, on the next following business day) (the "Maturity Date") together with interest accrued up to (but excluding) such date (subject to any requirement to deduct or withhold tax therefrom).
- 3.2 RBS or any of its subsidiaries may at any time purchase Loan Notes at any price by tender available to all the holders of Loan Notes ("Noteholders") alike or otherwise by agreement with any Noteholder.
- 3.3 A Noteholder may, by giving notice to RBS: (i) not later than 30 days prior to 31 March 2001 or (ii) not later than 30 days prior to any subsequent Interest Payment Date (other than the Maturity Date), require RBS to repay the whole or part (being £100 in nominal amount or an integral multiple thereof) of any of its holding of Loan Notes on the business day specified in its notice, which shall be, in the case of (i), 31 March 2001 or, in the case of (ii), any Interest Payment Date on or after 30 June 2001.
- 3.4 If at any time the aggregate amount of all the Loan Notes outstanding is less than £100 million RBS may, by giving not less than thirty days' notice, redeem all of the outstanding Loan Notes in cash at their principal amount, together with accrued interest up to, but excluding, the date of repayment (subject to any requirement to deduct or withhold tax therefrom) on any interest payment date falling after 31 December 2000.
- 3.5 A Noteholder shall be entitled to call for immediate repayment of any of his Loan Notes at their principal amount, together with accrued interest (subject to any requirement to deduct or withhold tax therefrom) if:
 - 3.5.1 any principal or interest on any of the Loan Notes shall fail to be paid in full within thirty days after the due date for payment thereof; or
 - 3.5.2 RBS fails to perform or observe any of its other obligations under the Instrument or the Loan Notes and (except in the case of a failure to observe a payment obligation under the terms of the Instrument or of the Loan Notes) such failure continues for a period of 30 days after written notice thereof has been given by the Trustee; or
 - 3.5.3 an order is made or an effective resolution is passed for the winding-up, dissolution or liquidation of RBS (except in any such case for the purpose of certain consolidations, amalgamations, mergers or transfers).
- 3.6 Any Loan Note redeemed, repaid or purchased in accordance with the provisions of the Instrument shall be cancelled and shall not be available for reissue.
 - RBS is required to furnish periodic evidence as to the absence of default and as to compliance with the terms of the Instrument.

4. Unsecured obligations

The Loan Notes will be unsecured and unsubordinated obligations of RBS ranking *pari passu* with its other unsecured and unsubordinated obligations apart from those which are preferred by any law relating to insolvency or laws relating to creditors generally.

5. No Listing

No application has been or will be made to any recognised stock exchange for the Loan Notes to be listed or dealt in.

6. Transfer

The Loan Notes will be transferable, except into certain overseas jurisdictions as explained in paragraph 1.2 above, in amounts or integral multiples of £100 or of the entire holding of a Noteholder provided that no transfer will be registered within a 21 day period prior to an interest payment date or a date by which a payment in respect of interest or principal is required to be paid by RBS.

7. Prescription

Noteholders will cease to be entitled to amounts due in respect of interest or principal which remain unclaimed for a period of five years, in each case from the date on which the relevant payment first becomes due, and such amounts shall revert to RBS.

8. Modification of rights

- 8.1 Without the consent of any Noteholders, RBS, when authorised by a board resolution, and the trustee, at any time and from time to time, may enter into one or more supplemental indentures for any of the following purposes:
 - 8.1.1 to evidence the succession of another corporation to RBS and the assumption by any such successor of the covenants of RBS in the Instrument and in the Loan Notes; or
 - 8.1.2 to add to the covenants of RBS for the benefit of the Holders of Loan Notes or to surrender any right or power conferred upon RBS by the Instrument; or
 - 8.1.3 to add any additional events of default or defaults; or
 - 8.1.4 to secure the Loan Notes: or
 - 8.1.5 to change any place of payment; or
 - 8.1.6 to cure any ambiguity, to correct or supplement any provision in the Instrument which may be defective or inconsistent with any other provision in the Instrument or in any supplemental indenture; or
 - 8.1.7 to make any other provisions with respect to matters or questions arising under the Instrument, provided such action shall not adversely affect the interests of the Holders of Loan Notes: or
 - 8.1.8 to evidence and provide for the acceptance of appointment under the Instrument by a successor trustee; or
 - 8.1.9 to change or eliminate any provision of the Instrument in order to comply with the U.S. Trust Indenture Act of 1939, as amended.
- 8.2 With the consent of the holders of not less than a majority in aggregate principal amount of the outstanding Loan Notes, by act of said holders delivered to RBS and the trustee, RBS, when authorised by a board resolution, and the trustee may enter into a supplemental indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Instrument or of modifying in any manner the rights of the holders of Loan Notes under the Instrument; provided, however, that no such supplemental indenture may, without the consent of the holders of each outstanding loan note affected thereby:
 - 8.2.1 change the stated maturity, if any, of any principal amount or any interest amounts in respect of any such Loan Note, reduce the principal amount thereof or the rate of interest, if any, thereon, or the currency of payment of the principal amount of, or interest, if any, on, any such Loan Note, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or
 - 8.2.2 reduce the percentage in aggregate principal amount of the outstanding Loan Notes, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Instrument or of certain defaults thereunder and their consequences) provided for in the Instrument; or

- 8.2.3 modify any of the provisions of the Instrument regarding modifications except to increase any such percentage or to provide that certain other provisions of the Instrument cannot be modified or waived without the consent of the holders of each outstanding Loan Note affected thereby); or
- 8.2.4 change in any manner adverse to the interests of the holders of any Loan Notes the subordination provisions of the Loan Notes or the terms and conditions of the obligations of RBS in respect of the due and punctual payment of any amounts due and payable on the Loan Notes.

9. Issue of further Loan Notes

The aggregate principal amount of the original issue of the Loan Notes will be limited to such amount as is required to satisfy acceptance in full of the Increased Offer. RBS may from time to time by resolution of the Board of RBS create and issue further loan notes to form a single issue with the original Loan Notes, or cancel any Loan Notes created but unissued.

10. Substitution

The Instrument will contain provisions entitling RBS, without the consent of the Noteholders, to substitute any member of the RBS Group organised and resident for tax purposes in the United Kingdom in respect of all rights and obligations of RBS as the principal debtor or debtors under the Instrument and the Loan Notes. Reference to RBS in this summary shall be construed to apply to the substitute issuer (if any) from time to time for RBS.

11. Right to Additional Securities

Each Noteholder will have the right to acquire (by subscription at a nominal value of an amount up to or equal to such Noteholder's holding of Loan Notes, such amount to be payable in cash in full on subscription) additional loan notes to be issued by a subsidiary of RBS ("Additional Notes") on terms and conditions substantially the same as those applicable to the Loan Notes, except as follows:

- 11.1 the rate of interest on the Additional Notes shall be one per cent. below the rate referred to in paragraph 2 above; and
- 11.2 the Additional Notes shall not carry any right to acquire further additional securities.

12. Governing Law

The Instrument will be governed by and construed in accordance with the law of State of New York, except that the obligation to pay principal and interest at maturity or upon redemption shall be governed by English law. Otherwise the Loan Notes and the Instrument will be governed by English law.

13. Indenture

The Instrument will be an indenture qualified under the U.S. Trust Indenture Act of 1939, as amended. The Bank of New York will be appointed to act as trustee under the Instrument.

APPENDIX IV

RBS PROFIT FORECAST

FORECAST GROUP RESULTS FOR THE HALF-YEAR TO 31 MARCH 2000

The Board of The Royal Bank of Scotland Group plc ("RBS") forecasts that, subject to unforeseen circumstances and on the basis and assumptions, including the notes to the Group profit forecast, which form an integral part of this forecast, the Group results for the half year to 31 March 2000 ("the forecast Group results") will be as follows:

	Forecast Half-year 2000 £m	Half-year 1999 £m	Forecast % increase	Full year 1999 £m
Profit before tax and exceptional items (not less than)	651	531	23	1,211
Profit before tax (not less than)	695	531	31	1,211
Profit attributable to ordinary shareholders (not less than)	433	333	30	_776
Earnings per ordinary share (not less than)	48.4p	37.9p	28	87.8p

1. Basis

The profit forecast is based on:

- the unaudited management accounts of the RBS Group for the three months to 31 December 1999 presented to and approved by the Group Board; and
- management estimates and forecasts for the three months ending 31 March 2000. Such management forecasts are based on current operating experience and expected market and economic conditions.

The profit forecast excludes any anticipated post acquisition profits and losses of NatWest, related financing and capital raising transactions and costs, other direct costs of acquisition and post acquisition costs, such as integration costs. The anticipated costs of the Offer and associated capital raising total £264,500,000, further details of which are stated in paragraph 15.1 of the Supplementary Listing Particulars. In the event the Offer is unsuccessful the anticipated costs payable by RBS will be significantly lower.

2. Group accounting policies

The profit forecast was prepared on the basis of the accounting policies adopted by the RBS Group in the audited accounts for the year ended 30 September 1999 and as amended for changes arising from the adoption of Financial Reporting Standard ("FRS") 15, Tangible Fixed Assets, and FRS 16, Current Tax. The adoption of these new accounting standards does not have a material impact on the RBS Group.

3. Assumptions

The principal assumptions on which the forecast is based and which are outside the Directors' control are:

- There will be no material change in the present management or control of the RBS Group.
- There will be no material change to the RBS Group's customers' ability to meet their obligations to the RBS Group from that currently anticipated by the Directors.
- There will be no material change in legislation or regulatory requirements impacting the RBS Group's operations or its accounting policies. Any further guidance issued by the Financial Services Authority in respect of providing for pensions mis-selling will not have a material adverse affect on the RBS Group.
- There will be no material change in interest rates or exchange rates from those currently prevailing.
- There will not be any material change in the rates or bases of taxation, both direct and indirect, affecting the RBS Group from those currently prevailing.
- There will not be any changes in general trading and economic conditions in the countries in which the RBS Group operates or trades which would materially affect the RBS Group's business.
- There will be no material changes in the market value of listed investments held by the RBS Group.
- There will be no natural disasters or other circumstances which would cause there to be a materially adverse change in the level of insurance claims in the forecast period other than that which the RBS Group has historically experienced.
- There will be no changes in circumstances (credit, operational or otherwise) affecting the performance of the RBS Group's underwriters or other trading companies which would have a materially adverse effect on the RBS Group.
- There will be no major disruptions to the businesses of the RBS Group, its suppliers or its major customers by reason of industrial disruption, civil disturbance or government action.
- There will be no material losses arising in respect of the RBS Group's contingent liabilities.
- Any Year 2000 problems at RBS Group's key counterparties will not have a materially adverse financial impact on the RBS Group.
- Results of businesses giving rise to dealing profits in the second quarter have been assumed to follow trends of the first quarter.

4. Notes to the forecast Group results

(a) Forecast consolidated profit and loss account (unaudited)

	Forecast before exceptional items £m	Forecast exceptional items £m	Forecast Half- year 2000 £m	Half- year 1999 £m	(Audited) Full Year 1999 £m
NET INTEREST INCOME	1,033		1,033	865	1,756
NON-INTEREST INCOME	824	_	824	753	1,672
General insurance premiums (net of reinsurance)	468		468	335	710
TOTAL INCOME	2,325	_	2,325	1,953	4,138
OPERATING EXPENSES	1,133	55	1,188	1,011	2,048
PROFIT BEFORE OTHER OPERATING CHARGES	1,192	(55)	1,137	942	2,090
General insurance claims (net of reinsurance)	395	— (30 <i>)</i>	395	302	590
PROFIT BEFORE PROVISIONS FOR BAD					
AND DOUBTFUL DEBTS	797	(55)	742	640	1,500
Provisions for bad and doubtful debts	146	`—	146	108	276
Amounts written off investments		_		1	13
GROUP OPERATING PROFIT	651	(55)	596	531	1,211
Profit on sale of business		99	99		
PROFIT ON ORDINARY ACTIVITIES BEFORE					
TAX	651	44	695	531	1,211
Tax on Group profit on ordinary activities	(199	·		(164)	
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	452	31	483	367	850
Minority interests—equity	7	_	7	2	6
PROFIT AFTER MINORITY INTERESTS	459	31	490	369	856
Preference dividends	57		57	36	80
PROFIT ATTRIBUTABLE TO					
ORDINARYSHAREHOLDERS	402	<u>31</u>	433	333	
EARNINGS PER ORDINARY SHARE Adjustments to exclude exceptional items:			48.4p	37.9p	87.8p
Restructuring costs on acquisitions			4.3p	_	_
Profit on sale of business			_(7.7p)		
ADJUSTED EARNINGS PER ORDINARY SHARE			45.0p	37.9p	87.8p

4. Notes to the forecast Group results (continued)

Group profit before tax up 31%, from £531 million to £695 million. Profit before tax and exceptional items up by 23%, from £531 million to £651 million.

Net interest income up by 19% to £1,033 million.

Non-interest income, excluding general insurance, up by 9% to £824 million.

General insurance premium income, after reinsurance, up by 40% to £468 million.

Total income up by 19% to £2,325 million.

Operating expenses, before exceptional items, up by 12% to £1,133 million.

Group cost:income ratio improves from 51.8% to 48.7%.

General insurance claims, after reinsurance, up by 31% to £395 million.

Provisions for bad debts up by £38 million to £146 million.

Exceptional items of £99 million from the sale of the Group's main investor services businesses and exceptional restructuring costs of £55 million in relation to Citizens' acquisitions.

Tax charge of £212 million on profits before tax of £695 million, an effective rate of 30.5%.

Profit attributable to ordinary shareholders, after tax, minority interests and preference dividends, up by 30%, from £333 million to £433 million.

Earnings per share up by 28%, from 37.9p to 48.4p. After adjusting for the exceptional items, earnings per share up by 19%, from 37.9p to 45.0p.

(b) Segmental analysis of forecast Group operating profit before exceptional items is shown below.

	Forecast Half-year	Half- year	(Audited) Full Year
	2000	1999	1999
	£m	£m	£m
UK Bank	411	344	736
New Retail Financial Services Businesses	(1)	(17)	(26)
Angel Trains	33	24	53
RBS Cards	47	37	85
Direct Line Insurance Division	14	9	93
Citizens	135	119	242
The Royal Bank of Scotland International	44	34	70
Central Items	(32)	(26)	(56)
Investor Services—discontinued	_	7	14
Group operating profit before exceptional items	651	531	1,211

Privilege Insurance (previously included in the New Retail Financial Services Businesses) is now included with Direct Line Insurance and Green Flag as the Direct Line Insurance Division. The 1999 figures have been adjusted to reflect this.

REPORT BY REPORTING ACCOUNTANTS

The letter by the reporting accountants included in this Appendix (the "letter") is provided solely on the basis of and in accordance with standards and practices established in the United Kingdom. The letter is included to comply with the requirements and rules of the London Stock Exchange and the City Code on Takeovers and Mergers of the United Kingdom.

The form of the letter does not comply with generally accepted auditing standards in the United States of America ("US GAAS") since US GAAS does not provide for an expression of an opinion on a review of a profit forecast or the performance of agreed upon procedures on such information. In order to express an opinion in conformity with US GAAS, an examination greater in scope than that performed would be required. Although not prepared in accordance with professional reporting standards or practices in the United States of America (the "US"), the letter is being provided to the US shareholders in accordance with the requirements of the US Securities and Exchange Commission.



PricewaterhouseCoopers PO Box 90 Erskine House 68-73 Queen Street Edinburgh EH2 4NH

The Directors
The Royal Bank of Scotland Group plc
42 St Andrew Square
EDINBURGH
EH2 2YE

The Directors
Merrill Lynch International
Ropemaker Place
25 Ropemaker Street
LONDON
EC2Y 9LY

The Directors
Goldman Sachs International
Peterborough Court
133 Fleet Street
LONDON
EC4A 2BB

31 January 2000

Dear Sirs

We refer to the statement made by the Board of The Royal Bank of Scotland Group plc ("RBS") entitled the "Forecast Group Results for the Half Year to 31 March 2000" set out in Appendix IV to the Increased Offer Document dated 31 January 2000 issued on behalf of RBS regarding the profit forecast of RBS and its subsidiary and associated undertakings ("the RBS Group"), together with note 4, "Notes to the Forecast Group Results" to the profit forecast, for the six months ending 31 March 2000 ("the forecast results").

We have reviewed the basis of compilation and the accounting policies for the forecast results. The forecast results, for which the directors of RBS are solely responsible, include the results shown by unaudited management accounts for the three months ended 31 December 1999 and a forecast for the three months ending 31 March 2000.

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board of the United Kingdom.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America ("US") and accordingly should not be relied upon as if our work had been carried out in accordance with those standards. This letter has been prepared in accordance with standards and practices established in the United Kingdom for use solely in connection with the offer by Merrill Lynch International and Goldman Sachs International, on behalf of RBS, for the entire issued share capital of National Westminster Bank plc. This letter has not been prepared in connection with the filing of a registration statement with the US Securities and Exchange Commission and does not comply with United States generally accepted auditing standards. Accordingly, under United States auditing standards we are unable to express any opinion with respect to the forecast results of the RBS Group.

In our opinion the forecast results of the RBS Group have been properly compiled on the basis stated and the basis of accounting is consistent with the accounting policies of RBS.

Yours faithfully

PricewaterhouseCoopers Chartered Accountants



Peterborough Court 133 Fleet Street London EC4A 2BB Registered in England No. 2263951



Ropemaker Place 25 Ropemaker Street London EC2Y 9LY Registered in England No. 2312079

The Directors
The Royal Bank of Scotland Group plc
42 St Andrew Square
Edinburgh EH2 2YE

January 31, 2000

Dear Sirs

THE ROYAL BANK OF SCOTLAND GROUP pic PROFIT FORECAST

We refer to the profit forecast made by The Royal Bank of Scotland Group plc ("RBS") for the six months ending 31 March 2000, which is set out in this document.

We have discussed the profit forecast and the basis and assumptions on which it has been prepared with you as Directors of RBS. We have also discussed the accounting policies and calculations for the profit forecast with PricewaterhouseCoopers, RBS's auditors, and we have considered their letter of 28 January 2000 addressed to yourselves and ourselves on this matter. We have relied upon the accuracy and completeness of all of the financial and other information discussed with us and have assumed such accuracy and completeness for the purposes of rendering this letter.

This report is provided in compliance with Rules 28.3(b) and 28.4 of the City Code on Takeovers and Mergers and Paragraph 2.15 of the Listing Rules of the London Stock Exchange.

On the basis of the foregoing, we consider that the profit forecast referred to above, for which the Directors of RBS are solely responsible, has been made with due care and consideration.

Yours faithfully

for and on behalf of Merrill Lynch International for and on behalf of Goldman Sachs International

Matthew Greenburgh Managing Director Andrew Chisolm Managing Director

APPENDIX V

Bases and Sources of Information

- (a) Unless otherwise stated, financial and other information concerning RBS, Bank of Scotland and NatWest has been extracted or derived from the interim statements, preliminary results and the annual reports and accounts of each company for the relevant periods, or from other published sources or from RBS management sources. In respect of NatWest, financial and other information has also been extracted or derived from some or all of the documents circulated by NatWest to NatWest Ordinary Shareholders dated 27 October 1999, 12 November 1999, 29 November 1999, 20 December 1999 and 24 January 2000 and from the Legal & General Offer Documents. In addition, in respect of Bank of Scotland, financial and other information has been extracted or derived from the Bank of Scotland Revised Offer Document dated 30 November 1999 and the Bank of Scotland "Announcement of Estimated Revenue Synergies and Growth Strategy" dated 19 January 2000.
- (b) The market value of RBS Ordinary Shares is based on the closing middle-market price of an RBS Ordinary Share of 1,060 pence as provided by the London Stock Exchange on 28 January 2000, (being the latest practicable date prior to the publication of this document).
- (c) References to historic share price performance, market capitalisations and stock market indices have been extracted from Datastream or Bloomberg, unless otherwise stated.
- (d) As at 26 January 2000 (being the latest practicable date prior to the publication of this document) there were 893,918,675 RBS Ordinary Shares in issue.
- (e) The market value of NatWest Ordinary Shares on 23 September 1999 and 28 January 2000 is based on the closing middle-market price of 1,046 pence as derived from the Official List for 23 September 1999 (being the day before the announcement by Bank of Scotland of its initial offer for NatWest) and of 1,276 pence as provided by the London Stock Exchange on 28 January 2000 (being the latest practicable date prior to the publication of this document).
- (f) The value of the Increased Offer specified in the Key Information Sheet is based upon 1,669,992,542 NatWest Ordinary Shares in issue on 20 January 2000.
- (g) The current percentage holding of BSCH in RBS and its approximate shareholding in the Enlarged RBS Group following completion of the Increased Offer is based upon the 86,000,413 RBS Ordinary Shares held by BSCH on 26 January 2000 (being the latest practicable date prior to the publication of this document) and, in respect of BSCH's estimated shareholding in the Enlarged RBS Group following completion of the Increased Offer, the closing middle-market price of 1,060 pence per RBS Ordinary Share as provided by the London Stock Exchange on 28 January 2000 (being the latest practicable date prior to the publication of this document).
- (h) For the purposes of the financial comparisons contained in this document, no account has been taken of any liability to taxation or the treatment of fractions under the Increased Offer.
- (i) The statements of estimated cost savings and revenue benefits (and resulting profit enhancement) contained in this document should be read in conjunction with Appendices VI and VII of the Original Offer Document. For the reasons set out therein, the actual cost savings and revenue benefits (and resulting profit enhancement) may be materially greater or less than estimated. No part of such statements should be interpreted to mean that the earnings per share of RBSNatWest for the current or future financial years will necessarily match or exceed the historical published earnings per share of RBS.

APPENDIX VI

Additional Information

1. Previous Documents

This document should be read in conjunction with (i) the Original Offer Document and the Form of Acceptance accompanying it, and (ii) the Listing Particulars. Copies of those documents may be obtained free of charge from Computershare Services PLC, PO Box 453, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4TH. (Computershare Service PLC may be contacted on telephone number: 0870 702 0167 (UK) and (44) 181 253 8153 (International)).

2. Responsibility Statement

The Directors of RBS (whose names are set out in paragraph 7 of the Supplementary Listing Particulars) accept responsibility for the information contained in this document, save that the only responsibility accepted by the Directors of RBS in respect of such information relating to NatWest and the Bank of Scotland which has been compiled from published sources, is to ensure that such information has been correctly and fairly reproduced and presented. Subject to the aforesaid, to the best of the knowledge and belief of the Directors of RBS (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

3. London Stock Exchange Quotations

Set out below are the closing middle market quotations for NatWest Ordinary Shares, NatWest ADRs and RBS Ordinary Shares as derived from the Official List, Bloomberg or provided by the London Stock Exchange on (a) the first dealing day of January 2000 and (b) for 28 January 2000 (being the latest practicable date prior to the publication of this document).

Date 4 January 2000	NatWest Ordinary Shares in pence 1,295 1.276	NatWest ADRs in dollars 126.00 110.00	RBS Ordinary Shares in pence 1,068xd 1.060xd
28 January 2000	1,270	110.00	1,00004

4. Shareholdings and Dealings

For the purposes of this Appendix VI:

"disclosure period" means the period commencing on 9 December 1999 being the day following the last practicable date prior to the publication of the Original Offer Document and ending on 26 January 2000 (being the latest practicable date prior to the publication of this document); and

"relevant securities" means NatWest Ordinary Shares and NatWest ADSs or, as the case may be, RBS Ordinary Shares or any securities convertible into rights to subscribe for options (including traded options) in respect of, or derivatives referenced to, any of the foregoing.

(a) Relevant Securities of NatWest

- (a) RBS Trustees have executed transactions on behalf of trust beneficiaries, and with the consent of the Panel, will continue to do so during the Offer Period.
- (i) RBS Trustees have dealt for value in relevant securities of NatWest as follows(a):

	Number of NatWest Ordinary Shares/ADSs	Purc	hase p	rice (£)	Number of NatWest Ordinary Shares/ADSs	Sa	ıle price	e (£)
Date	bought	High	Low	Actual	sold	High	Low	Actual
28-Sept-99	_	•			650			14.49
01-Oct-99					360			14.31
07-Dec-99					67			13.81
23-Dec-99					66			12.91

(ii) During the disclosure period, CGU and/or its subsidiaries have dealt for value in relevant securities of NatWest as follows:

Quilter & Co.	Number of NatWest Ordinary			Number of NatWest Ordinary		
	Shares/ADSs	Purchase p		Shares/ADSs		price (£)
Date	bought	High Low	Actual	sold	High L	ow Actual
10-Dec-99				500		13.20
10-Dec-99	260		13.26			
10-Dec-99				750		13.20
13-Dec-99	2,500		13.23			
13-Jan-00				3,600		12.20
14-Jan-00	40		12.13			
14-Jan-00	40		12.13			
14-Jan-00	40		12.13			
14-Jan-00	40		12.13			
14-Jan-00	40		12.13			
14-Jan-00				572		12.08
14-Jan-00				600		12.07
19-Jan-00	450		10.82			
25-Jan-00				7,000		12.36
26-Jan-00				950		12.36
Morley Fund Management	Number of NatWest Ordinary			Number of NatWest Ordinary		
	Shares/ADSs	Purchase pi	rice (£)	Shares/ADSs	Sale	price (£)
Date 13-Dec-99	bought	High Low	Actual	sold 47,520		ow Actual 13.28

Accordingly, as at 26 January 2000 CGU owned or controlled 31,501,929 NatWest Ordinary Shares.

(iii) During the disclosure period, Merrill Lynch has dealt for value in relevant securities of NatWest as follows:

	Number of NatWest Ordinary Shares/ADSs	Purchase price (£)			Number of NatWest Ordinary Shares/ADSs	Sale price (£)		
Date	bought	High	Low	Actual	sold	Hiah	Low	Actual
21-Jan-00	J	J			11,960	3		11.66
24-Jan-00					9,200			12.25

Accordingly, as at 26 January 2000 Merrill Lynch owned or controlled 2,873,754 NatWest Ordinary Shares and 3,275 NatWest ADRs.

(iv) During the disclosure period, Credit Lyonnais dealt for value in relevant securities of NatWest as follows:

	Number of NatWest Ordinary Shares/ADSs	Purchase price (£)	Number of NatWest Ordinary Shares/ADSs	Sale pric	e (f)
Date	bought	High Low Actual	sold	High Low	Actual
21-Jan-00	_		489		11.60
21-Jan-00			2,511		11.60
21-Jan-00			3,000		11.62
21-Jan-00			2,500		11.65
21-Jan-00			3,460		11.76
21-Jan-00			11,960		11.66
18-Jan-00	1,271	11.55			
18-Jan-00	2,263 391	11.55 11.55			
18-Jan-00 18-Jan-00	3,925	11.55			
17-Jan-00	2,000	12.09			
17-Jan-00	2,000	12.09			
05-Jan-00			5,712		12.81
05-Jan-00			7,288		12.81
05-Jan-00			4,000		12.81
05-Jan-00	0.015	12.00	9,000		12.81
04-Jan-00 04-Jan-00	8,915 8,915	13.00 13.00			
29-Dec-99	1,400	12.93			
29-Dec-99	1,400	12.93			
21-Dec-99	10,770	12.74			
21-Dec-99 21-Dec-99	875 9,895	12.74 12.74			
21-Dec-99 21-Dec-99	1,100	12.71			
21-Dec-99	1,100	12.71			
17-Dec-99	130,000	13.35			
17-Dec-99	130,000	13.35	130		13.29
17-Dec-99 16-Dec-99	1,334	13.24	130		13.29
16-Dec-99	8,666	13.27			
16-Dec-99	4,846	13.21			
16-Dec-99	154	13.21			
16-Dec-99 16-Dec-99	167 2,000	13.17 13.17			
16-Dec-99	2,833	13.17			
16-Dec-99	5,000	13.22			
16-Dec-99	5,000	13.27			
16-Dec-99	10,000 20,000	13.23 13.23			
16-Dec-99 16-Dec-99	20,000	10.20	9,918		13.24
16-Dec-99			1,637		13.24
16-Dec-99			32		13.23
16-Dec-99			2,974 2,552		13.23 13.23
16-Dec-99 16-Dec-99			1,426		13.23
16-Dec-99			10,000		13.23
16-Dec-99			1,461		13.23
16-Dec-99			12,493		13.24 13.24
16-Dec-99 16-Dec-99			1,763 6,999		13.24
16-Dec-99			2,000		13.24
16-Dec-99			276		13.24
16-Dec-99			1,469		13.24 13.23
16-Dec-99 16-Dec-99			136 1,956		13.23
16-Dec-99			22,908		13.23
16-Dec-99			25,000		13.26
16-Dec-99			5,000		13.68
16-Dec-99			5,000 77		13.65 13.40
16-Dec-99 16-Dec-99			600		13.40

	Number of NatWest Ordinary Shares/ADSs	Purch	ıase pı	rice (£)	Number of NatWest Ordinary Shares/ADSs	Sa	ale price	e (£)
Date	bought	High	Low	Actual	sold	High	Low	Actual
16-Dec-99					4,323			13.38
16-Dec-99					10,000			13.40
16-Dec-99					130,000			13.29
15-Dec-99	800			13.26				
15-Dec-99	800			13.26				
15-Dec-99	10,000			13.15				
15-Dec-99	10,000			13.15				
09-Dec-99					4,100			13.08
09-Dec-99					4,100			13.08

Accordingly, as at 26 January 2000 Credit Lyonnais owned or controlled 9,400 NatWest Ordinary Shares.

(b) Relevant Securities of RBS

(i) On 14 January 2000 Sir George Mathewson became interested in 754 RBS Ordinary Shares pursuant to an appropriation of RBS Ordinary Shares under the Profit Sharing (Share Ownership) Scheme. Accordingly Sir George Mathewson's aggregate interest in RBS Ordinary Shares as at 26 January 2000 is 71,404.

On 14 January 2000 Norman McLuskie became interested in 754 RBS Ordinary Shares pursuant to an appropriation of RBS Ordinary Shares under the Profit Sharing (Share Ownership) Scheme. Accordingly Norman McLuskie's aggregate interest in RBS Ordinary Shares as at 26 January 2000 is 87,586.

On 14 January 2000 lain Robertson became interested in 754 RBS Ordinary Shares pursuant to an appropriation of RBS Ordinary Shares under the Profit Sharing (Share Ownership) Scheme. Accordingly lain Robertson's aggregate interest in RBS Ordinary Shares as at 26 January 2000 is 49,351.

On 24 December 1999 Stephen Andrew Clarke exercised 10,000 executive share option scheme ordinary shares at 399 pence.

On 29 December 1999 Stephen Andrew Clarke exercised 55,000 executive share option scheme ordinary shares at 399 pence.

On 29 December 1999 Stephen Andrew Clarke exercised 75,000 executive share option scheme ordinary shares at 535 pence.

On 24 December 1999 Stephen Andrew Clarke exercised his right to sell 10,000 RBS Ordinary Shares at 1105 pence.

On 29 December 1999 Stephen Andrew Clarke exercised his right to sell 98,000 RBS Ordinary Shares at 1085 pence.

(ii) RBS Trustees have dealt for value in relevant securities of RBS as follows(a):

	Number of				Number of				
	RBS				RBS				
	Ordinary				Ordinary				
	Shares	Purchase price (£)			Shares	Sa	Sale price (£)		
Date	bought	High	Low	Actual	sold	High	Low	Actual	
29-Sep-99					300			13.93	
15-Oct-99					230			12.66	
25-Oct-99					360			13.12	
22-Nov-99					190			12.78	
23-Nov-99					150			12.92	

⁽a) RBS Trustees have executed transactions on behalf of trust beneficiaries and, with the consent of the Panel, will continue to do so during the Offer Period.

(iii) During the disclosure period Merrill Lynch has dealt for value in relevant securities of RBS as follows:

	Number of				Number of			
	RBS				RBS			
	Ordinary				Ordinary			
	Shares	Purchase price (£)		Shares	Sale price (£)			
Date	bought	High	Low	Actual	sold	High	Low	Actual
15-Dec-99					1614			11.20
30-Dec-99	1005			10.95				

In the Original Offer Document Merrill Lynch declared that as at the close of business on 8 December 1999 (being the latest practicable date prior to the publication of the Original Offer Document) Merrill Lynch owned or controlled 13,552 RBS Ordinary Shares. This should have read 59,365 RBS Ordinary Shares. Accordingly, as at 26 January 2000 Merrill Lynch owned or controlled 58,756 RBS Ordinary Shares.

(iv) During the disclosure period, Credit Lyonnais dealt for value in relevant securities of RBS as follows:

	Number of RBS Ordinary				Number of RBS Ordinary			
	Shares			Shares	Sale price (£)		e (£)	
Date	bought	High	Low	Actual	sold	High	Low	Actual
24-Jan-00	6,042			10.26				
24-Jan-00	6,042			10.26				
21-Jan-00	990			9.62				
17-Jan-00	15,000			10.43				
12-Jan-00	2,300			10.53				
12-Jan-00	1,200			10.53				
12-Jan-00	1,100			10.53				
11-Jan-00					17,000			10.90
11-Jan-00					17,000			10.90
21-Dec-99					7,000			10.66
21-Dec-99					383			10.66
21-Dec-99					617			10.66
21-Dec-99					8,495			10.70
21-Dec-99					7,505			10.70
21-Dec-99					3,981			10.61
21-Dec-99					2,651			10.61
21-Dec-99					3,834			10.60
21-Dec-99					5,000			10.60
21-Dec-99					534			10.60
21-Dec-99					10,000			10.60
21-Dec-99					25,000			10.64
21-Dec-99					25,000			10.64
16-Dec-99	11,750			11.00				
16-Dec-99	2,050			11.00				
16-Dec-99	2,100			11.00				
16-Dec-99	1,300			11.00				
16-Dec-99	10,400			11.00				
15-Dec-99					4,000			11.14
15-Dec-99					4,000			11.14

As at 26 January 2000, Credit Lyonnais owned or controlled no RBS Ordinary Shares.

(v) During the disclosure period, CGU and its subsidiaries have dealt for value in the relevant securities of RBS as follows:

Quilter & Co.

Quilter & Co.						
	Number of RBS Ordinary		Number of RBS Ordinary			
	Shares	Purchase price (£)	Shares	Sale price (£)		
Date	bought	High Low Actual	sold	High Low Actual		
9-Dec-99	· ·	ū	750	10.54		
9-Dec-99	420	10.54				
10-Dec-99			1,560	10.83		
13-Dec-99	2,000	11.12				
15-Dec-99			270	11.16		
29-Dec-99	1,385	11.03				
13-Jan-00			200	10.54		
14-Jan-00			190	10.42		
19-Jan-00			750	10.10		
20-Jan-00	300	9.81				
25-Jan-00			200	10.15		
Morley Fund Management	Number of RBS		Number of RBS			
	Shares	Purchase price (£)	Share s	Sale price (£)		
Date	bought	High Low Actual	sold	High Low Actual		
13-Dec-99	16,632	10.87		g /		
5-Jan-00	1,850,000	10.78				
6-Jan-00	2,300,000	10.85				
7-Jan-00	600,000	10.86				
10-Jan-00	250,000	10.79				
10-Jan-00	250,000	10.89				
11-Jan-00	1,400,000	10.87				
12-Jan-00	1,500,000	10.58				
13-Jan-00	1,438,000	10.59				
14-Jan-00						
	412,000	10.44				
17-Jan-00	412,000 250,000	10.44 10.43				
18-Jan-00	·					
	250,000	10.43				
18-Jan-00 19-Jan-00 19-Jan-00	250,000 450,000 250,000 1,250,000	10.43 10.36 9.92 9.78				
18-Jan-00 19-Jan-00 19-Jan-00 20-Jan-00	250,000 450,000 250,000 1,250,000 500,000	10.43 10.36 9.92 9.78 9.85				
18-Jan-00 19-Jan-00 19-Jan-00 20-Jan-00 21-Jan-00	250,000 450,000 250,000 1,250,000 500,000 700,000	10.43 10.36 9.92 9.78 9.85 9.86				
18-Jan-00 19-Jan-00 19-Jan-00 20-Jan-00	250,000 450,000 250,000 1,250,000 500,000	10.43 10.36 9.92 9.78 9.85				

In the Original Offer Document CGU declared that at the close of business on 8 December 1999 (being the latest practicable date prior to the publication of the Original Offer Document) CGU and its subsidiaries owned or controlled 28,076,147 RBS Ordinary Shares. This was subsequently corrected to 14,018,839 RBS Ordinary Shares in a London Stock Exchange announcement dated 29 December 1999. This correction was itself inaccurate, the correct number being 14,872,165. Therefore taking the purchases set out above into account, as at 26 January 2000 CGU owned or controlled 29,088,797 RBS Ordinary Shares.

(vi) Adam & Company PLC, being a party acting in concert with RBS, has dealt for value in the following relevant securities of RBS during the disclosure period:

	Number of				Number of			
	RBS				RBS			
	Ordinary				Ordinary			
	Shares	Purchase price (£)			Shares	Sale price (£)		
Date	bought	High	Low	Actual	sold	High	Low	Actual
17-Jan-00					2,000	_		10.42
18-Jan-00	2,000			10.39				

- (vii) Save as disclosed in this paragraph 4, there has been no disclosable change to the information set out in paragraph 4 (Interests and Dealings) of Appendix VIII to the Original Offer Document.
- (viii) Neither RBS, nor any person acting in concert with RBS, nor any of its associates has any arrangement in relation to any relevant securities. For these purposes "arrangement" includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing.

5. Material contracts

Details of those contracts, not being contracts entered into in the ordinary course of business which have been entered into since 24 September 1997 (being the date two years prior to the commencement of the Bank of Scotland's offer period for NatWest) and which are, or may be, material are set out in paragraph 10 of the Supplementary Listing Particulars. Paragraph 8 of Part 1 of the Circular contains details of certain financing arrangements relating to the Increased Offer.

6. Financial Information

Financial information relating to the RBS Group for each of the three years ended 30 September 1999, is given in Part 2 of the Listing Particulars.

7. Other Information

- (a) No proposal exists in connection with the Increased Offer that any payment be made to any person as compensation for loss of office or as consideration for, or in connection with, his retirement from office.
- (b) Neither the payment of interest on, nor the repayment of, nor the security for, any liability (contingent or otherwise) of RBS will depend to any significant extent on the business of NatWest.
- (c) No agreement, arrangement or understanding exists whereby the beneficial ownership of any NatWest Ordinary Shares acquired in pursuance of the Increased Offer will be transferred to any other person, save that RBS reserves the right to transfer any NatWest Ordinary Shares so acquired to any other member of the RBS Group.
- (d) Merrill Lynch has given and not withdrawn its written consent to the inclusion in this document of its report and the references to its name in the form and contexts in which they respectively appear.
- (e) Goldman Sachs has given and not withdrawn its written consent to the inclusion in this document of its report and the references to its name in the form and contexts in which they respectively appear.
- (f) Credit Lyonnais has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and contexts in which they appear;
- (g) Warburg Dillon Read has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and contexts in which they appear;
- (h) Deloitte & Touche has given and not withdrawn its written consent to the inclusion in this document of the references to its name and report in the form and contexts in which they respectively appear;
- (i) PricewaterhouseCoopers has given and not withdrawn its written consent to the inclusion in this document of the references to its name and report in the form and contexts in which they appear;
- (j) RBS notes NatWest's statement in its document of 24 January 2000 that it has provided information to potential purchasers of Gartmore and that the timetable for the sale process provides for a sale agreement to be signed by the end of March 2000. RBS confirms its intention to continue with the Gartmore auction process following the Increased Offer becoming or being declared wholly unconditional;
- (k) The registered office of RBS is 36 St. Andrew Square, Edinburgh, Scotland EH2 2YB and its registered number is 45551;
- (I) There has been no material change in the financial or trading position of RBS since 30 September 1999 (the date to which the last audited accounts of RBS were prepared);
- (m) The total emoluments receivable by the Directors of RBS will not be varied as a direct result of the Increased Offer. When the emoluments receivable by the executive directors of RBS are reviewed by the board of RBS the impact of the Increased Offer on the Enlarged RBS Group may be taken into account;
- (n) The Board of RBS confirms that the statement of estimated cost savings and statement of estimated revenue benefits contained in Appendices VI and VII respectively of the Original Offer Document remain valid for the purposes of the Increased Offer. Deloitte & Touche, Goldman

Sachs and Merrill Lynch have each confirmed that their respective reports in relation to those statements, which are set out in Appendices VI and VII of the Original Offer Document and are available for inspection as set out in paragraph 8 below, continue to apply for the purposes of the Increased Offer;

- (o) Goldman Sachs and Merrill Lynch are satisfied that RBS has the necessary financial resources to satisfy the maximum amount of cash consideration payable under the Increased Offer; and
- (p) As discussed in the Original Offer Document, RBS and CGU have entered into a memorandum of understanding for the provision of life, pensions and investment products to the RBS Group. The Board of RBS believes that this joint venture will create additional value for the shareholders of the Enlarged RBS Group.

Initially, CGU has agreed in principle to acquire a 50 per cent. interest in RBS's life insurance subsidiary, Royal Scottish Assurance, for a consideration of approximately £150 million. At 30 September 1998, the embedded value of Royal Scottish Assurance was £128 million. CGU will replace Scottish Widows in this venture. On successful completion of the Offer, CGU has agreed in principle to acquire 50 per cent. of NatWest Life. At 31 December 1998, the embedded value of NatWest Life was £389 million.

If, within 12 months of the Increased Offer becoming or being declared unconditional as to acceptances, CGU acquires an interest in NatWest Life or the distribution network of Royal Scottish Assurance is extended to cover the NatWest Branch Network, RBS will seek the approval of the shareholders of the Enlarged RBS Group at an Extraordinary General Meeting. The shareholders will be provided with the opinion of an independent financial advisor as to the fairness and reasonableness of such arrangements.

8. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Freshfields, 65 Fleet Street, London EC4Y 1HS, during usual business hours on any weekday (weekends and public holidays excepted) while the Increased Offer remains open for acceptance:

- (a) the memorandum and articles of association of RBS;
- (b) the audited consolidated accounts of the RBS Group for each of the three financial years ended 30 September 1999;
- (c) the service contracts and letter agreements of the Directors:
- (d) the written consents referred to in paragraph 7 above;
- (e) the material contracts of the RBS Group referred to in paragraph 10.1 of Part 4 of the Listing Particulars and paragraph 10 of the Supplementary Listing Particulars;
- (f) the letters from Deloitte & Touche and Merrill Lynch and Goldman Sachs supporting the statements of estimated cost savings and of estimated revenue benefits referred to in paragraph 7 above;
- (g) a draft (subject to amendment) of the (loan note) Instrument;
- (h) the letter of valuation of the Loan Notes from Credit Lyonnais, Merrill Lynch and Warburg Dillon Read dated 28 January 2000;
- (i) the Original Offer Document and accompanying Form of Acceptance, the Listing Particulars, the Original Circular, this document, the Key Information Sheet, the blue Form of Acceptance, the Supplementary Listing Particulars and the Circular;
- (j) the rules of the RBS share and share option schemes;
- (k) the reports prepared by PricewaterhouseCoopers and IBM in respect of the proposed approach to convert to a single technology platform;
- (I) the memorandum of understanding between RBS and CGU referred to in the Listing Particulars and in paragraph 7 above; and
- (m) the letters from PricewaterhouseCoopers, Merrill Lynch and Goldman Sachs set out in Appendix IV to this document in relation to the profit forecast.

APPENDIX VII

Definitions

The following definitions apply throughout this document, unless the context otherwise requires:

"acceptance condition" the condition as to acceptances set out in paragraph (a) of

Part A of Appendix II and references to the Increased Offer becoming unconditional as to acceptances will be

construed accordingly

"Act" the Companies Act 1985 (as amended)

"Additional Cash Election" the right of NatWest Ordinary Shareholders who validly

accept the Increased Offer and validly elect for the Partial Cash Alternative to elect for additional cash under the Mix and Match Election in excess of their entitlement under the

Basic Terms

"Additional Share Election" the right of NatWest Ordinary Shareholders who validly

accept the Increased Offer to elect for additional New RBS Ordinary Shares under the Mix and Match Election in

excess of their entitlement under the Basic Terms

"Admission" admission of the New RBS Ordinary Shares to the Official

List of the London Stock Exchange becoming effective in

accordance with the Listing Rules

"Australia" the Commonwealth of Australia, its territories and

possessions

"Basic Terms" the basic terms of the Increased Offer described in

paragraph 2 of the letter from Goldman Sachs and Merrill

Lynch contained in the document

"BSCH" Banco Santander Central Hispano, S.A.

"BSCH Group" BSCH and its subsidiaries and subsidiary and associated

undertakings and, where the context permits, each of them

"BSCH Share Issue" the proposed issue of RBS Ordinary Shares to BSCH

pursuant to the Share Issue Agreement described in Part 4

of the Listing Particulars

"BSCH Underwriting" the underwriting of New RBS Ordinary Shares by BSCH

pursuant to the Cash Underpinning Agreement described in paragraph 10.1 of the Supplementary Listing Particulars

"Bank of Scotland" the Governor and Company of the Bank of Scotland

"blue Form of Acceptance" the blue form of acceptance, authority and election relating

to the Increased Offer and accompanying the Increased Offer Document, and (except where the context requires otherwise) blue Forms of Acceptance shall be construed

accordingly

"Board of RBS" or "the Board" or

"the Directors of RBS"

the board of directors of RBS

"Canada" Canada, its provinces and territories and all areas under its jurisdiction and any political sub-divisions thereof "certificated" or "in certificated form" a NatWest Ordinary Share which is not in uncertificated form (that is, not in CREST) "CGU" CGU plc "CGU Subscription Agreement" the agreement between RBS and CGU described in paragraph 10.2 of the Supplementary Listing Particulars "Circular" the Class 1 circular in respect of, amongst other things, the Increased Offer and convening the Extraordinary General Meeting "Code" The City Code on Takeovers and Mergers "Commitment Facility" the commitment facility agreement between RBS, Merrill Lvnch. Goldman Sachs and Warburg Dillon Read described in paragraph 10.3 of the Supplementary Listing Particulars "Credit Lyonnais" Credit Lyonnais Securities "CREST" the relevant system (as defined in the Regulations) in respect of which CRESTCo is the Operator (as defined in the Regulations) "CRESTCo" CRESTCo Limited "CREST member" a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations) "CREST participant" a person who is, in relation to CREST, a system-participant (as defined in the Regulations) "CREST sponsor" a CREST participant admitted to CREST as a CREST sponsor "CREST sponsored member" a CREST member admitted to CREST as a sponsored member "Dollar" or "\$" the lawful currency of the United States "Enlarged RBS Group" the RBS Group as enlarged by the acquisition of the NatWest Group following the Increased Offer "Escrow Agent" the Receiving Agent for RBS Group in its capacity as escrow agent (as defined by the CREST Manual issued by CRESTCo) "Exchange Act" the US Securities and Exchange Act of 1934 (as amended) and the rules and regulations promulgated thereunder "Exempt fund manager" a person who manages investment accounts on a discretionary basis and is recognised by the Panel as an exempt fund manager for the purposes of the Code "Exempt market-maker" a person who is registered as a market-maker with the London Stock Exchange in relation to the relevant securities, or is accepted by the Panel as a market-maker in those securities, and, in either case, is recognised by the Panel as an exempt market-maker for the purposes of the Code "Extraordinary General Meeting"

means the extraordinary general meeting of RBS shareholders convened by the Board to, amongst other things, approve the Increased Offer, including any adjournment or postponement thereof

"Goldman Sachs" Goldman Sachs International

"Increased Offer" the increased offer made by Goldman Sachs and Merrill

Lynch on behalf of RBS to acquire all of the NatWest Ordinary Shares on the terms and subject to the conditions set out or referred to in this document, in the blue Form of Acceptance and the Key Information Sheet including, where the context requires, any subsequent revision,

variation, extension or renewal of such offer

"ISR" International Survey Research

"Japan" Japan, its cities, prefectures, territories and possessions

"Key Information Sheet" the Key Information Sheet setting out certain information in

relation to the Increased Offer and comprising

supplementary listing particulars

"Legal & General" Legal & General Group Plc

"Legal & General Offer" the recommended cash and share offer by NatWest to

acquire the entire issued and to be issued ordinary shares of 25p each in the capital of Legal & General Group Plc as set out in an offer document dated 20 September 1999 sent by NatWest to holders of ordinary shares of Legal & General Group Plc, together with any revision, variation,

modification, extension or renewal of such offer

"Legal & General Offer Documents" the offer document, listing particulars and circular dated 20

September 1999 issued by or on behalf of NatWest in connection with the lapsed offer by NatWest to acquire the entire issued and to be issued ordinary share capital of

Legal & General

"LIBOR" London Inter-bank Offered Rate

"Listing Particulars" the listing particulars of RBS dated 16 December 1999

"Listing Rules" the Listing Rules of the London Stock Exchange

"Loan Notes" the unsecured redeemable loan notes of £1 each of RBS

to be issued pursuant to the Increased Offer

"London Stock Exchange" London Stock Exchange Limited

"member account ID" the identification code or number attached to any member

account in CREST

"Merrill Lynch" Merrill Lynch International

"Mix and Match Election" the right of NatWest Ordinary Shareholders who validly

accept the Increased Offer to elect to vary, subject to availability, the proportion of New RBS Ordinary Shares and cash receivable under the Increased Offer or, as the

context requires, such an election

"NatWest" National Westminster Bank Plc

"NatWest ADRs" American Depositary Receipts representing interests in

NatWest ADSs

"NatWest ADSs" American Depositary Shares of NatWest, each representing six NatWest Ordinary Shares "NatWest Group" NatWest and its subsidiaries and subsidiary and associated undertakings and, where the context permits, each of them "NatWest Ordinary Shareholders" holders of NatWest Ordinary Shares "NatWest Ordinary Shares" the existing issued or unconditionally allotted and fully paid ordinary shares of £1 each in the capital of NatWest and any further such shares which are issued or unconditionally allotted and fully paid before the date on which the Increased Offer closes (or such earlier date, not (without the consent of the Panel) being earlier than the date on which the Increased Offer becomes or is declared unconditional as to acceptances or, if later, the first closing date of the Increased Offer, as RBS may decide) "NatWest Preference Shares" sterling preference shares of £1 each and dollar preference shares of US\$25 each in the capital of NatWest "NatWest Share Schemes" the National Westminster Bank Plc executive and employee share and share option schemes including, but not limited to, the National Westminster Bank Plc Group 1979 Profit Sharing Scheme, the National Westminster Bank Plc Savings Related Share Option Scheme 1981, the National Westminster Bank Plc Group 1984 Irish Profit Sharing Scheme, the National Westminster Bank Group 1986 Executive Share Option Scheme, the National Westminster Bank Group 1994 Executive Share Option Scheme, the National Westminster Bank Group Medium Term Equity Plan, the 1999 NatWest Group ShareSave Scheme, the Gartmore Short Term Retention Plan, the Gartmore Interim Incentive Plan, the Gartmore Long Term Incentive Plan, the National Westminster Bank Plc Global Financial Markets 1999 Grant Plan, the National Westminster Bank Plc Global Financial Markets 1999 Deferred Bonus Plan, the Coutts NatWest Group Medium Term Reward Plan, and NatWest QUEST Limited "New RBS Ordinary Shares" the RBS Ordinary Shares of 25 pence each proposed to be issued credited as fully paid pursuant to the Increased Offer "Offer Period" the period which commenced on 24 September 1999 until whichever of the following dates shall be the latest: (i) 1.00 p.m. (London time), 8.00 a.m. (New York City time) on 14 February 2000 (ii) the time and date at which the Increased Offer lapses and (iii) the date on which the Increased Offer becomes or is declared unconditional as to acceptances "Original Circular" the Class 1 circular to RBS shareholders, dated 16 December 1999, in respect of, amongst other things, the Original Offer

"Original Offer"

the offer made by Goldman Sachs and Merrill Lynch on behalf of RBS to acquire all of the NatWest Ordinary Shares on the terms and subject to the conditions set out in the Original Offer Document

the document dated 16 December 1999 containing the Original Offer

the Official List of the London Stock Exchange

"Original Offer Document"

"Official List"

The Panel on Takeovers and Mergers "Panel" the right of NatWest Ordinary Shareholders who validly "Partial Cash Alternative" accept the Increased Offer to elect for cash instead of New RBS Ordinary Shares to which they would otherwise be entitled under the Basic Terms of the Increased Offer the identification code or membership number used in "participant ID" CREST to identify a particular CREST member or CREST participant The Royal Bank of Scotland Group plc "RBS" RBS and its subsidiaries and subsidiary and associated "RBS Group" undertakings and, where the context permits, each of them the Enlarged RBS Group "RBSNatWest" "RBS Ordinary Shareholders" holders of RBS Ordinary Shares ordinary shares of 25 pence each in RBS "RBS Ordinary Shares" Computershare Services PLC "Receiving Agent" Computershare Services PLC "Registrar" the Uncertificated Securities Regulations 1995 (SI 1995 "Regulations" No. 95/3272) The Royal Bank of Scotland plc, a direct subsidiary of RBS "Royal Bank" the US Securities and Exchange Commission "SEC" Scottish Widows Fund and Life Assurance Society "Scottish Widows" "Sterling" or "£" the lawful currency of the United Kingdom "Subsequent Offer Period" the period following the First Closing Date during which the Increased Offer remains open for acceptance "subsidiary", "subsidiary have the respective meanings given by the Act (but for this purpose ignoring paragraph 20(i)(b) of Schedule 4A of the undertaking", "associated undertaking", and "undertaking" Act) "Supplementary Listing Particulars" the listing particulars dated 31 January 2000 in relation to the New RBS Ordinary Shares a transfer from escrow instruction (as defined by the "TFE instruction" CREST Manual issued by CRESTCo) a transfer to escrow instruction (as defined by the CREST "TTE instruction" Manual issued by CRESTCo) the United Kingdom of Great Britain and Northern Ireland "UK" or "United Kingdom" recorded on the register of members of NatWest as being "uncertificated" or "in uncertificated held in uncertificated form in CREST and title to which, by form" virtue of the Regulations, may be transferred by means of **CREST** "US" or "United States" the United States of America, its territories and possessions, any state of the United States and the District of Columbia and all other areas subject to its jurisdiction

the investment banking division of UBS AG

"Warburg Dillon Read"