

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 or, in the case of a holder of RBS shares, your RBS Ordinary Shares, 11% Cumulative Preference Shares or 5 7/8% Cumulative Preference Shares, please forward this document, together with 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. This document and the accompanying documents must not, however, be forwarded, distributed or transmitted in or into Canada, Australia, or Japan.

This Key Information Sheet comprises further supplementary listing particulars which are supplementary to the Listing Particulars and the Supplementary Listing Particulars. It should be read in conjunction with those documents and the accompanying blue Form of Acceptance and the Increased Offer Document and, in the case of a holder of RBS shares, the Circular. Copies of these further supplementary listing particulars, 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.



PO Box 31 42 St Andrew Square
Edinburgh EH2 2YE

31 January 2000

Key Information Sheet

1. Increased Offer for NatWest

The Board of RBS is pleased to announce the terms of an increased and final* offer, to be made by Merrill Lynch and Goldman Sachs on behalf of RBS, to acquire all of the NatWest Ordinary Shares. RBS's Increased Offer is being made on the following basis:

(a) Basic Terms

For each NatWest Ordinary Share 0.968 New RBS Ordinary Shares; and
400 pence in cash

(b) Partial Cash Alternative

NatWest Ordinary Shareholders who validly accept the Increased Offer may elect to receive cash instead of 4.96 per cent. (the "Relevant Percentage") of the New RBS Ordinary Shares which they would otherwise be entitled to receive under the Basic Terms. For each NatWest Ordinary Share in respect of which an accepting NatWest Ordinary Shareholder makes a valid election for the Partial Cash Alternative, such NatWest Ordinary Shareholder will receive:

For each NatWest Ordinary Share 0.920 New RBS Ordinary Shares; and
450 pence in cash

(c) 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.

(d) The Loan Note Alternative

NatWest Ordinary Shareholders who validly accept the Increased Offer may elect to receive Loan Notes instead of (i) the cash consideration to which they would otherwise be entitled under the Basic Terms and/or (ii) the cash consideration to which they would otherwise be entitled pursuant to a cash election under the Mix and Match Election. However, such shareholders will not be entitled to any Loan Notes instead of any cash for which they elect under the Partial Cash Alternative.

* RBS reserves the right to increase, revise and/or amend the Increased Offer if a new competitive situation arises (as determined by the Panel).

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Regulated by IMRO, SFA and the Personal Investment Authority

Further details of the Increased Offer are contained in paragraph 1 of the Supplementary Listing Particulars. The dividend of 20.3p that would have been paid on the New RBS Ordinary Shares under the Original Offer has been included in the cash under the Basic Terms of the Increased Offer.

On the Basic Terms of the Increased Offer and the illustrative bases and assumptions set out in the Appendix to this document, an accepting NatWest Ordinary Shareholder will receive an uplift in capital of approximately 12 per cent. and an uplift in income of approximately 13 per cent.

If you have any questions regarding the Increased Offer, please call Computershare Services PLC on 0870 702 0167.

This document should be read in conjunction with the accompanying Increased Offer Document, the blue Form of Acceptance, the Listing Particulars and the Supplementary Listing Particulars. The formal offer for NatWest Ordinary Shares, together with the full terms and conditions of the Increased Offer and other important information, is contained in the Increased Offer Document.

2. Share Capital of the Enlarged RBS Group

Full acceptance of the Increased Offer on the Basic Terms will result in the issue of approximately 1,616,552,781 New RBS Ordinary Shares to NatWest Ordinary Shareholders. On that basis:

- RBS Ordinary Shareholders (including BSCH, other than pursuant to the BSCH Underwriting) will hold approximately 38 per cent. of the issued ordinary share capital of the Enlarged RBS Group; and
- NatWest Ordinary Shareholders will hold approximately 62 per cent. and will receive approximately £6.7 billion in cash or nominal amount in Loan Notes.

This takes into account the New RBS Ordinary Shares to be issued pursuant to the BSCH Share Issue and assumes no exercise of options under the NatWest Share Schemes and the RBS share option schemes.

Based on the assumptions set out in note (2) to paragraph 6.1 of the Supplementary Listing Particulars, the authorised and issued RBS Ordinary Share capital following completion of the Increased Offer will be as follows:

Authorised		Issued and fully paid	
Number	Amount (£)	Number	Amount (£)
4,079,375,406	1,019,843,851.50	2,623,679,003	655,919,750.75

3. Proposed Issue of Additional Value Shares

In view of its level of profitability, the Enlarged RBS Group is likely to generate excess capital, even without asset sales. RBS intends that the Enlarged RBS Group will return excess capital to shareholders if it cannot be re-invested within a reasonable period at a higher rate of return than the Enlarged RBS Group's long-term cost of capital.

On the basis of its initial appraisal of the prospects of the Enlarged RBS Group and its likely capital position*, the RBS Board intends to issue Additional Value Shares within four months of the Increased Offer becoming wholly unconditional, subject to shareholder and regulatory approval. The issue will be a bonus issue to all ordinary shareholders in the Enlarged RBS Group on a one-for-one basis, resulting in an issue of approximately 2.62 billion Additional Value Shares of 1 penny each.

The Additional Value Shares will be structured to provide, at the election of the RBS Board:

- dividends, in aggregate, of £1 per Additional Value Share in the period to 1 December 2003; or
- conversion into RBS Ordinary Shares and a sale mechanism as described below.

RBS's intention is to elect to pay dividends, subject to regulatory approval and to the availability of adequate distributable reserves, as follows:

- 15 pence per Additional Value Share on 1 December 2001;
- 30 pence per Additional Value Share on 1 December 2002; and
- the balance of 55 pence by 1 December 2003.

The Additional Value Shares will carry no further right to participate in dividends beyond £1 per Additional Value Share.

* No part of these statements 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.

If dividends of £1 in aggregate per Additional Value Share have not been paid in full by 1 December 2003, the Additional Value Shares will convert into RBS Ordinary Shares. RBS will use reasonable endeavours to establish a sale mechanism under which it will procure bids so as to result in the proceeds from the sale of such RBS Ordinary Shares to equal £1 per Additional Value Share (less any dividends paid on the shares).

RBS also intends that the Enlarged RBS Group will continue RBS's progressive dividend policy.

Application will be made to list the Additional Value Shares on the London Stock Exchange. Underwriting arrangements have been entered into such that shareholders in the Enlarged RBS Group who would wish to sell their Additional Value Shares at the time of issue could do so. Those arrangements are described in paragraph 4 below.

RBS's financial advisers, Merrill Lynch and Goldman Sachs, and its joint stockbroker, Warburg Dillon Read, have advised on the basis of the assumptions set out below that each Additional Value Share would have a value of approximately 70 pence at the issue date (currently expected to be around 30 June 2000). This valuation estimate is based on prevailing market conditions on 28 January 2000 (being the latest practicable date prior to the publication of this document), including yields on relevant gilt-edged securities and prevailing credit spreads. It has been assumed that there is no material supply and demand imbalance. The estimated valuation also reflects current expectations regarding the financial condition of the Enlarged RBS Group following the completion of the Increased Offer. It is not a guarantee of the market price obtainable at the time of issuance or in future sales.

The detailed rights to be attached to the Additional Value Shares and a summary of the likely tax consequences for holders will be set out in a circular which will be sent to shareholders in due course.

4. Material Contract – Underwriting Letter

To enable shareholders of the Enlarged RBS Group to receive cash instead of Additional Value Shares, RBS has entered into an underwriting arrangement with Merrill Lynch, Goldman Sachs and Warburg Dillon Read. By a letter agreement dated 30 January 2000, Merrill Lynch, Goldman Sachs and Warburg Dillon Read have confirmed to RBS that upon request by RBS (subject to certain conditions) they will severally (as to 37.5 per cent., 37.5 per cent. and 25 per cent. respectively) purchase or procure purchasers for such of the Additional Value Shares which RBS Ordinary Shareholders wish to sell. This is expected to be done on a book building basis so as to provide cash.

5. Additional Information

- (a) 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.
- (b) 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.
- (c) Words and expressions defined in the Increased Offer Document or the Supplementary Listing Particulars have the same meanings when used in this document.
- (d) The contents of this document, which have been prepared by and are the sole responsibility of the directors of RBS, have been approved by Merrill Lynch and Goldman Sachs solely for the purpose of section 57 of the Financial Services Act 1986.
- (e) Merrill Lynch and Goldman Sachs, 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 and Goldman Sachs, nor for giving advice in relation to the Increased Offer.

- (f) The directors of RBS, whose names are set out in the Supplementary Listing Particulars, accept responsibility for the information contained in this document. To the best of the knowledge, information 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.
- (g) 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 Supplementary Listing Particulars and Part I of the Listing Particulars.
- (h) RBS reserves the right to increase, amend, revise, improve or change the terms of the Increased Offer if a new competitive situation arises (as determined by the Panel).
- (i) 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.
- (j) 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.
- (k) 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 The Royal Bank of Scotland Group plc, 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.
- (l) Merrill Lynch has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears and the references thereto.
- (m) Goldman Sachs has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears and the references thereto.
- (n) Warburg Dillon Read has given and has not withdrawn its written consent to the inclusion in this document of its name in the form and context in which it appears and the references thereto.

- (o) This document does not constitute an offer for sale or an invitation to subscribe for or purchase (directly or indirectly) Additional Value Shares. Additional Value Shares will not be offered to persons in jurisdictions where such an offering would be illegal or entail regulatory difficulty.

6. Documents Available for Inspection

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

- (a) the documents referred to in paragraph 16 of the Supplementary Listing Particulars;
- (b) the material contract referred to in paragraph 4 of these further supplementary listing particulars;
- (c) a letter of valuation of the Additional Value Shares from Goldman Sachs, Merrill Lynch and Warburg Dillon Read dated 30 January 2000; and
- (d) the written consents referred to in paragraph 5 of these further supplementary listing particulars.

Appendix

Financial Effects of Acceptance of the Increased Offer

On the basis of the closing middle-market price of an RBS Ordinary Share of 1,060 pence on 28 January 2000 (being the latest practicable date before the publication of this document), the Increased Offer values each NatWest Ordinary Share at approximately 1,426 pence and the issued ordinary share capital of NatWest at approximately £23.8 billion.

The value of the Increased Offer represents a premium of approximately:

- 36 per cent. to the NatWest Ordinary Share price of 1,046 pence on 23 September 1999 (the day before the announcement of the initial offer for NatWest by Bank of Scotland);
- 12 per cent. to the NatWest Ordinary Share price of 1,276 pence on 28 January 2000 (being the latest practicable date before the publication of this document).

The following tables set out, for illustrative purposes only and on the bases and assumptions set out in the notes below, the financial effects on capital value and gross income for a holder of 10 NatWest Ordinary Shares accepting the Increased Offer on either the Basic Terms or the Partial Cash Alternative, if the Increased Offer becomes or is declared unconditional in all respects:

(a) Increase in capital value

	Basic Terms £	Partial Cash Alternative £
Market value of 9.68 New RBS Ordinary Shares	(i) 103	—
Market value of 9.20 New RBS Ordinary Shares	(i) —	98
Cash consideration	40	45
Value of consideration	143	143
Less market value of 10 NatWest Ordinary Shares	(ii) (128)	(128)
Increase in capital value	15	15
This represents an increase in capital value of	12%	12%

(b) Increase in gross income

	£	£
Gross income from cash consideration	(iii) 2.60	2.92
Gross dividend income on 9.68 New RBS Ordinary Shares	(iv) 3.07	—
Gross dividend income on 9.20 New RBS Ordinary Shares	(iv) —	2.91
Total income	5.67	5.83
Less gross dividend income on 10 NatWest Ordinary Shares	(v) (5.00)	(5.00)
Increase in gross income	0.67	0.83
This represents an increase in gross income of	13%	17%

Notes:

- The market value of the New RBS Ordinary Shares is based on 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 before the publication of this document.
- The market value of the NatWest Ordinary Shares is based on the closing middle-market price of 1,276 pence per NatWest Ordinary Share, as provided by the London Stock Exchange on 28 January 2000, being the latest practicable date before the publication of this document.
- The income from cash consideration has been calculated on the assumption that the cash is reinvested in government securities so as to yield approximately 6.49 per cent. gross per annum, being the five year yield index for British Government fixed interest securities, as derived from the FTSE Actuaries Government Securities UK Index, as published in the Financial Times on 28 January 2000, being the latest practicable date before the publication of this document.
- The dividend income from New RBS Ordinary Shares is based on aggregate dividends of 28.5 pence (net) per RBS Ordinary Share, being the total of the 8.2 pence (net) interim dividend for the six months ended 31 March 1999 and the 20.3 pence (net) final dividend for the financial year ended 30 September 1999, grossed up by a factor of 100/90.
- The dividend income from NatWest Ordinary Shares is based on aggregate dividends of 45.0 pence (net) per NatWest Ordinary Share, being the total of the 13.1 pence (net) interim dividend for the six months ended 30 June 1999 and the proposed 31.9 pence (net) final dividend for the financial year ended 31 December 1999 announced on 27 November 1999, grossed up by a factor of 100/90.
- In assessing the financial effects of acceptance of the Increased Offer, no account has been taken of the treatment of any fractions or of any potential liability to taxation of a NatWest Ordinary Shareholder.

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