RBS

The Royal Bank of Scotland Group

A Full House of Opportunities

Fred Watt
Group Finance Director

A Full House of Opportunities

What Does This Mean For RBS?

- Opportunities to:
  - Grow income organically
  - Improve efficiency
  - Make acquisitions if they are value enhancing

A Full House of Opportunities

Not New for RBS

- Our goal has been and remains to generate superior sustainable value for our shareholders
- To create value for our shareholders on a sustainable basis you need to be able to grow income on a basis that is:
  - Efficient
  - Profitable
  - Capable of repeating

A Full House of Opportunities

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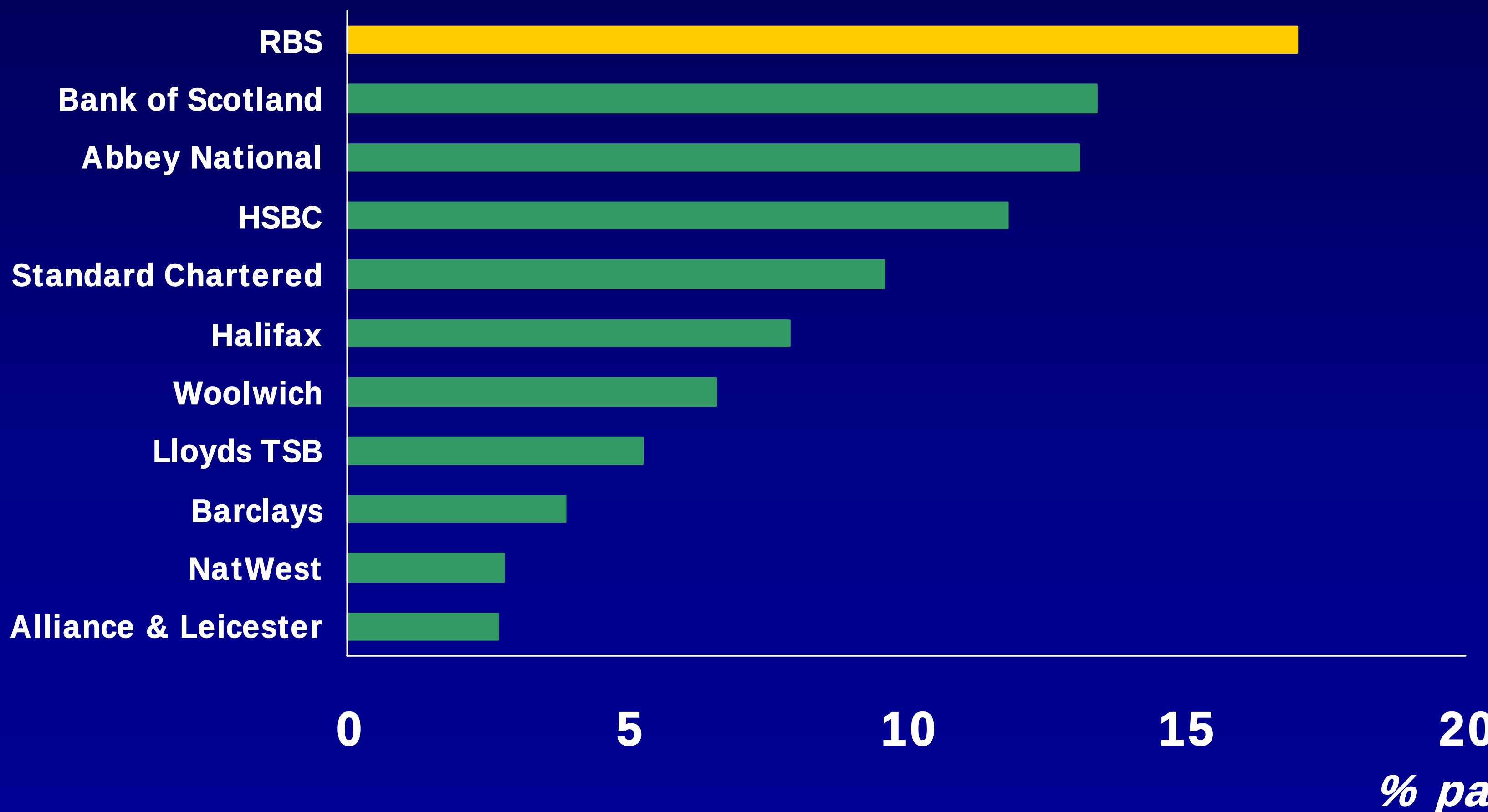
A Full House of Opportunities

Income Growth

- A key driver of sustainable value creation
- Consistent focus required

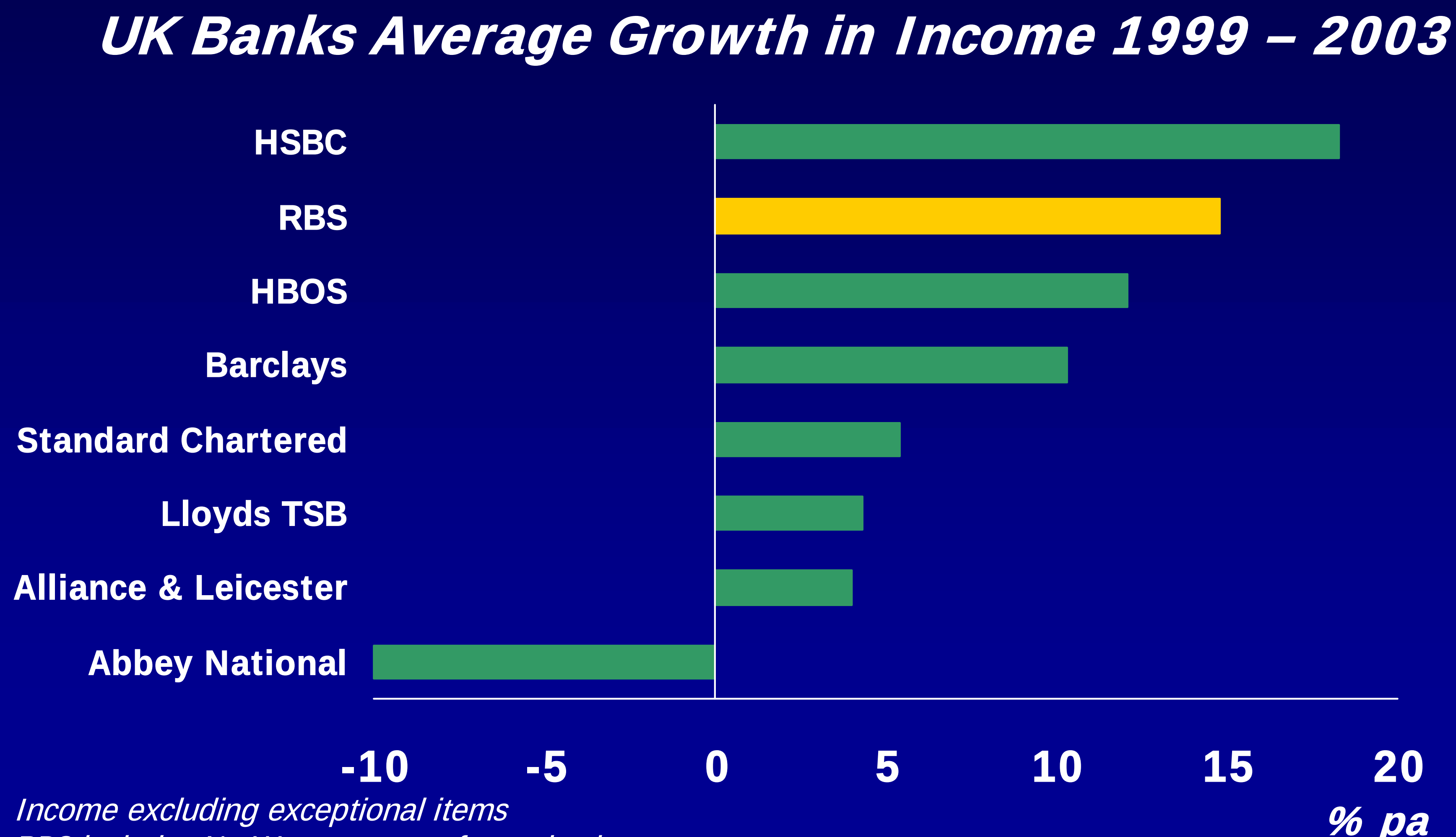
Income Growth

UK Banks Average Growth in Income 1992 – 1999



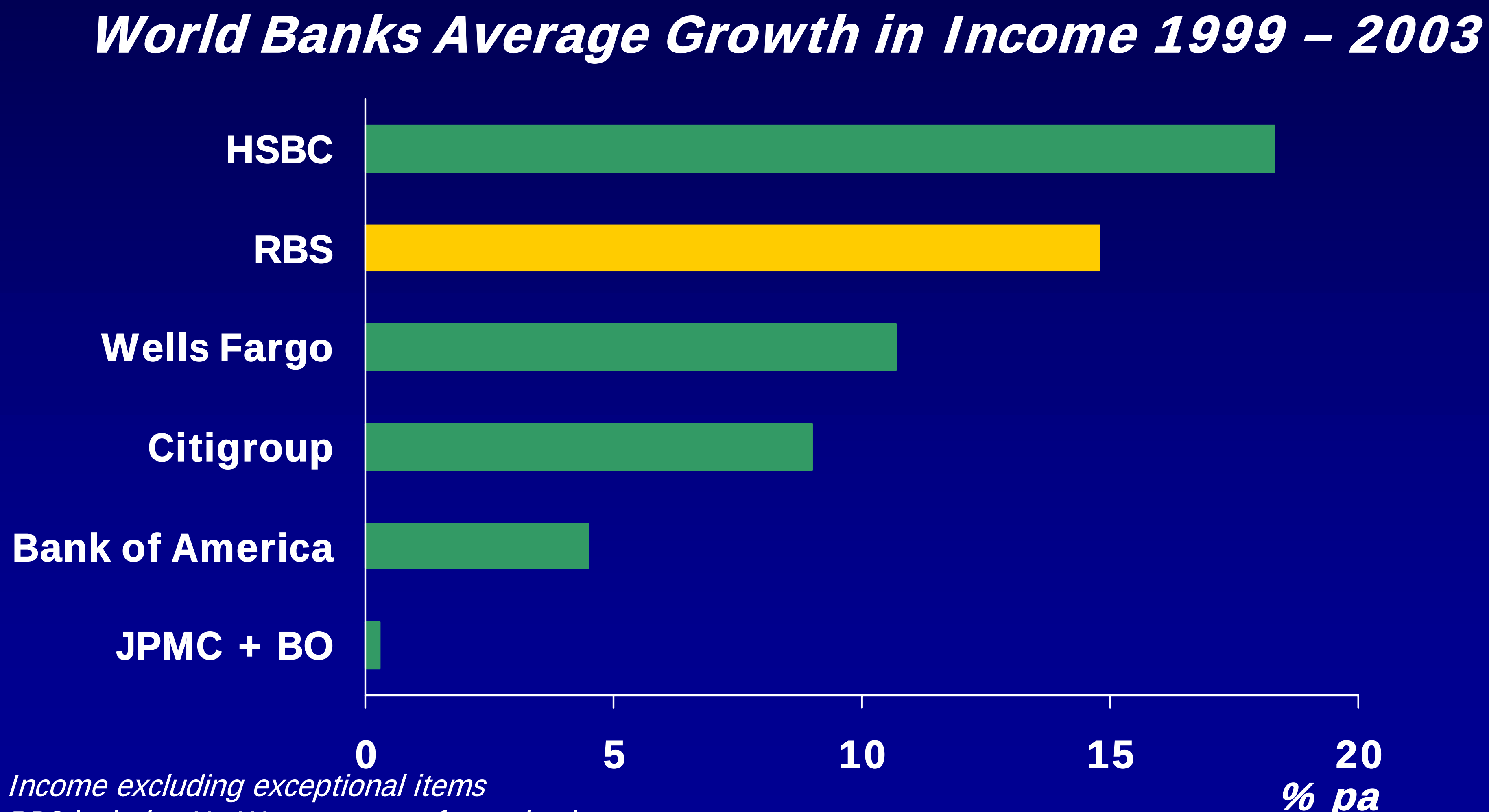
Income excluding exceptional items

Income Growth



Income excluding exceptional items
RBS includes NatWest on a pro forma basis
HSBC including Household (not pro forma)

Income Growth



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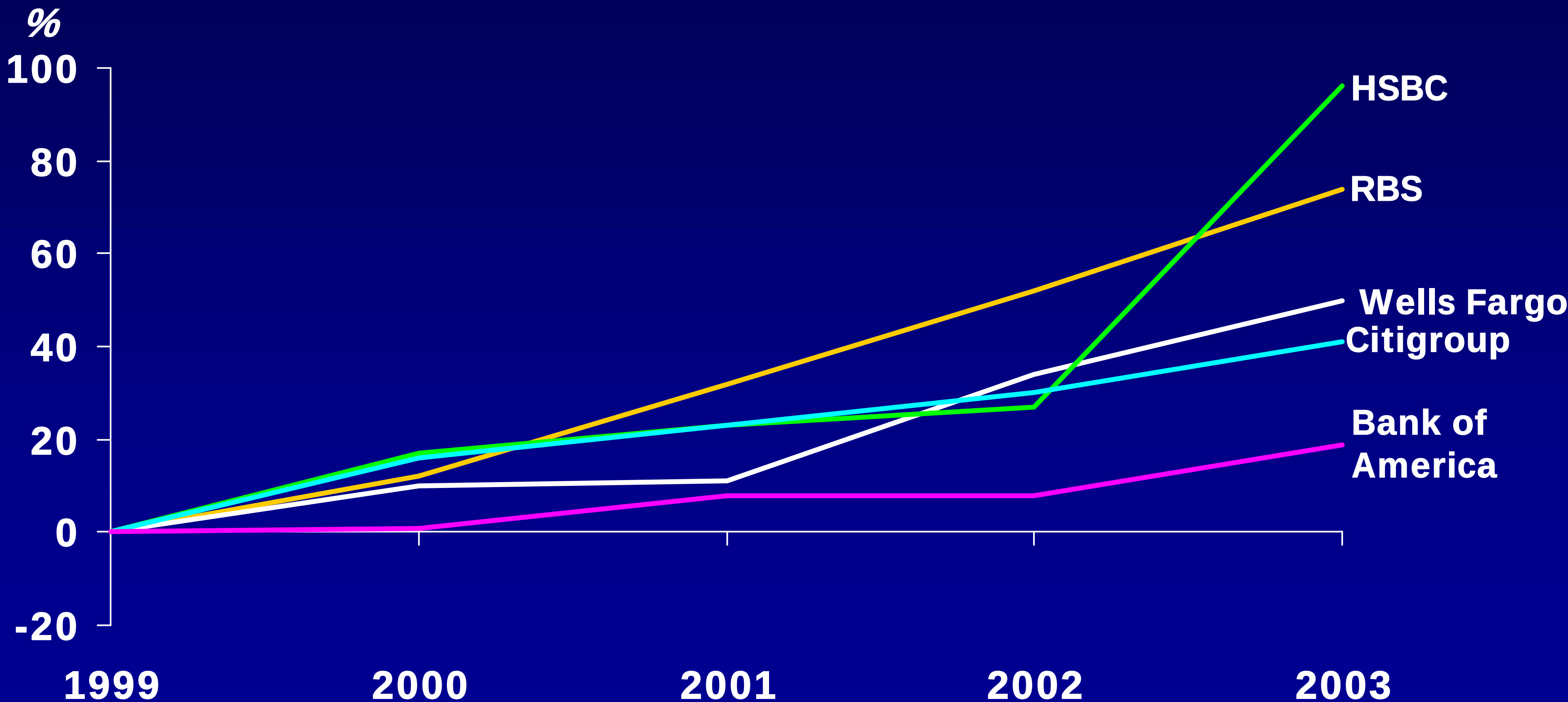
Income Momentum

World Banks Percentage Growth in Income from 1999



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HSBC including Household (not pro forma)

Organic Income Growth

Key Attributes For RBS

- Multi-brand, multiple channel
- Single platform
- Large distribution capacity
- Low market shares
- Profitable new businesses
- Diversity of income
- Geographical options for growth
- A major contributor to RBS income growth

Multi-Brand, Multiple Channel

TESCO Personal Finance

Coutts

Green Flag motoring assistance

DIRECT LINE

First Active

Lombard

RBS ADVANTA

The Royal Bank of Scotland

NatWest

Ulster Bank

CITIZENS FINANCIAL GROUP, INC.

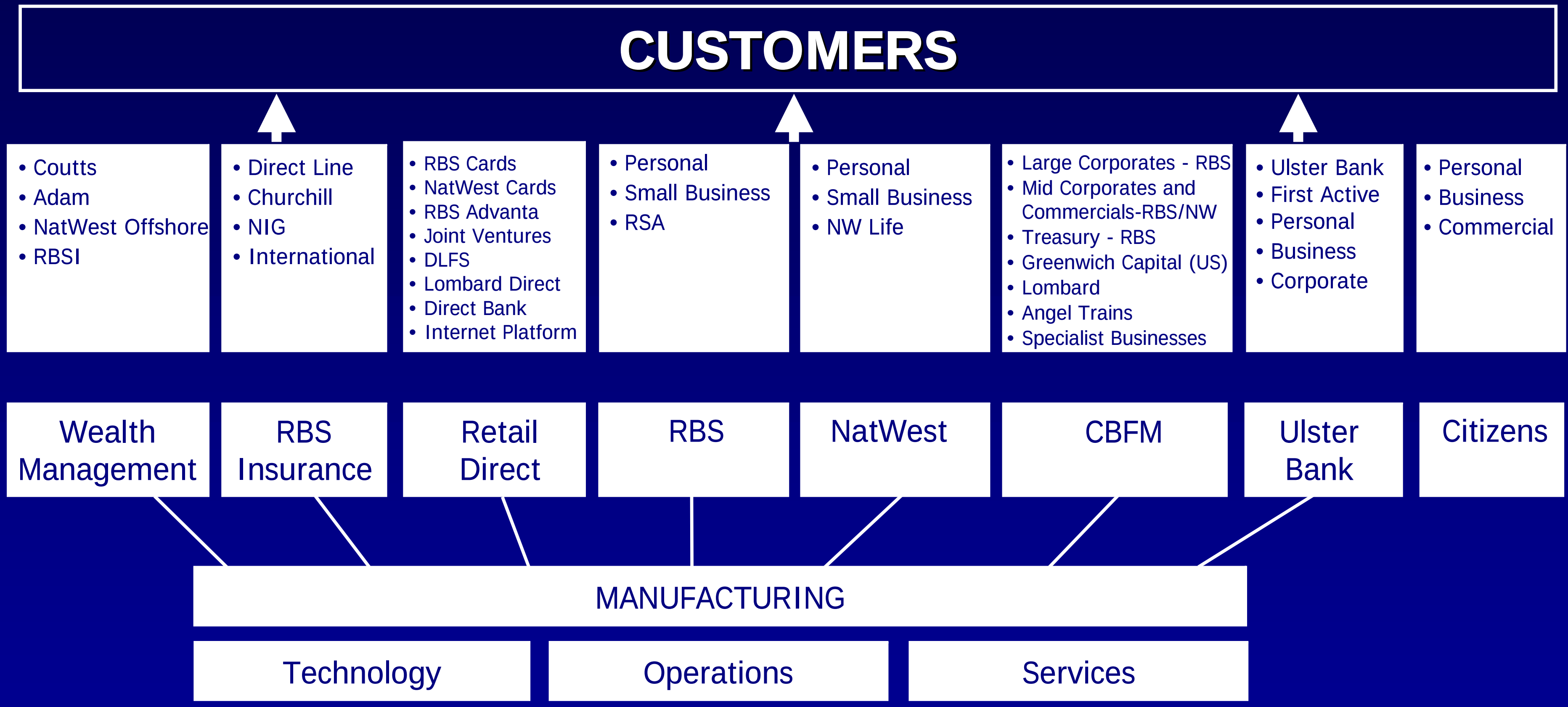
NIG

The one account

Multi-Brand, Multiple Channel

- Appeals to different customer groups
- Allows different product variants, pricing
- Gives flexibility for future
- Allows management flexibility

Single Platform



Single Platform

- Scale
- Specialisation

Enable us to

- Implement new technologies across the Group
- Deliver cost savings associated with acquisitions
- Economies of scale, benefits of specialisation

Large Distribution Capacity

Distribution Channels	***Ranking UK***
Branches	#1
Supermarkets	#1
Telephone	#1
Internet	#? (Large)
ATMs	#1
Relationship Managers	#1

Source: Company Accounts, CACI and Link

Low Market Shares

UK Market Shares	*Total RBS*
Current accounts	20%
Savings accounts	8%
Personal loans	10%
Mortgages	5%
Credit cards	15%
Life insurance	2%
Motor insurance	16%
Home insurance	13%
Small business relationships	29%
Corporate lead relationships	32%

Source: NOP 2003, NFO 2003, RBS estimates

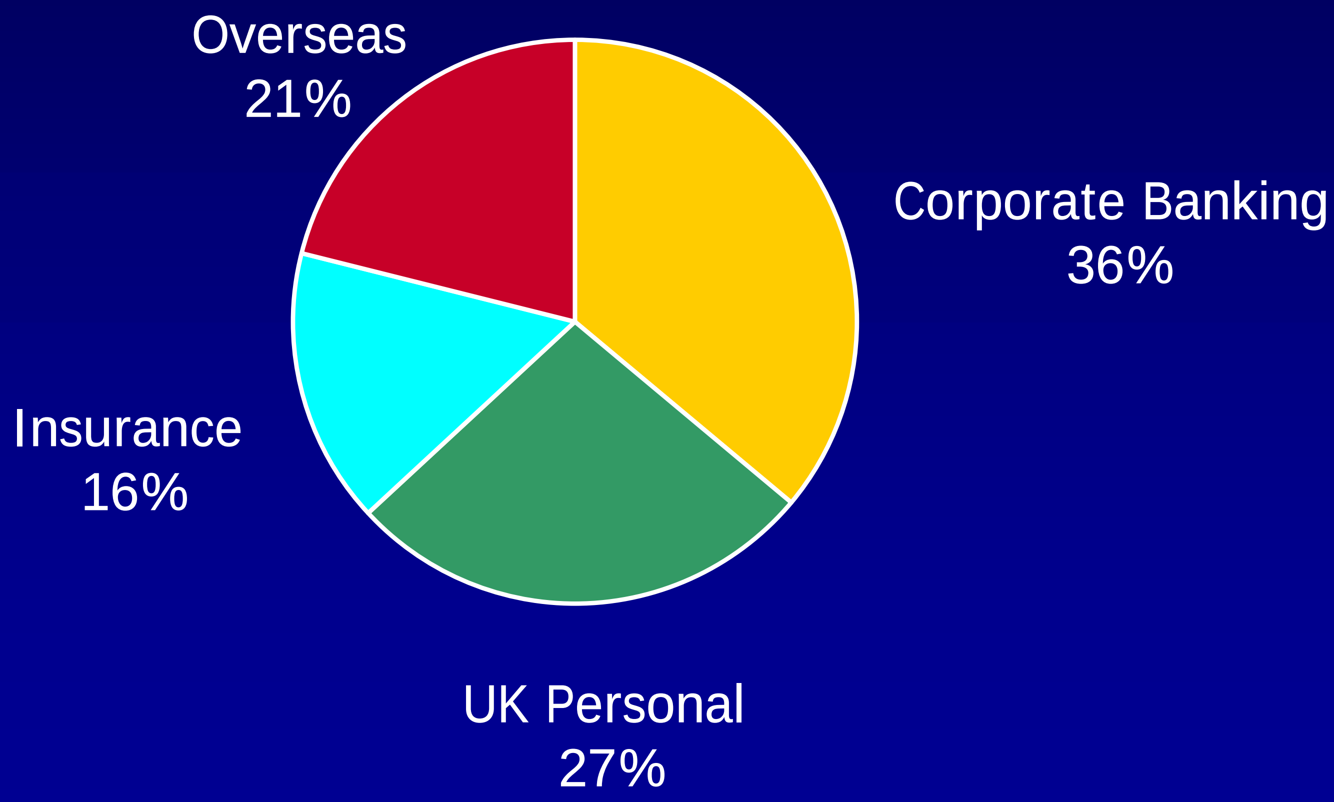
Profitable New Businesses

Examples of UK Financial Services New Entrants	***Commenced***	***Profit/(Loss) 2003***
Scottish Widows Bank	1995	£17m
Goldfish	1996	(£30m)
The One Account	**1997**	**£23m**
Sainsbury's Bank	1997	£22m
Tesco Personal Finance (RBS JV)	**1997**	**£173m**
Egg	1998	(£34m)
Standard Life Bank	1998	£5m
Direct Line Rescue	**1998**	**£31m**
Marbles	1999	not reported
Smile	1999	not reported
Cahoot	2000	(£15m)
Intelligent Finance	2000	(£53m)
Zurich Bank	2001-03	Closed Mar 03

Profit/(loss) before exceptional items

Diversity of Income

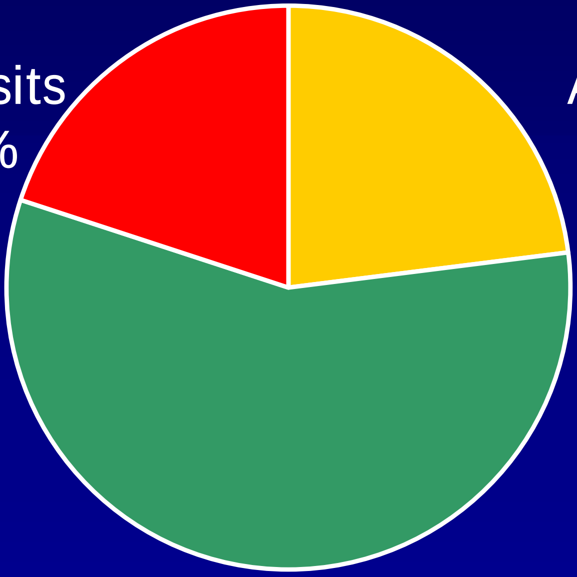
RBS Income 2003



Diversity of Income

RBS Income Mix 2003

Net Interest Income 43%



Non-Interest Income 57%

Diversity of Income

Net Interest Income

	% of Total Income 2003
Personal deposits	11%
Personal lending	12%
Business deposits	9%
Business lending	11%
Net interest income to total income	43%

Diversity of Income

- Not too dependent on personal lending

	UK	*Non-UK*	*% of Total Income 2003*
Consumer finance	7%	1%	8%
Mortgages	3%	1%	4%
Personal lending	10%	2%	12%

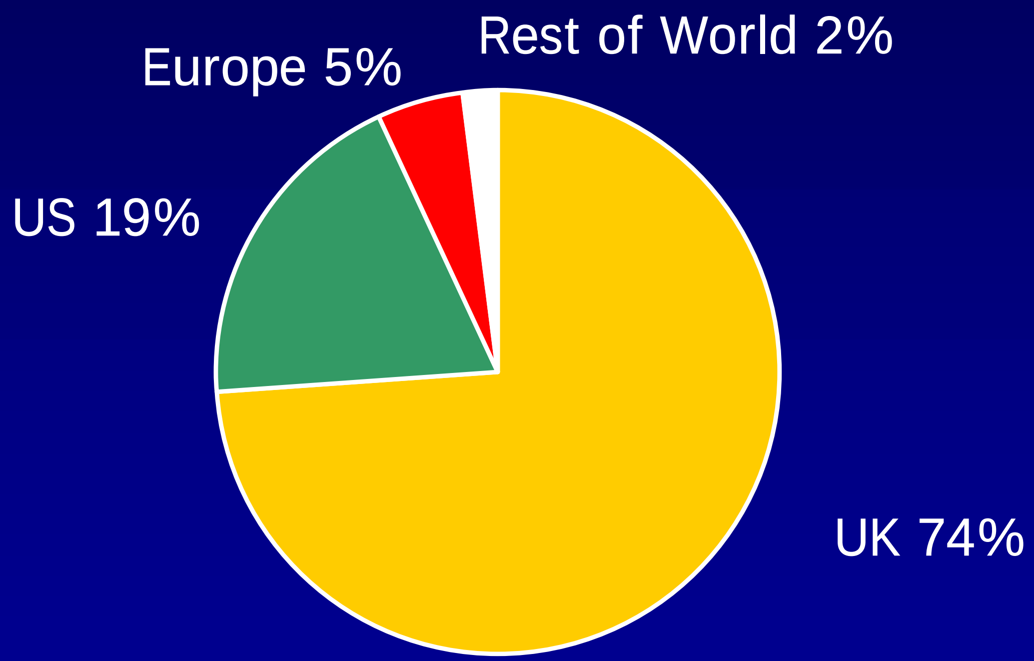
Diversity of Income

Non-Interest Income

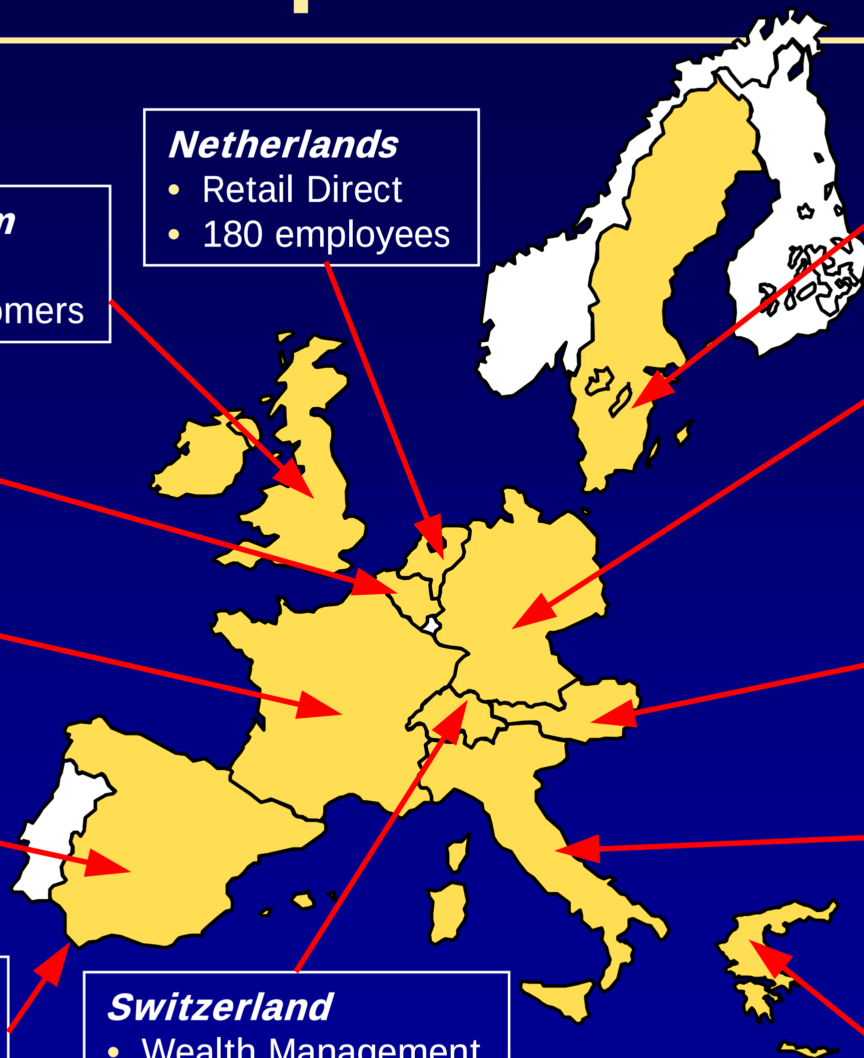
		% of Total Income 2003
Net fees and commissions		23%
– Money transmission and lending	12%	
– Cards related	4%	
– Other	7%	
General insurance premium income		16%
Dealing profits (before associated costs)		9%
Other operating income		9%
Non-interest income to total income		57%

Diversity of Income

RBS Profit Before Tax 2003



Geographical Options for Growth Continental Europe



United Kingdom
- CBFM for European customers

Netherlands
- Retail Direct
- 180 employees

Sweden
- CBFM
- 30 employees

Belgium
- Retail Direct
- 70 employees

Germany
- CBFM
- Retail Direct
- RBS Insurance
- 755 employees

France
- CBFM
- 240 employees

Austria
- Retail Direct
- 2 employees

Spain
- CBFM
- RBS Insurance (JV)
- 65 employees

Italy
- CBFM
- RBS Insurance
- 750 employees

Gibraltar
- Wealth Management
- 130 employees

Switzerland
- Wealth Management
- 730 employees

Greece
- CBFM
- 70 employees

2003 Income: £0.6bn Customers: 3.6m Employees: 3,020

Geographical Options for Growth Continental Europe

Income	*2003 £m*	*2002 £m*	*Change %*
Corporate Banking and Financial Markets	182	128	+42%
RBS Insurance	160	85	+88%
Wealth Management	105	85	+24%
Retail Direct	84	55	+53%
Central items	23	22	
Continental Europe	**554**	**375**	**+48%**

Geographical Options for Growth
United States

Mid Atlantic
- Citizens
- 5,300 employees

New England
- Citizens, Retail Direct
- 9,310 employees

Greenwich
- CBFM
- 680 employees

New York
- CBFM for US customers
- 375 employees

2003 Income: £2.9bn   Customers: 3.7m   Employees: 15,660

Geographical Options for Growth
United States

Income	*2003 $m*	*2002 $m*	*Change %*
Citizens	2,984	2,578	+16%
Corporate Banking and Financial Markets	1,581	1,276	+24%
United States	**4,565**	**3,854**	**+18%**

Organic Growth
A Major Contributor

RBS Income Growth

	Pro forma 1999 £m	2003 £m	Change over 4 Yrs £m	Change over 4 Yrs %
Total income	11,065	19,229	8,164	+74%

Components of Income Growth	*£m*	*% Total*
NatWest transaction benefits	872	11%
Other acquisitions	1,865	23%
Organic growth	5,427	66%
Total	8,164	100%

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  - **Improve efficiency**
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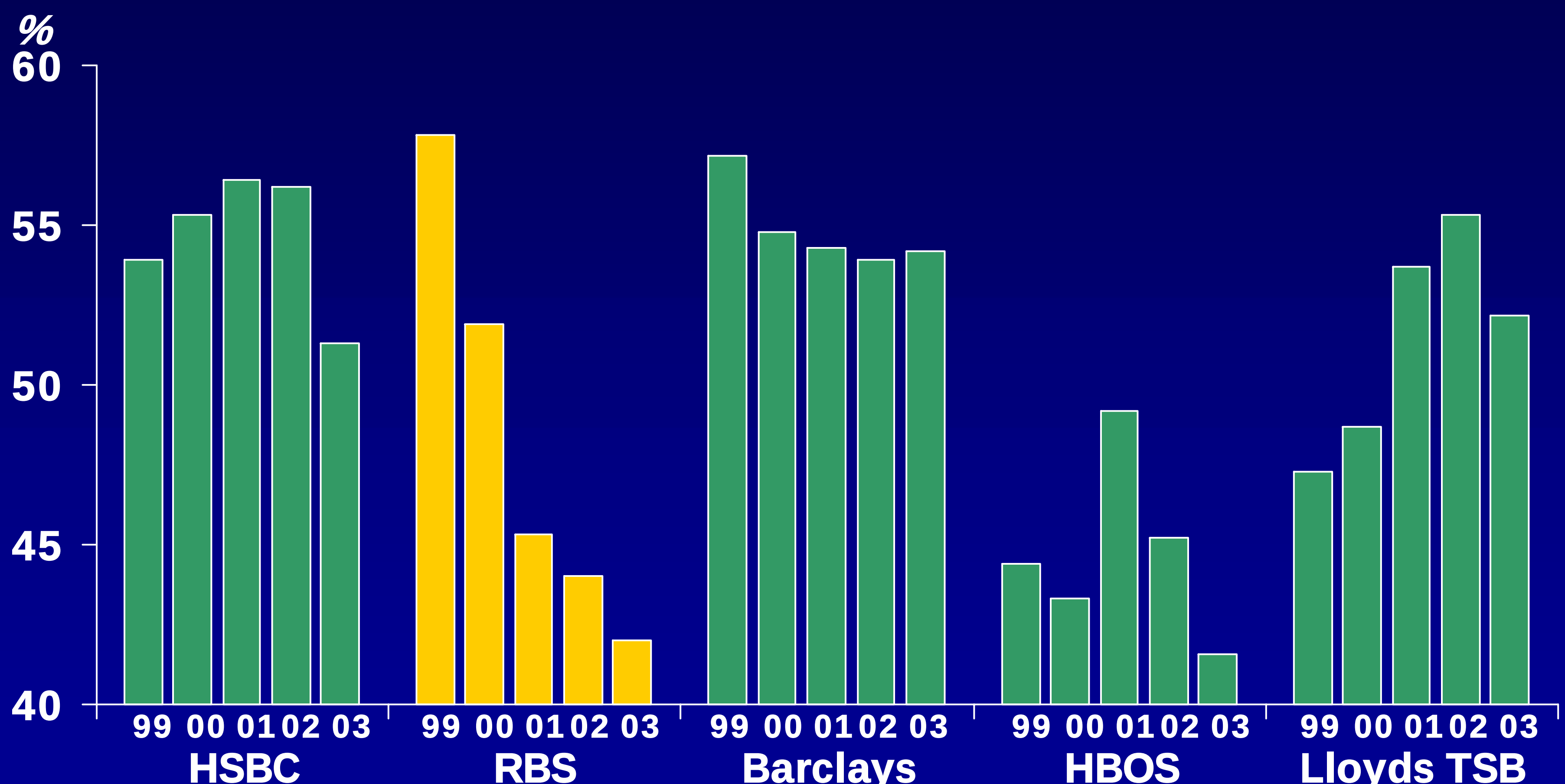
Improve Efficiency

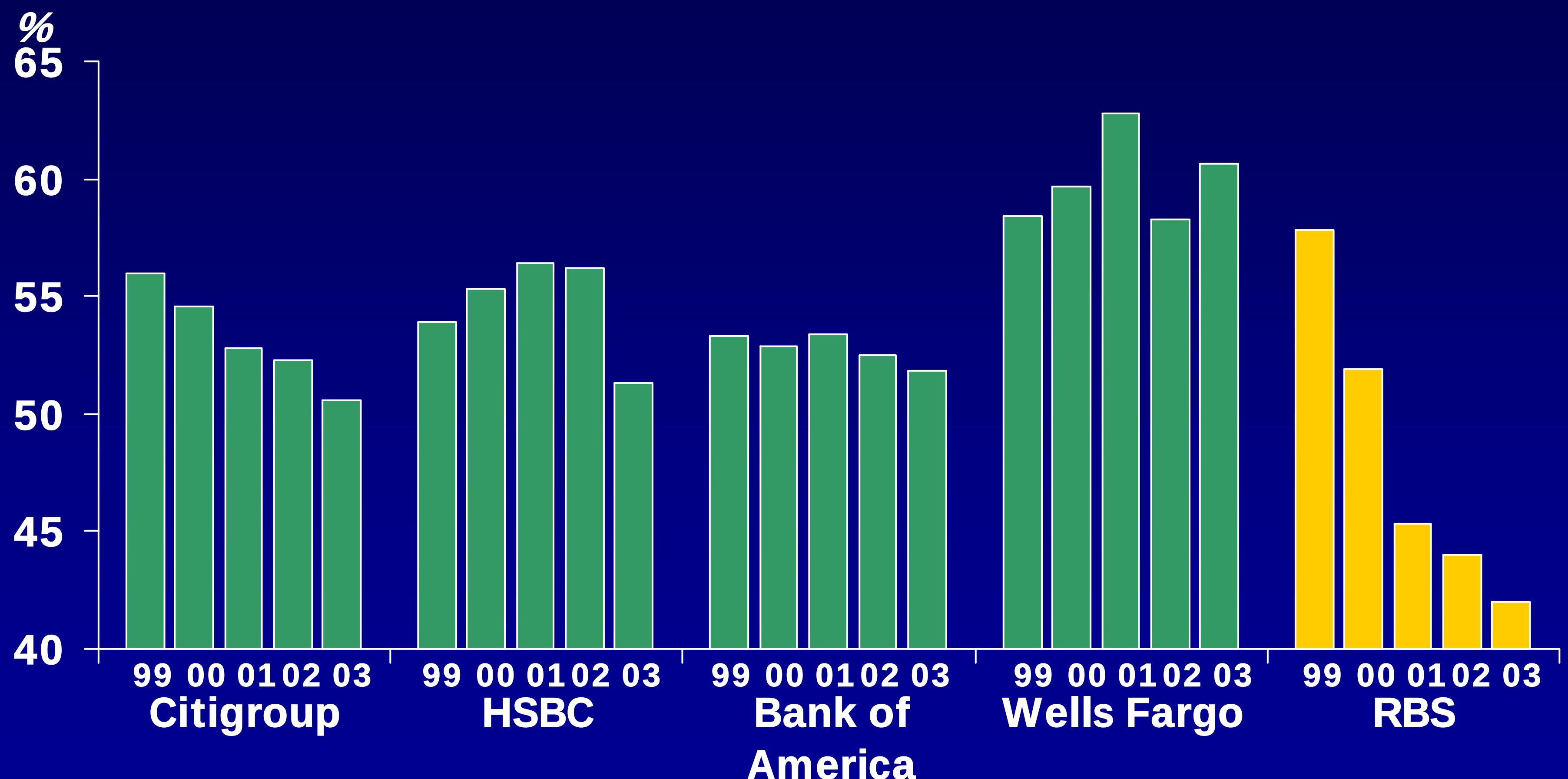
Cost:Income Ratio 1999-2003



Cost:income ratios as reported by banks, or based on income and costs reported by banks
HSBC including Household
RBS: netting operating lease depreciation against rental income

Improve Efficiency

Cost:Income Ratio 1999-2003



Cost:income ratios as reported by banks, or based on income and costs reported by banks
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Improve Efficiency

Outlook

- Group-wide programme of initiatives
- Managed like NatWest integration
- No ‘below the line’ costs
- Three year programme 2003 – 2005

Improve Efficiency

Outlook

2003 Break-even

2004 Spend accelerates, but good payback

2005 Completion achieved, benefits in full flow

2006 Full annualised benefits delivered

- On current business mix, planned initiatives would take cost:income ratio below 40%

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Able to Make Good Acquisitions

- Expect to generate surplus capital
- Don’t need to make acquisitions
- Geographic options for acquisitions
- Track record of making good acquisitions
- Track record of successful integration of acquisitions
- Delivery of cost savings and revenue benefits

Acquisitions 2003-2004

Completed	*Acquisition*	*Division*	*Consideration (m)*
2003			
Jan	Commonwealth Bancorp	Citizens	$450
Jun	Nordisk Renting	CBFM	€104
Jul	Port Financial Corporation	Citizens	$285
Jul	Santander Direkt Bank	Retail Direct	€486
Sep	Churchill Insurance Group	Direct Line	£1,100
Oct	Community Bancorp	Citizens	$116
Nov	Bank von Ernst	Wealth Mgt	Swfr 500
2004			
Jan	Roxborough Manayunk Bank	Citizens	$136
Jan	First Active	Ulster Bank	€887
Feb	People's Bank (credit cards)	Retail Direct	$360
May*	Charter One	Citizens	$10,500

** Announced, not completed*

2003 Major Acquisitions

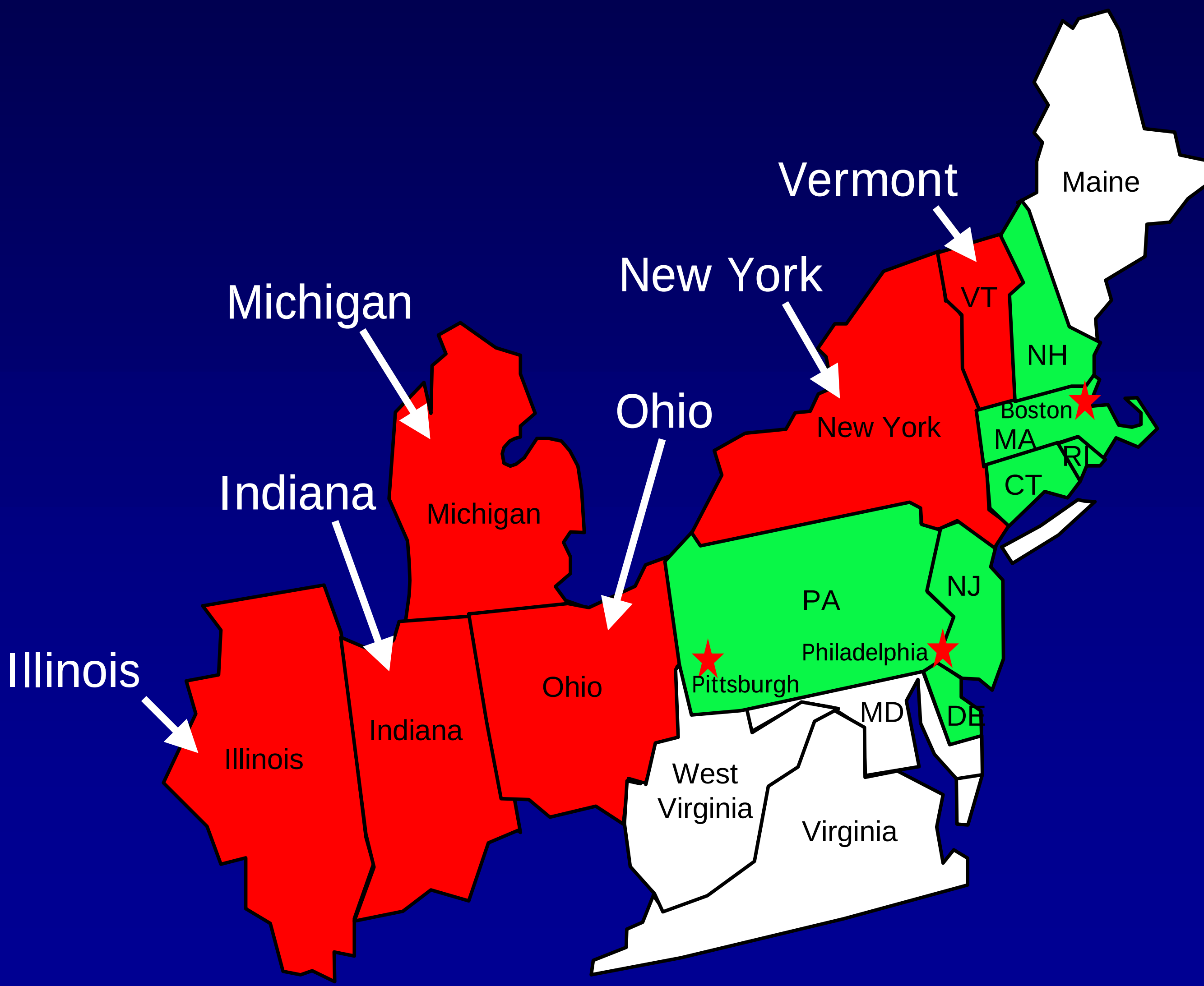
- RBS Insurance including Churchill
  - #2 general insurer in UK
  - #1 in motor, #2 in home
  - Two leading direct retail brands
  - Added broker channel, stronger in partnerships
- Ulster Bank including First Active
  - Strong #3 bank in Ireland, #1 in Northern Ireland
  - Strong in mortgages as well as banking products
  - Complementary brands, branch networks
  - Leverage Group resources in CBFM and manufacturing

Acquisition of Charter One

- Logical geographic extension with significant transaction benefits
- Significant increase in scale
- Opportunities for organic growth
- Options for future acquisitions
- Top 10 bank in US
- 25% of RBS profit before tax from US

Logical Geographic Extension

CITIZENS FINANCIAL GROUP, INC.



Significant Increase in Scale

	Charter One	Citizens	Increase
Customers (000s)			
– Personal	1,719	2,462	+70%
– Business	98	233	+42%
Branches			
– Traditional	456	615	+74%
– Supermarket	160	258	+62%
ATMs	988	1,661	+59%
Employees	7,843	15,779	+50%

Statistics at 31 March 2004

Opportunities for Organic Growth

000s	*Households*	*000s*	*Households*
New England		***Mid West***	
Rhode Island	424	Ohio	4,536
Massachusetts	2,506	Illinois	4,692
Connecticut	1,339	Michigan	3,886
New Hampshire	501	Indiana	2,399
Mid Atlantic		***North East***	
Pennsylvania	4,854	Upstate New York	1,658
		Vermont	248

Source: SNL Datasource as at 30 June 2003

Opportunities for Organic Growth

000s	*Small Businesses*
New England	
Rhode Island	21
Massachusetts	128
Connecticut	67
New Hampshire	27
Mid Atlantic	
Pennsylvania	204

000s	*Small Businesses*
Mid West	
Ohio	180
Illinois	217
Michigan	166
Indiana	98
North East	
Upstate New York	86
Vermont	16

Source: SNL Datasource as at 30 June 2003, US Small Business Association

Opportunities for Organic Growth

Mid West	*Population (m)*	*Total Deposits $bn*	*F'cast Ave H'hold Income Growth (03-08)*
Chicago, Illinois	8.4	211.4	15.1%
Detroit, Michigan	4.5	78.6	16.2%
Cleveland, Ohio	2.3	64.8	15.0%

Source: SNL Datasource as at 30 June 2003

Options for Future Acquisitions

State	*Number of Banks/Thrifts*
Mid West	
Ohio	293
Illinois	671
Michigan	154
Indiana	191
North East	
Upstate New York	46
Vermont	24

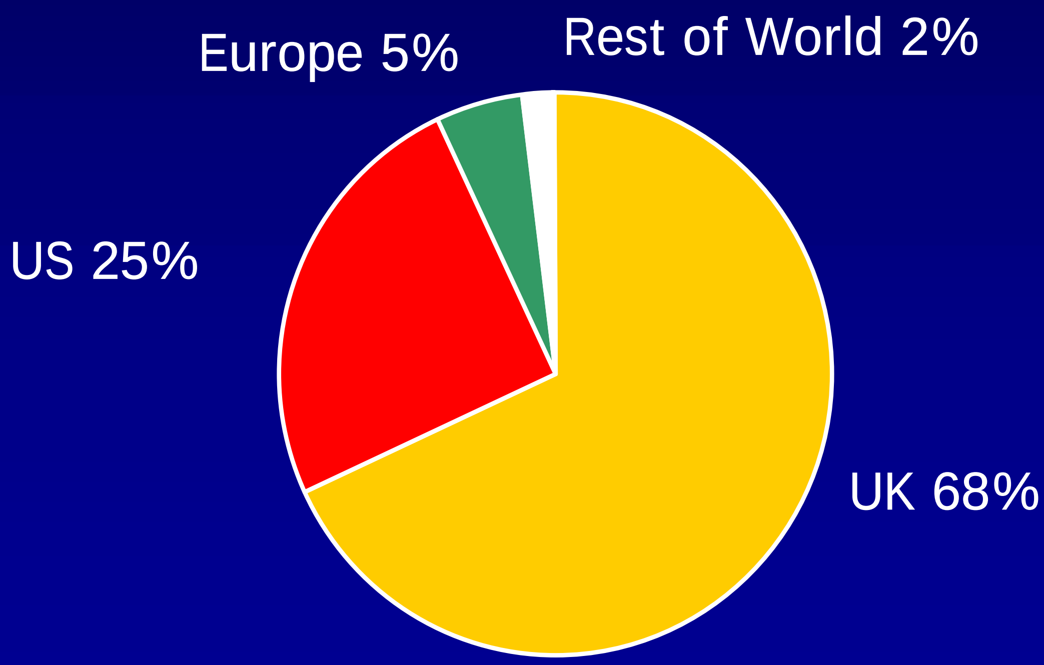
Top 10 Bank in US

		Deposits $bn
1.	Bank of America	575
2.	JP Morgan Chase + Bank One (pending)	503
3.	Citigroup	499
4.	Wells Fargo	248
5.	Wachovia	232
6.	US Bancorp	119
7.	SunTrust Banks + National Commerce Financial (pending)	97
8.	**Pro forma Citizens + Charter One**	**87**
8.	HSBC North America	86
9.	National City + Provident Financial (pending)	77
10.	BB&T	64
11.	**Citizens**	**60**
12.	Fifth Third Bancorp	55
13.	Regions Financial + Union Planters (pending)	54
14.	ABN Amro North America	53
15.	KeyCorp	50
16.	PNC	48
17.	Comerica	43
18.	UnionBanCal	39
19.	SouthTrust	36
20.	M&T Bank	33

US commercial banks, US GAAP deposits, 31 March 2004
Source: SNL DataSource

25% of RBS Profit Before Tax from US

RBS Profit Before Tax After Charter One



A Full House of Opportunities

What Does This Mean For RBS?

- Organic income growth
  - Multi-brand, multiple channel ✓
  - Single platform ✓
  - Large distribution capacity ✓
  - Low market shares ✓
  - Profitable new businesses ✓
  - Diversity of income ✓
  - Geographical options for growth ✓
  - A major contributor to RBS income growth ✓
- Improve efficiency ✓
- Able to make good acquisitions ✓

RBS

The Royal Bank of Scotland Group

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