



The Royal Bank of Scotland Group

2003 Results

19 February 2004



Sir George Mathewson
Chairman

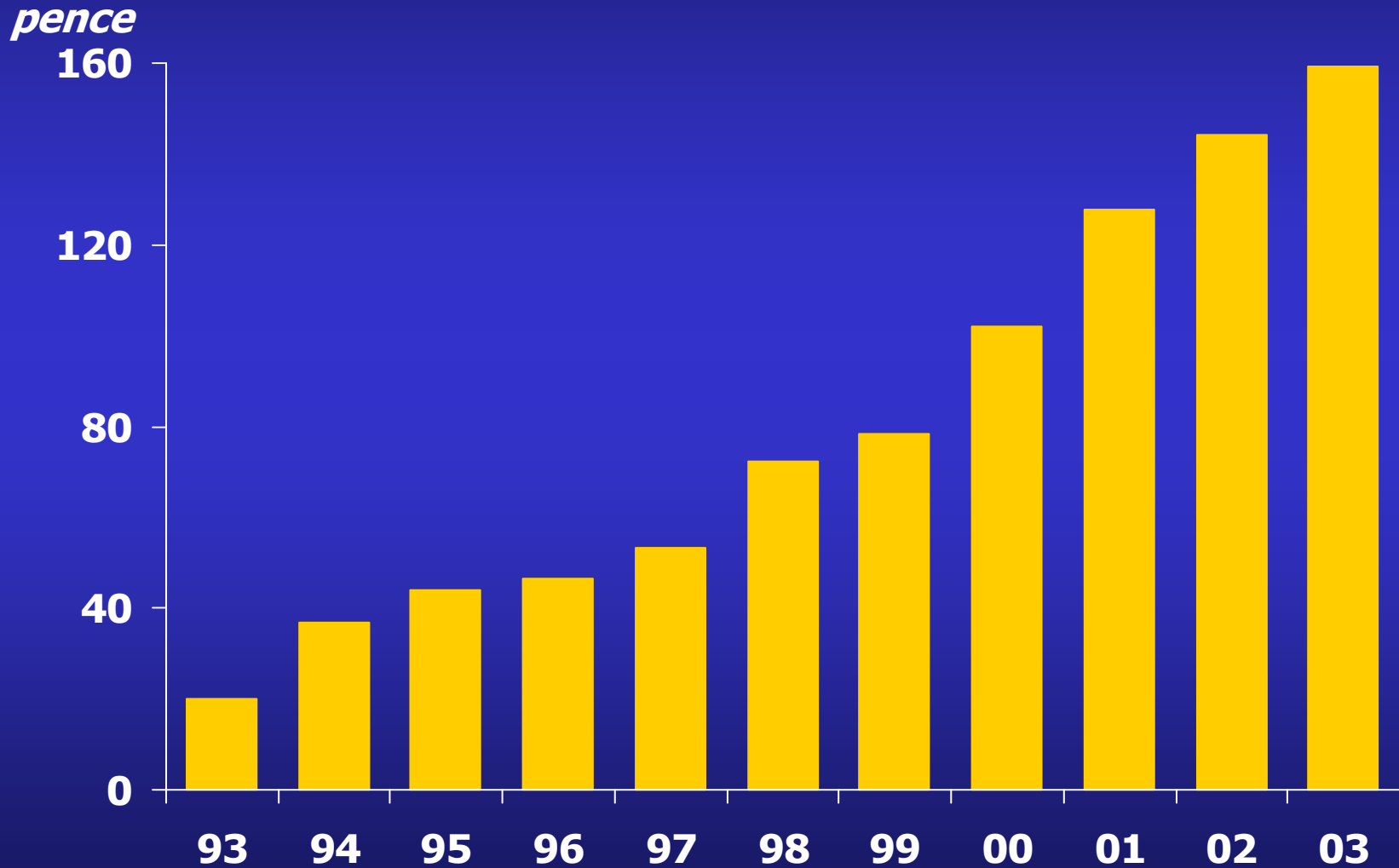
2003 Results

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i>
Profit before tax, goodwill amortisation and integration costs (Group operating profit)	7,151	6,451	+11%
Adjusted earnings per share (pence)	159.3	144.1	+11%

Dividends

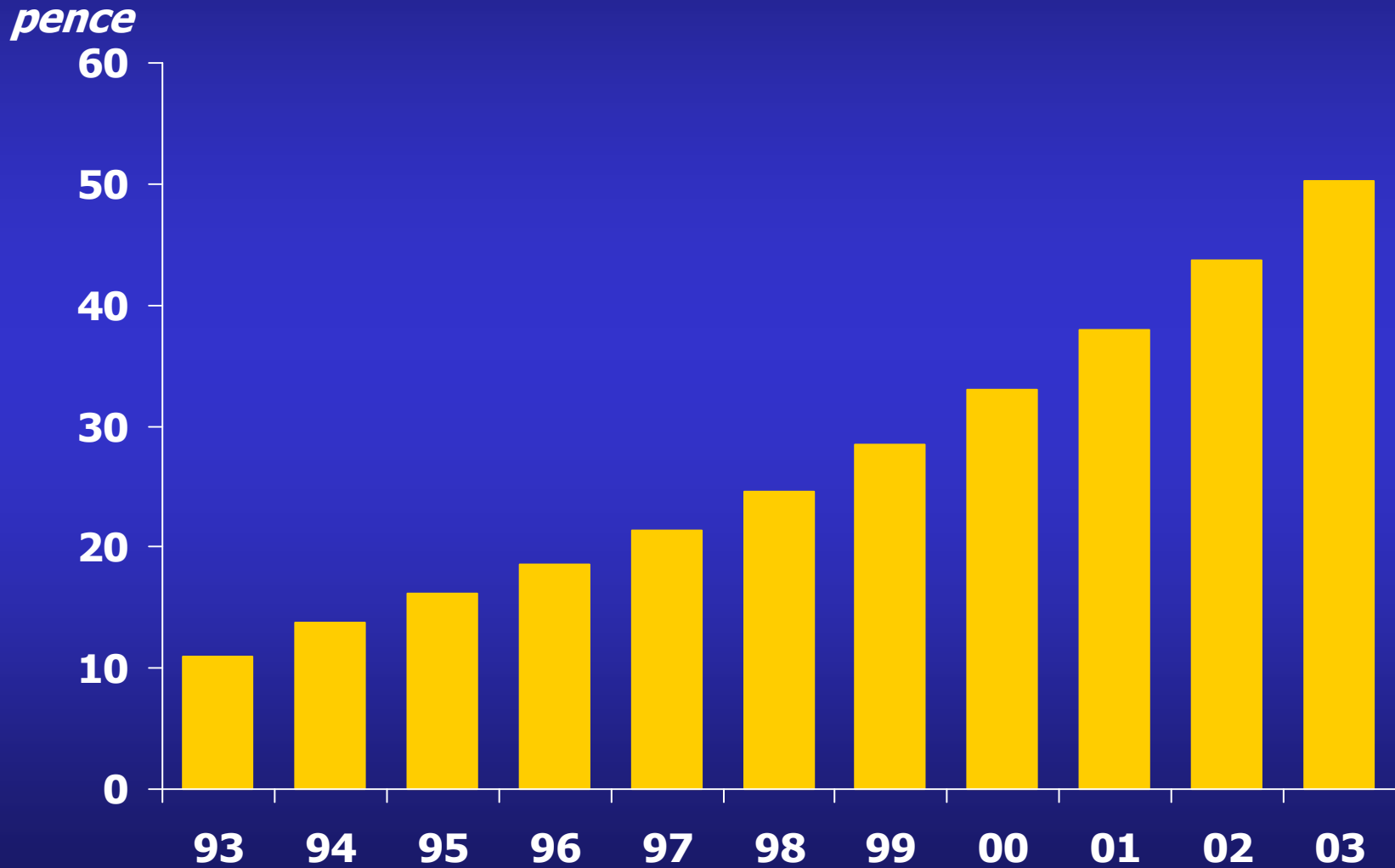
	<i>2003</i>	<i>2002</i>
Dividend per ordinary share	50.3 pence	43.7 pence
Dividend growth	+15%	+15%
AVS dividend	55.0 pence	30.0 pence
Total ordinary and AVS dividends	£2,953m	£2,065m

Adjusted Earnings Per Share



Earnings per share before exceptional items, goodwill amortisation, integration costs and AVS dividends

Dividends Per Share



Dividends per ordinary share, excluding AVS dividends

2003 Results

Agenda

- Group and Divisional Results
- Review and Outlook



The Royal Bank of Scotland Group

Fred Watt
Group Finance Director



Group and Divisional Results

2003 Results

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i>
Group operating profit	7,151	6,451	+11%
Goodwill amortisation	763	731	
Integration costs	229	957	
Profit before tax	6,159	4,763	+29%

Group Operating Profit

	<i>2003</i>	<i>2002</i>	<i>Change</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	
Total income	19,229	16,815	2,414	+14%
Operating expenses	8,389	7,669	720	+9%
Income less expenses	10,840	9,146	1,694	+19%
Net insurance claims	2,195	1,350	845	+63%
Total provisions	1,494	1,345	149	+11%
Group operating profit	7,151	6,451	700	+11%

Income

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i> <i>£m</i>	<i>Change</i>
Corporate Banking and Financial Markets	6,697	6,052	645	+11%
Retail Banking	4,403	4,193	210	+5%
Retail Direct	1,835	1,590	245	+15%
Manufacturing	—	—	—	—
Wealth Management	879	907	(28)	-3%
RBS Insurance	3,245	2,139	1,106	+52%
Ulster Bank	581	520	61	+12%
Citizens	1,824	1,716	108	+6%
Central items	(235)	(302)	67	+22%
Total income	19,229	16,815	2,414	+14%

Income Growth

	<i>Reported</i>	<i>\$ Impact</i>	<i>Comp Comm</i>	<i>Acq/ Disp</i>	<i>U'lying</i>
Corporate Banking and Financial Markets	+11%	+1%	+1%	-1%	+12%
Retail Banking	+5%	—	+3%	—	+8%
Retail Direct	+15%	—	—	-1%	+14%
Manufacturing	—	—	—	—	—
Wealth Management	-3%	—	—	+4%	+1%
RBS Insurance	+52%	—	—	-29%	+23%
Ulster Bank	+12%	—	—	—	+12%
Citizens	+6%	+10%	—	-5%	+11%
Central items	+22%	—	—	+5%	+27%
Total income	+14%	+1%	+1%	-4%	+12%

Net Interest Margin

	<i>2003</i> %	<i>2002</i> %
Group	3.0 (2.97)	3.1 (3.13)

- Ahead of interim guidance (by 3 basis points)

Net Interest Margin

Directional Impact on Net Interest Margin

*Outlook
2004*

Interest rates

Product margins



First Active



Expenses

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i> <i>£m</i>	<i>Change</i>
Corporate Banking and Financial Markets	2,322	2,066	256	+12%
Retail Banking	1,004	961	43	+4%
Retail Direct	665	608	57	+9%
Manufacturing	1,875	1,762	113	+6%
Wealth Management	432	464	(32)	-7%
RBS Insurance	582	434	148	+34%
Ulster Bank	276	254	22	+9%
Citizens	879	855	24	+3%
Central items	354	265	89	+34%
Operating expenses	8,389	7,669	720	+9%

Cost:Income Ratio

	<i>2003</i> %	<i>2002</i> %
Group	42.0	44.0
Group, excluding acquisitions	42.5	43.8

Provisions

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i>
Net new provisions and amounts written off fixed asset investments	1,566	1,408	+11%
Recoveries of amounts previously written off	72	63	+14%
Total provisions charge	1,494	1,345	+11%
Total charge as percentage of gross loans and advances to customers	0.58%	0.59%	

Asset Quality

<i>£m</i>	<i>Dec 2003</i>	<i>Jun 2003</i>	<i>Dec 2002</i>
Total provisions	3,922	3,964	3,920
Risk elements in lending	5,157	5,083	4,871
Potential problem loans	591	975	1,183
Risk elements in lending and potential problem loans	5,748	6,058	6,054
Provisions as a percentage of:			
Risk elements in lending	76%	78%	80%
Risk elements in lending and potential problem loans	68%	65%	65%

Total provisions excludes provisions to Banks (£7 million in all time periods)

Group Operating Profit

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i> <i>£m</i>	<i>Change</i> <i>%</i>
Total income	19,229	16,815	2,414	+14%
Operating expenses	8,389	7,669	720	+9%
Net insurance claims	2,195	1,350	845	+63%
Operating profit before provisions	8,645	7,796	849	+11%
Total provisions	1,494	1,345	149	+11%
Group operating profit	7,151	6,451	700	+11%

Corporate Banking and Financial Markets

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i>
Net interest income	2,324	2,349	- 1%
Non interest income	4,373	3,703	+18%
Total income	6,697	6,052	+11%
Direct expenses	2,322	2,066	+12%
Contribution before provisions	4,375	3,986	+10%
Provisions	755	725	+4%
Contribution	3,620	3,261	+11%

2002 restated following transfer of certain activities to Manufacturing

Corporate Banking and Financial Markets

<i>Excluding Acquisitions</i>	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i>
Net interest income	2,331	2,354	-1%
Non-interest income	3,745	3,188	+17%
Total income	6,076	5,542	+10%
Direct expenses	1,720	1,559	+10%
Contribution before provisions	4,356	3,983	+9%
Provisions	755	725	+4%
Contribution	3,601	3,258	+11%

Operating lease depreciation has been netted against rental income

Corporate Banking and Financial Markets

<i>Net Interest Income</i>	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i> <i>%</i>
Reported net interest income	2,324	2,349	-1%
Add back: rental asset funding cost	329	282	
Less: money markets income	(303)	(340)	
Core banking net interest income	2,350	2,291	+3%

Reflects also adverse impact of:

- Competition Commission
- Interest rate environment – income from deposits

Retail Banking

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i>
Net interest income	2,951	2,840	+4%
Non interest income	1,452	1,353	+7%
Total income	4,403	4,193	+5%
Direct expenses	1,004	961	+4%
Contribution before provisions	3,399	3,232	+5%
Provisions	273	213	+28%
Contribution	3,126	3,019	+4%

Retail Direct

	<i>2003</i>	<i>2002</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	849	749	+13%
Non interest income	986	841	+17%
Total income	1,835	1,590	+15%
Direct expenses	665	608	+9%
Contribution before provisions	1,170	982	+19%
Provisions	297	281	+6%
Contribution	873	701	+25%

Manufacturing

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i>
Group Technology	651	613	+6%
Group Purchasing and Property Operations	636	585	+9%
Customer Support and other operations	588	564	+4%
Total Manufacturing costs	1,875	1,762	+6%

2002 restated following transfer of certain activities to Manufacturing

Wealth Management

	<i>2003</i>	<i>2002</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	465	460	+1%
Non interest income	414	447	- 7%
Total income	879	907	- 3%
Expenses	432	464	- 7%
Contribution before provisions	447	443	+1%
Net provisions/(release)	9	(11)	
Contribution	438	454	-4%

2002 restated following transfer of certain activities to Manufacturing

Wealth Management

<i>Underlying Trend</i>	<i>2003 £m</i>	<i>2002 £m</i>	<i>Yr on Yr Change</i>
Reported income	879	907	- 3%
Disposals + acquisitions (NW Stockbrokers/Miami/Bank von Ernst)	13	48	
Adjusted for disposals + acquisitions	866	859	1%
	H1	422	- 4%
	H2	444	6%

RBS Insurance

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i>
Insurance premium income	3,061	1,894	+62%
Other income	184	245	- 25%
Total income	3,245	2,139	+52%
Expenses	582	434	+34%
Net claims	2,195	1,350	+63%
Contribution	468	355	+32%

RBS Insurance

<i>Excluding Churchill</i>	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i>
Insurance premium income	2,381	1,894	+26%
Other income	283	245	+16%
Total income	2,664	2,139	+25%
Expenses	474	434	+9%
Net claims	1,743	1,350	+29%
Contribution	447	355	+26%

Ulster Bank

	<i>2003</i>	<i>2002</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	396	339	+17%
Non interest income	185	181	+2%
Total income	581	520	+12%
Expenses	276	254	+9%
Contribution before provisions	305	266	+15%
Provisions	32	22	+45%
Contribution	273	244	+12%

Citizens

	<i>2003</i>	<i>2002</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	1,310	1,248	+5%
Non interest income	514	468	+10%
Total income	1,824	1,716	+6%
Expenses	879	855	+3%
Contribution before provisions	945	861	+10%
Provisions	88	95	- 7%
Contribution	857	766	+12%

Citizens

	<i>2003</i> <i>\$m</i>	<i>2002</i> <i>\$m</i>	<i>Change</i>
Net interest income	2,143	1,875	+14%
Non interest income	841	703	+20%
Total income	2,984	2,578	+16%
Expenses	1,438	1,285	+12%
Contribution before provisions	1,546	1,293	+20%
Provisions	145	142	+2%
Contribution	1,401	1,151	+22%

Citizens

<i>Excluding Acquisitions</i>	<i>2003</i> <i>\$m</i>	<i>2002</i> <i>\$m</i>	<i>Change</i>
Net interest income	2,034	1,870	+9%
Non interest income	818	703	+16%
Total income	2,852	2,573	+11%
Expenses	1,383	1,281	+8%
Contribution before provisions	1,469	1,292	+14%
Provisions	140	142	- 1%
Contribution	1,329	1,150	+16%

Group Operating Profit

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i> <i>£m</i>	<i>Change</i>
Corporate Banking and Financial Markets	3,620	3,261	359	+11%
Retail Banking	3,126	3,019	107	+4%
Retail Direct	873	701	172	+25%
Manufacturing	(1,875)	(1,762)	(113)	-6%
Wealth Management	438	454	(16)	-4%
RBS Insurance	468	355	113	+32%
Ulster Bank	273	244	29	+12%
Citizens	857	766	91	+12%
Central items	(629)	(587)	(42)	-7%
Group operating profit	7,151	6,451	700	+11%

Earnings Per Share

	<i>2003</i> <i>pence</i>	<i>2002</i> <i>pence</i>	<i>Change</i>
Basic earnings per share	79.0	68.4	+15%
Goodwill amortisation	25.0	24.2	
Integration costs	5.4	23.8	
AVS dividend	49.9	27.7	
Adjusted earnings per share	159.3	144.1	+11%
Dividend per share	50.3	43.7	+15%
Dividend cover	3.1x	3.3x	

Dividend cover before goodwill amortisation, integration costs and AVS dividend

Capital Ratios

	<i>Dec 2003 %</i>	<i>Dec 2002 %</i>
Tier 1	7.4	7.3
Total capital	11.8	11.7

Allowing for First Active and People's Bank credit cards

Tier 1	7.1
Total capital	11.5



The Royal Bank of Scotland Group

Fred Goodwin
Group Chief Executive



Review and Outlook

Income Growth

Income

	<i>2003</i>	<i>2002</i>	<i>Change</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>	
Total income	19,229	16,815	2,414	+14%

Income Growth 2000-2002

	<i>Pro forma</i>		<i>Change over 3 Yrs</i>	
	<i>1999</i>	<i>2002</i>		
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>%</i>
Total income	11,065	16,815	+5,750	+52%

<i>Components of Income Growth</i>	<i>£m</i>	<i>% Total</i>
Transaction benefits	+712	12%
Acquisitions	+1,036	18%
Organic growth	+4,002	70%
Total	+5,750	100%

Income Growth 2000-2002

	<i>3 Years 2000-2002</i>	
	<i>Total</i>	<i>Average</i>
	<i>£m</i>	<i>£m</i>
Organic growth	4,002	1,334
Total	5,750	1,917

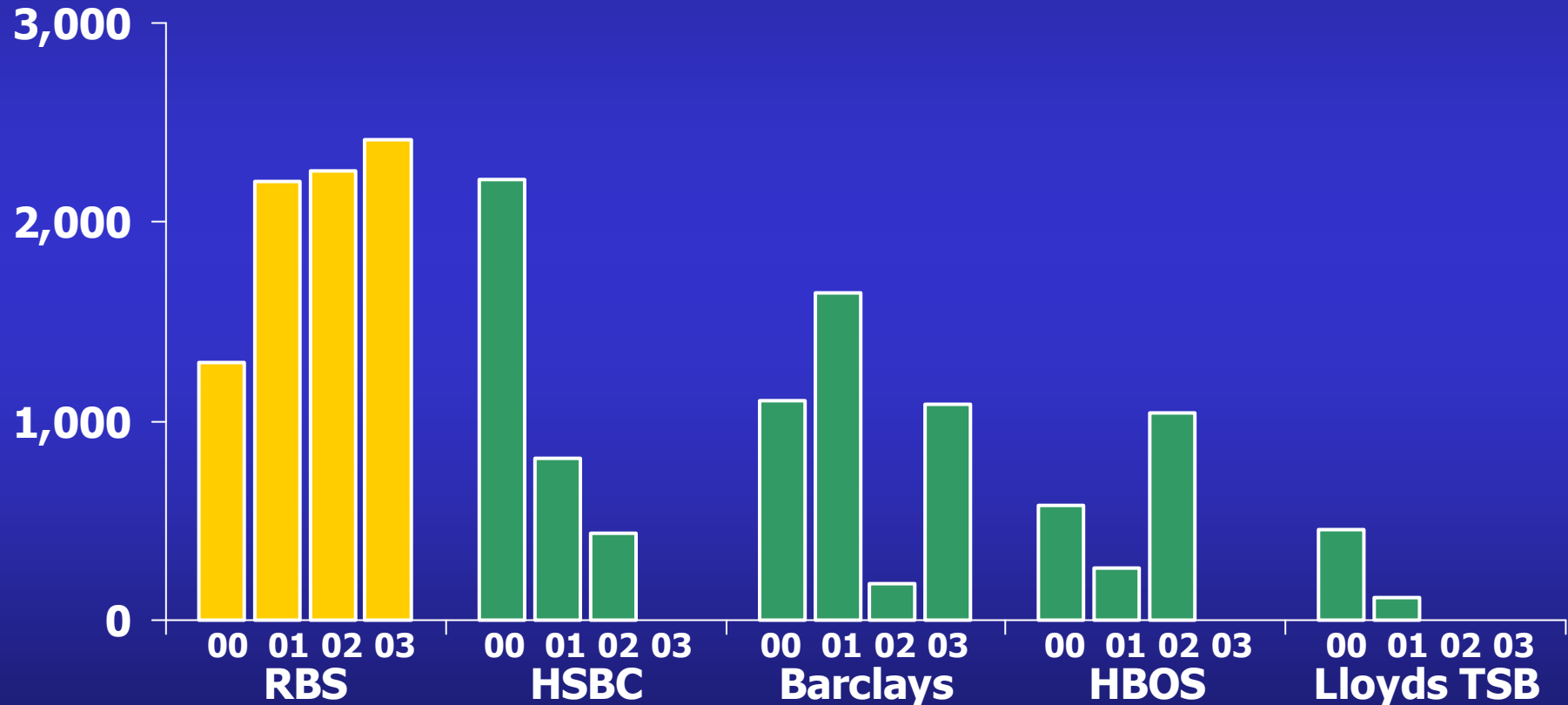
Income Growth 2000-2002 and 2003

	<i>3 Years 2000-2002 Average £m</i>	<i>2003 £m</i>
Organic growth	1,334	1,488
Total	1,917	2,414

Consistent Income Growth

Annual Growth in Income

£m



2003: Only Barclays and RBS have reported full year figures

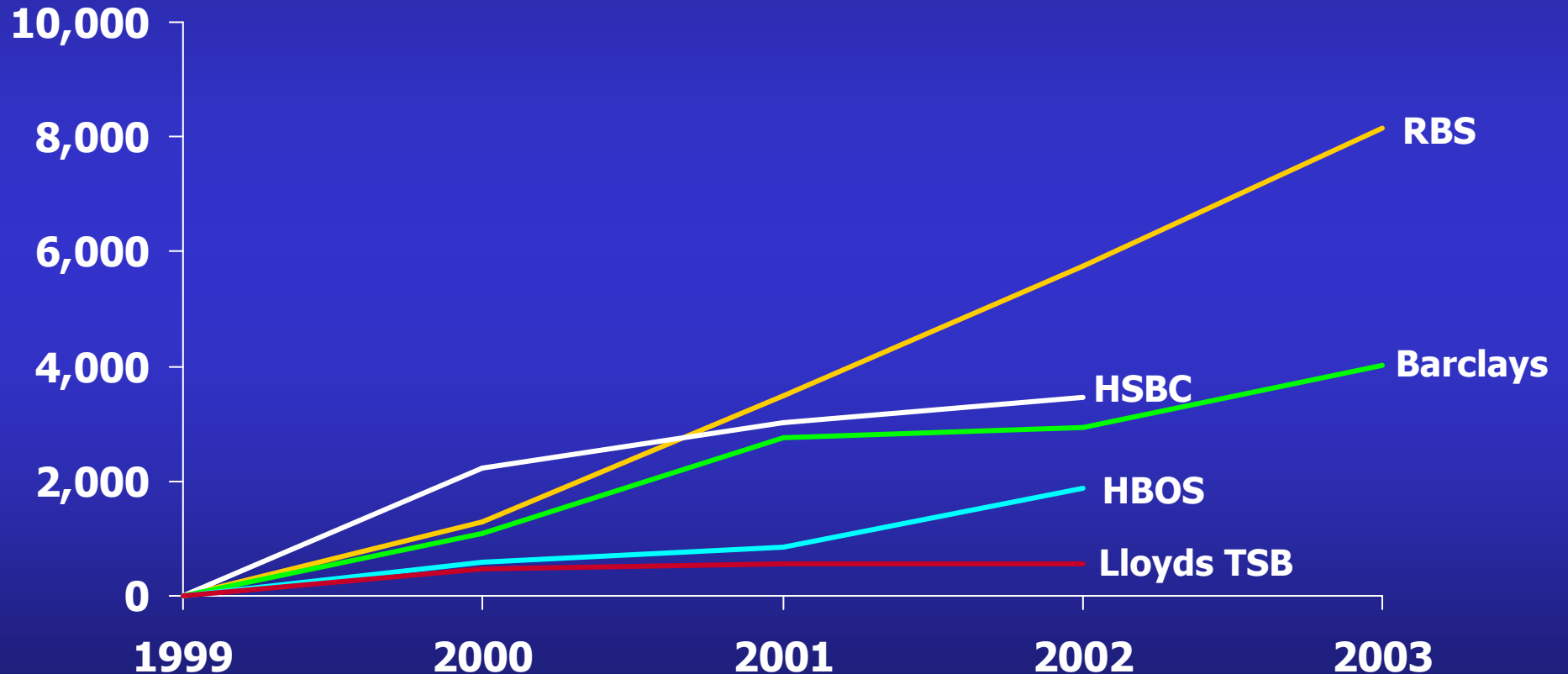
Income as reported by banks

HSBC income, reported in US\$, converted at \$1.611, average exchange rate for 1H03

Consistent Income Growth

Cumulative Growth in Income from 1999

£m



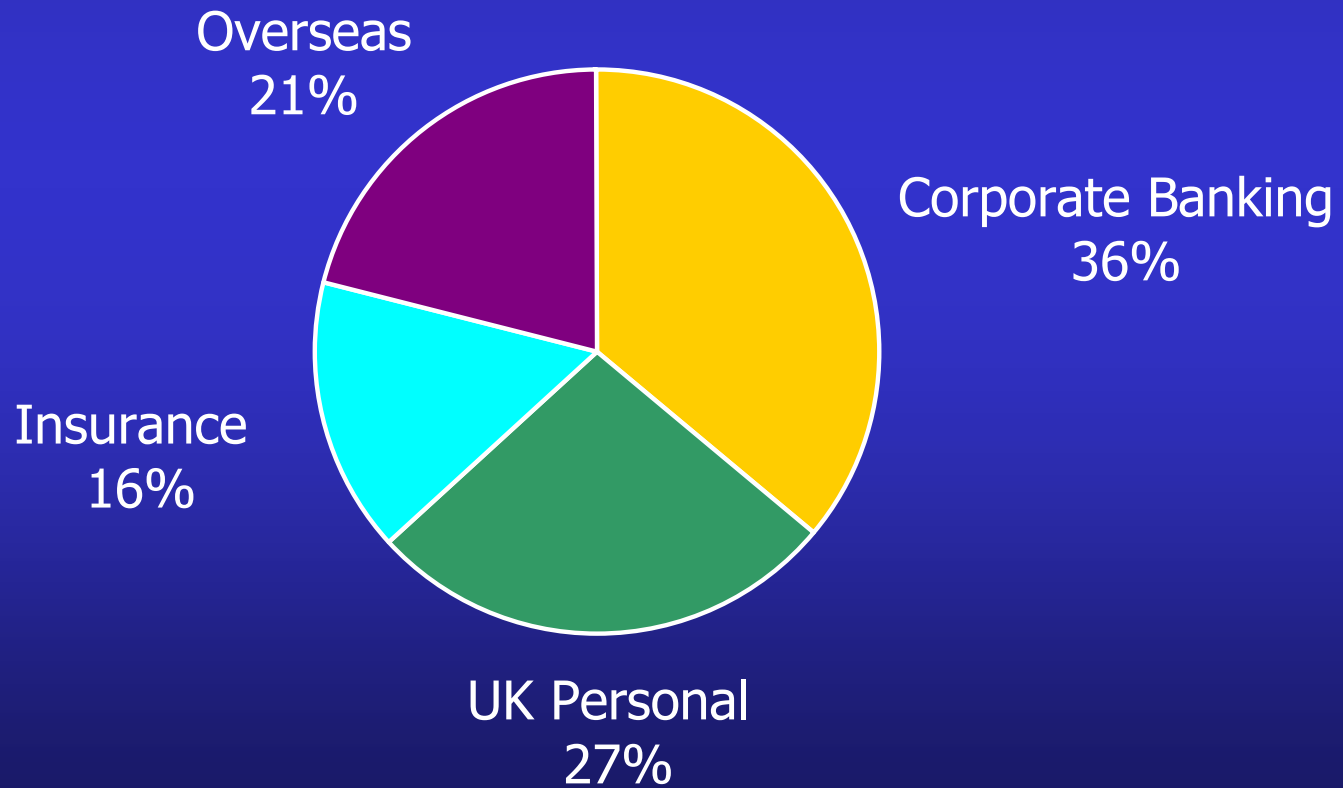
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Income as reported by banks

HSBC income, reported in US\$, converted at \$1.611, average exchange rate for 1H03

Diversity of Income

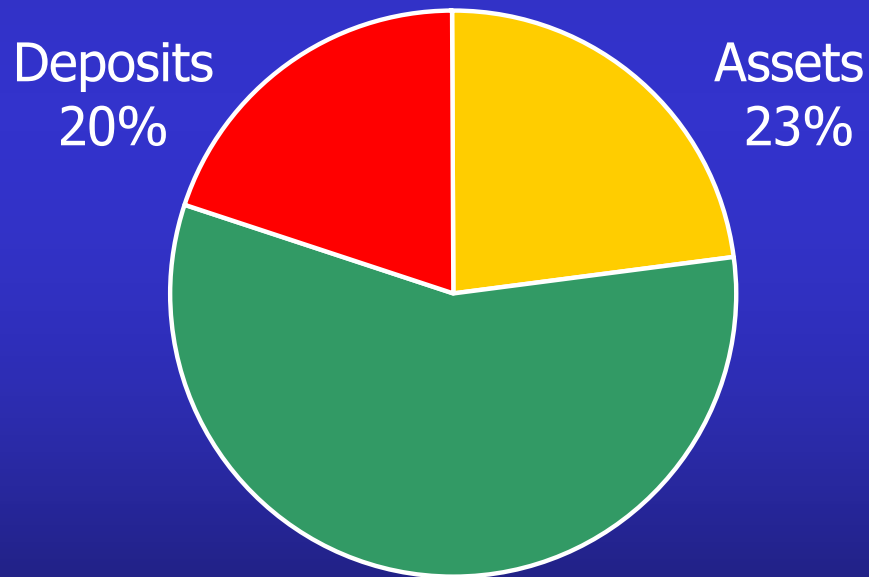
RBS Income 2003 £19,229m



Diversity of Income

RBS Income 2003 £19,229m

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

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

Diversity of Income

Non-Interest Income to Total Income 2003

RBS	57%
Lloyds TSB	48%
Barclays	47%
HSBC	39%
HBOS	38%

*2003: Full year income split for RBS, Barclays; 1H03 income split for HSBC, HBOS, Lloyds TSB
Income as reported by banks, HSBC including Household from 28 March 2003*

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%

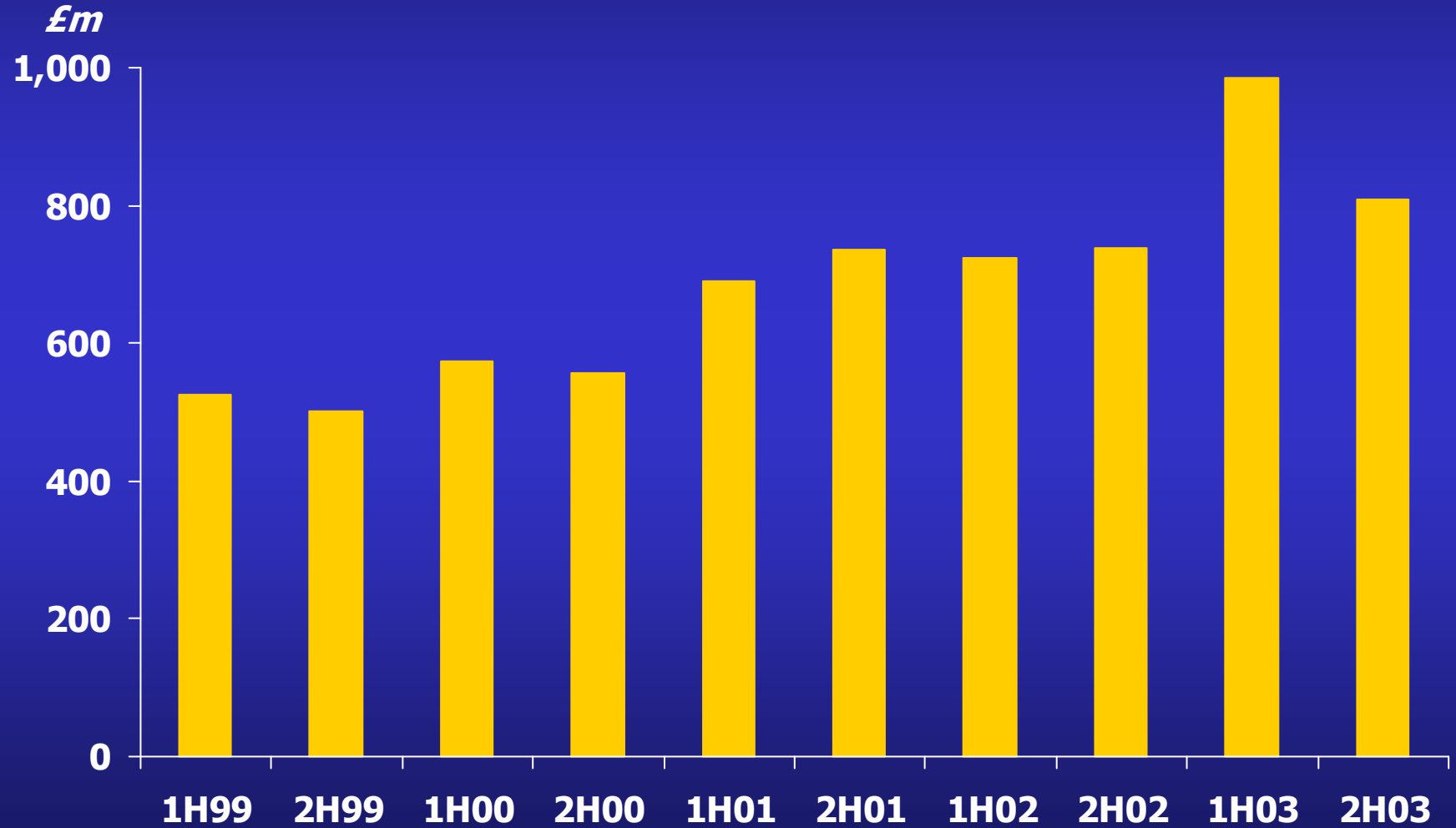
Dealing Profits

- Dealing profits (income) reflect customer driven activities

% of Total Income 2003

Foreign exchange, securities and interest rate products	6%
RBS Greenwich Capital	
– Asset backed	2%
– Interest rate products	1%
Dealing profits (before associated costs)	9%

Dealing Profits



Dealing Profits

	<i>Dealing Profits % Total Income</i>				
	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
RBS	9.3%	9.2%	9.8%	8.7%	9.3%

- Dealing profits reflect customer facing activities
- Stable proportion of total income

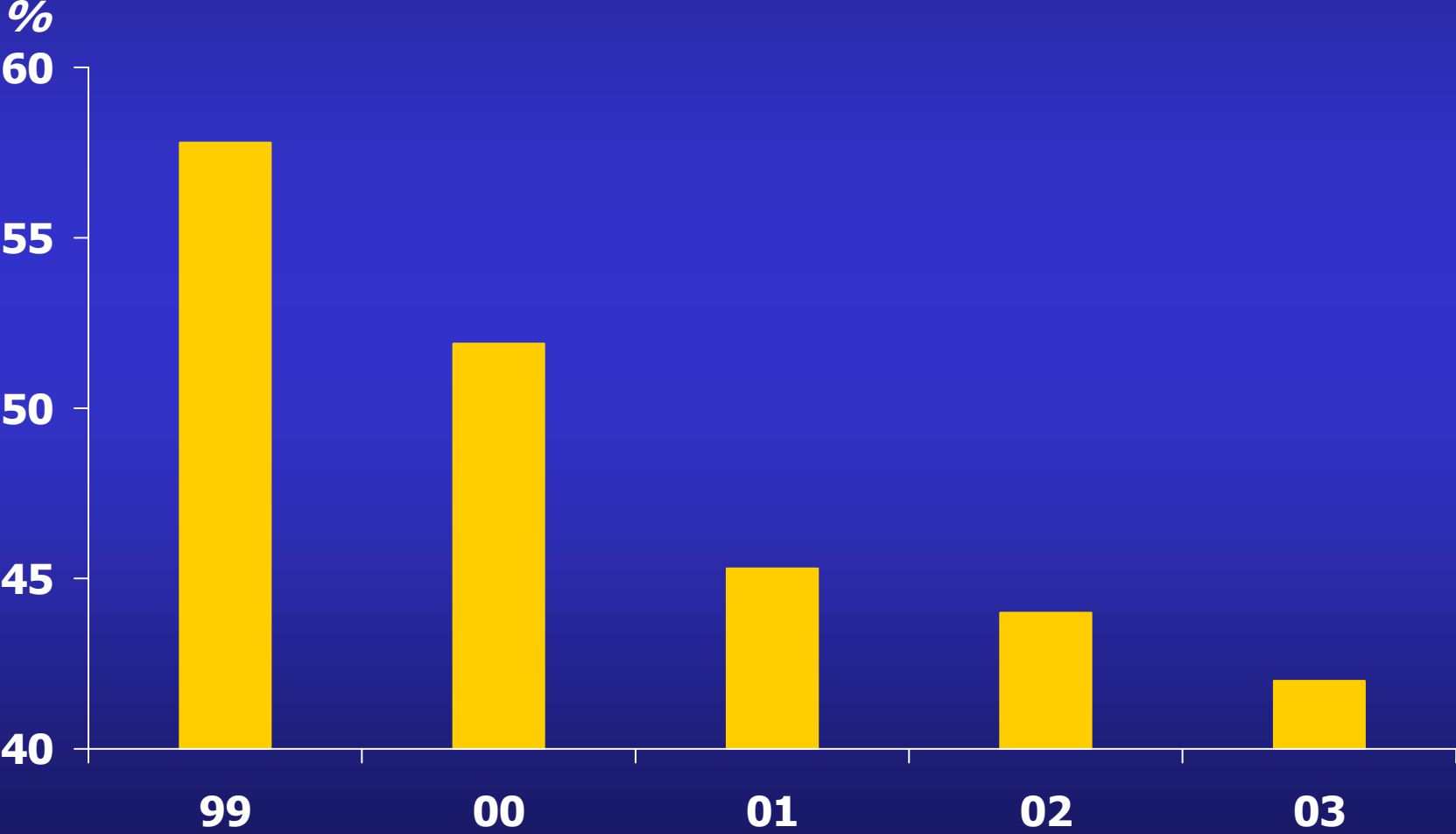


The Royal Bank of Scotland Group

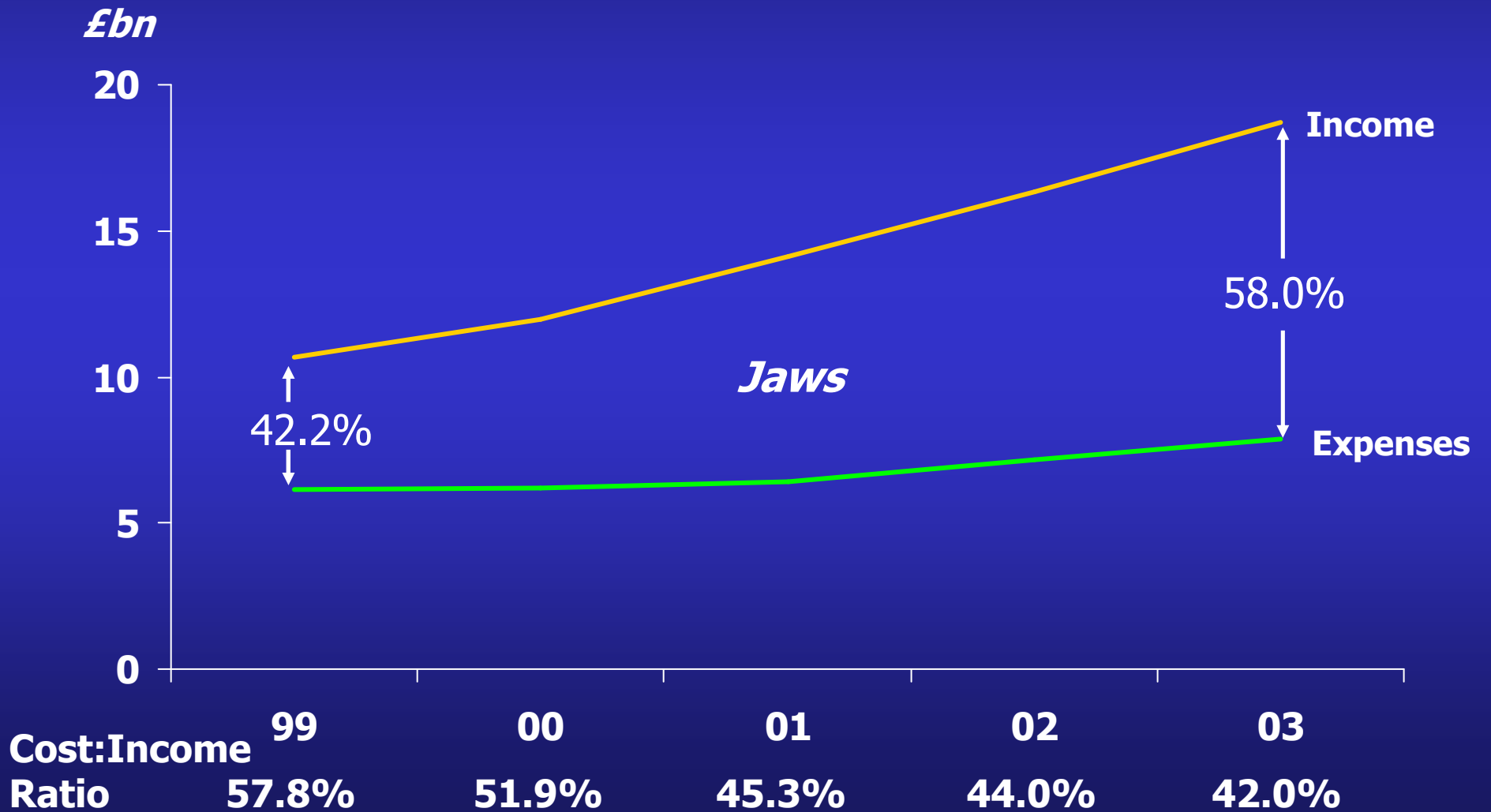
Review and Outlook
Improving Efficiency

Improving Efficiency

Cost:Income Ratio



Improving Efficiency



Improving Efficiency

Outlook

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

Improving 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%



The Royal Bank of Scotland Group

Review and Outlook

Strategic Options

Acquisitions 2003-2004

<i>Completed</i>	<i>Acquisition</i>	<i>Division</i>	<i>Consideration (m)</i>
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

* *Announced, not completed*

Options for Growth United Kingdom + Ireland

■ Organic growth

- Retail Banking
- Corporate Banking and Financial Markets
- Retail Direct
- Wealth Management
- Direct Line
- Ulster Bank



■ Acquisitions

- Tactical
- Strategic

Churchill → ✓
First Active → ✓

Options for Growth Continental Europe

- | | | |
|---|---|---|
| ■ Organic growth | | |
| – Retail Banking | | X |
| – Corporate Banking and Financial Markets | ✓ | ✓ |
| – Retail Direct | ✓ | ✓ |
| – Wealth Management | | – |
| – Direct Line | | ✓ |
| ■ Joint ventures | | ✓ |
| ■ Acquisitions of businesses | <i>Nordisk Renting</i>
<i>Santander Direkt</i> → | ✓ |
| | <i>Bank von Ernst</i> | ✓ |
| ■ Acquisitions of universal banks | | X |
| ■ Merger of equals | | X |

Options for Growth United States

■ Organic growth

- Citizens
- Corporate Banking and Financial Markets



■ Acquisitions of businesses

*People's Bank
(credit cards)* →



■ Acquisitions of banks

- In-market
- Market extension
- Out of market

*Commonwealth Bancorp
Port Financial* →



*Community Bancorp
Roxborough Manayunk*



Options for Growth

Review by Division

- United Kingdom + Ireland
- Continental Europe
- United States
- Rest of world

Options for Growth

Health Warning

- Options are conditioned by opportunities
- World can change- and does change
- These are options- not promises!
- Illustrative - but not exhaustive

United Kingdom

Corporate Banking and Financial Markets

- Business as usual – continued out-performance in mid market
 - Opportunities to increase relationship and core product market shares and share of wallet
 - Capture benefits of enhanced Corporate Service Teams
 - Asset Finance closer to corporate banking
- Maintain/expand strong position with large corporates
 - Leverage co-ordinated approach across CBFM
- Grow business with financial institutions
- Capitalise on leadership in capital markets, loan underwriting and structured finance

United Kingdom

Retail Banking

- Continue to increase current account relationships
 - Including packaged current accounts
- Increase sales of other products
 - Mortgages, general insurance
 - Integrate bancassurance more closely with branch network
- Strengthen telephone and internet sales and service
 - Direct sales of mortgages, personal loans
- Capitalise on differentiation on customer service/satisfaction
 - Telephone calls to branches allowed
 - Enhanced sales processes, e.g. account opening processes

United Kingdom

Retail Direct

- Continue organic growth in credit cards
 - Develop existing Retail Banking customer base
 - Develop internet channel for sales and service
 - Continue development of new brands e.g. MINT
- Maintain/expand leading position in merchant acquisition
 - Exploit superior infrastructure, develop internet channel
- Continue to expand Tesco Personal Finance
 - Develop store and brand strategy
 - Extend product range

United Kingdom

Wealth Management

- Continue to increase Coutts and Adam private banking customer base, including regional expansion
- Re launch Coutts commercial business
- Build expatriate franchise in offshore banking
- Draw on strengths of existing franchises for NatWest and RBS private banking

United Kingdom

RBS Insurance

- Deliver benefits of Churchill acquisition (completed Sep 03)
 - Transaction benefits validated
 - Integration fully on track
- Exploit enhanced opportunities for organic growth in UK
 - Direct Line and Churchill: two leading direct retail brands
 - Strong in home insurance as well as motor insurance
 - Churchill product offering broadened
 - Added broker channel, stronger in partnerships

Ireland

Ulster Bank

- Deliver benefits of First Active acquisition (completed Jan 04)
 - Senior appointments made
 - Transaction benefits validated
 - IT migration planning underway
- Exploit enhanced opportunities for organic growth in Republic
 - Ulster Bank and First Active brands
 - Strong in mortgages as well as banking products
- Leverage Group resources
 - Corporate Banking and Financial Markets
 - Manufacturing

Continental Europe

<i>Income</i>	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i> <i>%</i>
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%

Continental Europe

Corporate Banking and Financial Markets

- Maintain organic growth in lending and risk management for large corporates (France/Germany/Italy/Spain/Nordic region)
 - Double lead relationships
- Continue rapid organic growth in debt capital markets and Financial Institution coverage e.g. exploit global leadership in securitisation
- Capitalise on leading position in loan underwriting for corporates and acquisition finance
- Leverage Angel Trains skills/leadership in Europe
- Consider acquisitions of specialist corporate banking businesses

Continental Europe

Retail Direct

- Expand Comfort/Santander Direkt cards business
 - 1.9m store cards, relationships with retailers
 - 0.5m credit cards, 3rd largest Visa credit card issuer in Germany
- Develop retailer partnerships as channel to market
- Develop TPF International in Hungary
- Consider acquisitions of consumer finance/card businesses
- Consider potential opportunities in merchant acquisition
 - Extend successful UK model

Continental Europe

Wealth Management

- Deliver Bank von Ernst transaction benefits utilising existing distribution in Madrid, Marbella, Monaco, Montevideo, Tokyo
- Expand institutional investment servicing into other jurisdictions
- Consider other potential market consolidation opportunities

Continental Europe

RBS Insurance

- Continue to expand businesses in Europe
 - Spain
 - Italy
 - Germany
 - Already leading direct private motor insurer in Spain and Italy
- Consider acquisitions of direct motor insurance portfolios

United States

<i>Income</i>	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i> <i>%</i>
Citizens	1,824	1,716	+6%
Corporate Banking and Financial Markets	968	848	+14%
United States	2,792	2,564	+9%

United States

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

United States

RBS Greenwich Capital

- Market leadership in distribution of US fixed income securities
 - US Treasuries
 - US asset-backed securities
- Customer driven business, for institutional investors:
 - Investment managers
 - Central banks, banks
 - Corporates
- 680 employees

RBS Greenwich Capital

	<i>2003</i> <i>£m</i>	<i>2002</i> <i>£m</i>	<i>Change</i> <i>%</i>
Total income	706	632	+12%
Total costs	344	319	+8%
Provisions	—	—	—
Contribution	362	313	+16%

US Government Securities – Sales 2003 Institutional Investor Rankings

Best Overall Governments Sales Team	
<u>2003</u>	
<u>Ranking</u>	<u>Firm</u>
1	RBS Greenwich Capital
2	Lehman Brothers
3	Deutsche Bank
4	Merrill Lynch
5	Credit Suisse First Boston
6	Citigroup
7	UBS Warburg
8	Goldman Sachs
9	Morgan Stanley
10	Bear Stearns

US Primary Dealers Orion Consultants' Rankings

Government Performance - Sales		
Ranking		
2003	2002	Firm
1	1	RBS Greenwich Capital
2	3	Lehman Brothers
3	2	Salomon Smith Barney
4	8	Credit Suisse First Boston
5	9	Bear Stearns
6	10	Deutsche Bank
7	5	Merrill Lynch
8	4	Goldman Sachs
9	6	JP Morgan
10	7	Morgan Stanley Dean Witter
11	11	UBS Warburg
11	12	Banc of America Securities

Government Performance - Trading		
Ranking		
2003	2002	Firm
1	3	Deutsche Bank
2	2	RBS Greenwich Capital
3	9	Lehman Brothers
4	8	Credit Suisse First Boston
5	1	Salomon Smith Barney
6	4	Morgan Stanley Dean Witter
7	6	JP Morgan
8	7	Goldman Sachs
9	5	Merrill Lynch
10	10	Bear Stearns
11	11	UBS Warburg
12	12	Banc of America Securities

Government Performance - Research		
Ranking		
2003	2002	Firm
1	3	Lehman Brothers
2	1	RBS Greenwich Capital
3	4	Goldman Sachs
4	2	Salomon Smith Barney
5	5	Credit Suisse First Boston
6	6	JP Morgan
7	9	Deutsche Bank
8	7	Merrill Lynch
9	10	UBS Warburg
10	8	Morgan Stanley Dean Witter
11	11	Bear Stearns

The Orion Consultants Market Study consists of interviews with over 800 of the largest fixed income portfolio managers and traders, including over 100 of the largest government (Treasury/Agency) accounts

United States

Corporate Banking and Financial Markets

- Build on successes in Corporate Banking and Structured Finance
 - Acquisition Finance
 - Asset Finance
 - Project Finance
- Continue organic growth in RBS Greenwich Capital
- Develop position in debt capital markets, building on Greenwich status/infrastructure

United States

Citizens

- Maintain focus on organic growth
 - New England (v FleetBoston/Bank of America)
 - Mid-Atlantic (revitalised Mellon franchise)
- Continue to expand supermarket banking
 - New England and Mid-Atlantic
- Expand commercial banking products off RBS balance sheet
 - Cash management, asset finance, Financial Markets products
- Acquisition strategy unchanged

United States

Retail Direct

- Complete acquisition of People's Bank credit card business
 - Build scale
 - Develop new products
- Develop card issuing business in United States
 - Direct
 - Citizens
 - Seek partnerships with retailers
- Consider possible opportunities in merchant acquisition
 - Extend successful UK model

Rest of World

Corporate Banking and Financial Markets

■ Asia

- Continue organic growth: distribution of FM products
- Monitor developments in China

■ Australia

- Broaden CBFM activities (current strength project finance): lending, specialised finance, Financial Markets products

Wealth Management

■ Asia

- Exploit dramatic growth in Asian private banking

Review and Outlook
Acquisitions and Capital

Acquisitions

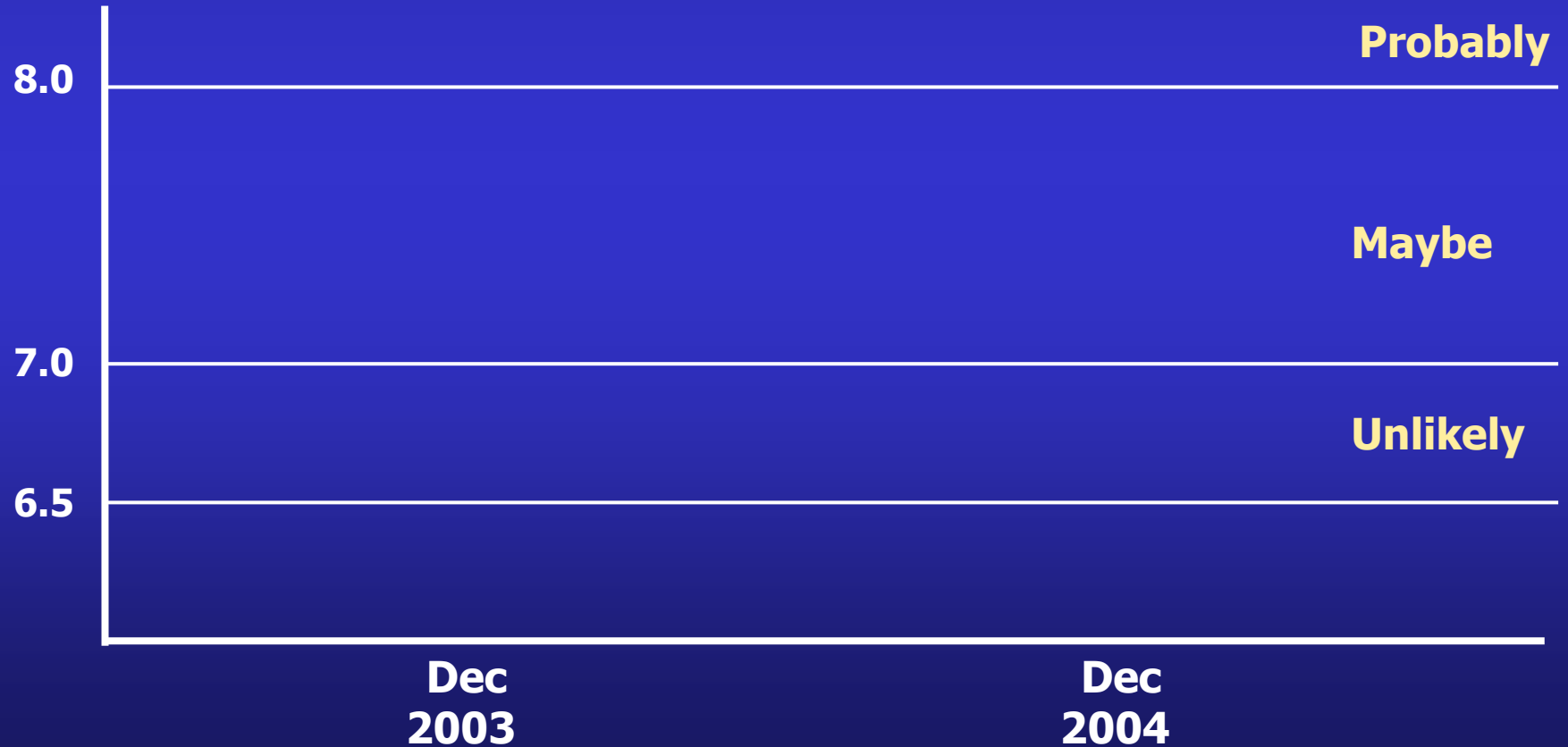
- Can fund smaller acquisitions from own resources
 - Total cost of acquisitions announced in 2003 £2.7 billion
- Disciplined approach to acquisitions
 - 12% post-tax return
 - Central monitoring of delivery of transaction benefits
 - Transparency of material synergies
- If suitable acquisition not available, will return capital to shareholders

Capital

- Tier 1 capital ratio
 - 7.4% at December 2003
 - 7.1% allowing for First Active and People's Bank credit cards acquisitions
- 0.1% change in capital ratio = approx £300m capital

Capital

*Tier 1
Capital Ratio
%*



Outlook

Summary

- Good income momentum
- Improving efficiency
- Strong capital generation
- Numerous strategic options
- Well positioned for the future



The Royal Bank of Scotland Group

Fred Goodwin
Group Chief Executive