



*The Royal Bank of Scotland Group*

# **UBS Global Financial Services Conference**

Sir Fred Goodwin  
Group Chief Executive



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# As good as it gets?



## *UBS Global Financial Services Conference Titles*

- 2000 Profitability – is it sustainable?
- 2001 Growth prospects  
in a low inflation environment
- 2002 Opportunities in uncertain times
- 2003 Capturing value  
in a challenging environment
- 2004 Managing for growth
- 2005 As good as it gets?

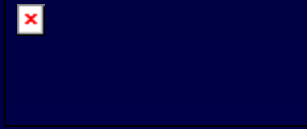
# As good as it gets?



## *RBS Group Operating Profit Growth*

2000	Profitability – is it sustainable?	+31%
2001	Growth prospects in a low inflation environment	+32%
2002	Opportunities in uncertain times	+12%
2003	Capturing value in a challenging environment	+11%
2004	Managing for growth	+15%
2005	As good as it gets?	

# International Economies



*Forecasters predict positive economic growth*

	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
UK	1.8%	2.2%	3.1%	2.5%	2.3%
US	1.9%	3.0%	4.4%	3.7%	3.4%
Germany	0.1%	0.1%	1.4%	0.9%	1.4%

# Diversity – by Brand/Channel

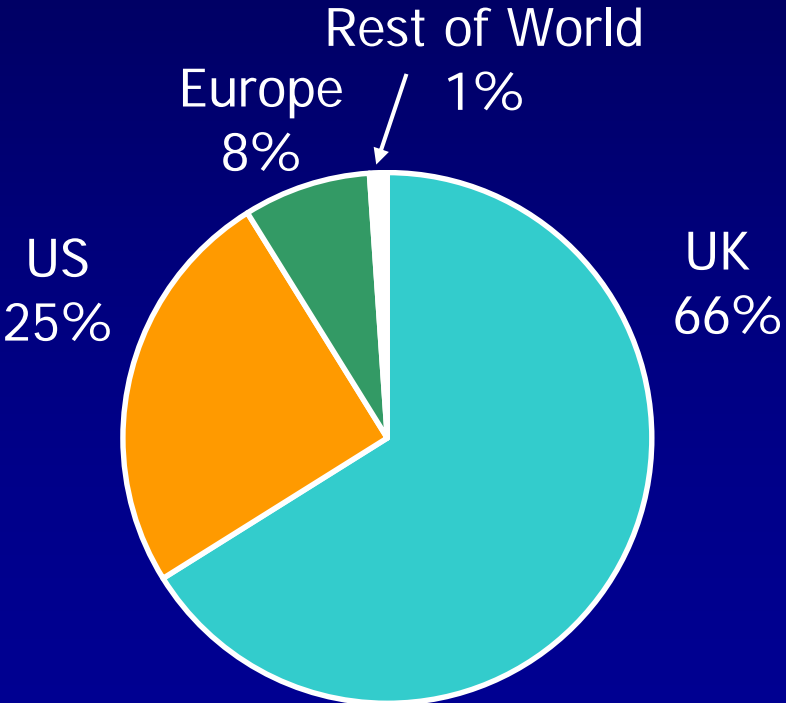
## *Multi-Brand, Multiple Channel Strategy*



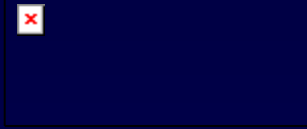
# Diversity – by Geography



*2004 Operating Profit  
Charter One Pro forma*



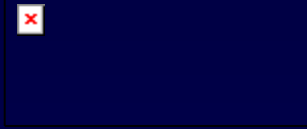
# Diversity – by Geography



<i>Income Growth in Local Currency</i>	<i>2004</i>	<i>2003</i>	<i>Change</i>
UK (£m)	17,519	15,099	+16%
Ireland (€m)	1,040	749	+39%
Continental Europe (€m)	1,242	801	+55%
United States (\$m)	6,362	4,713	+35%
Rest of World (\$m)	392	373	+5%
<b>Total income adjusted for currency impact</b>			<b>+20%</b>



# Diversity – by Geography



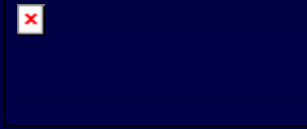
<i>United States Income</i>	<i>2004 \$m</i>	<i>2003 \$m</i>	<i>Change %</i>
Citizens	3,923	2,983	+32%
Corporate Banking & Financial Markets	1,996	1,541	+30%
Retail Direct	196	0	
Central items	247	189	
<b>United States</b>	<b>6,362</b>	<b>4,713</b>	<b>+35%</b>

# Diversity – by Geography

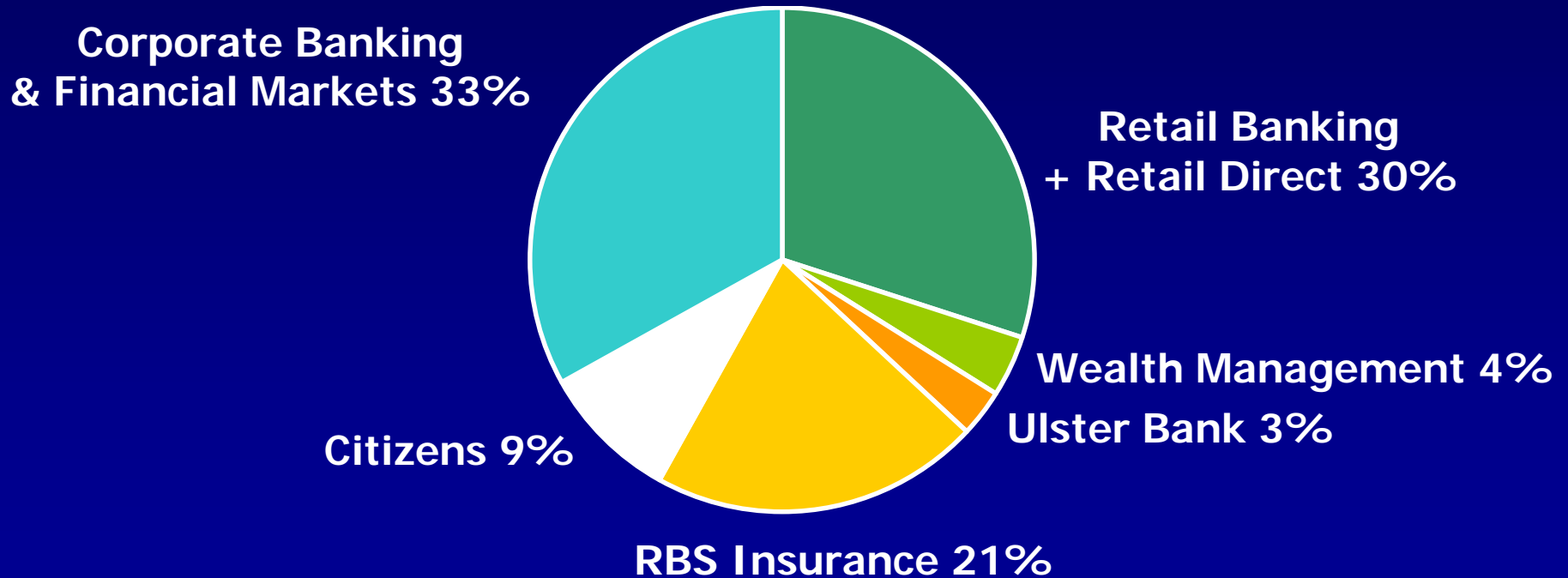


<i>Continental Europe Income</i>	<i>2004 €m</i>	<i>2003 €m</i>	<i>Change %</i>
Corporate Banking & Financial Markets	436	263	+66%
RBS Insurance	249	231	+8%
Wealth Management	223	150	+49%
Retail Direct	214	121	+77%
Central items	120	36	
<b>Continental Europe</b>	<b>1,242</b>	<b>801</b>	<b>+55%</b>

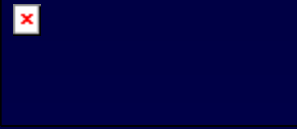
# Diversity – by Business



## *2004 Income*

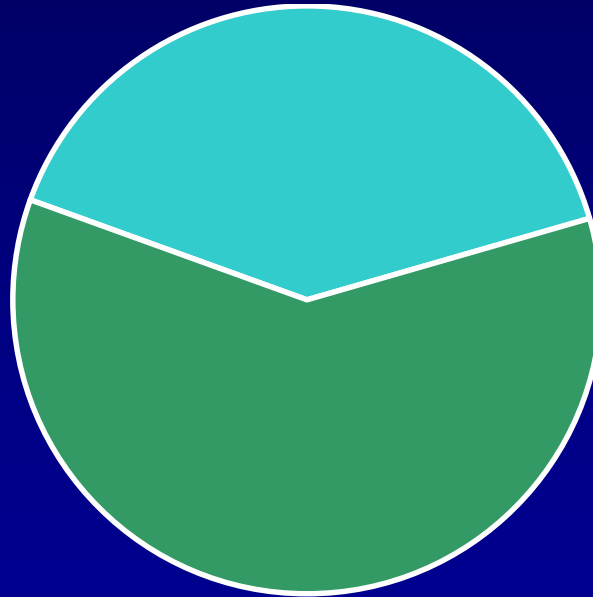


# Diversity – by Type of Income



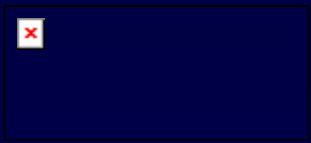
## *2004 Income*

Net Interest Income 40%



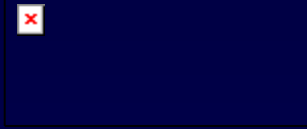
Non-Interest Income 60%

# Diversity of Non-Interest Income



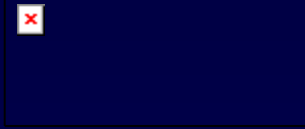
<i>Non-Interest Income</i>	<i>% of Total Income</i> <i>2004</i>
Net fees and commissions	21%
– Money transmission and lending	11%
– Cards related	4%
– Other	6%
General insurance premium income	22%
Dealing profits (before associated costs)	9%
Other operating income	8%
<b>Non-interest income to total income</b>	<b>60%</b>

# Diversity of Net Interest Income



	<i>% of Total Income 2004</i>
Personal deposits	10%
Personal lending	12%
Business deposits	7%
Business lending	11%
<b>Net interest income to total income</b>	<b>40%</b>

# As good as it gets?



- Corporate Banking & Financial Markets

# Corporate Banking & Financial Markets

	<i>2004</i>	<i>2003</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	2,545	2,324	+10%
Non-interest income	4,964	4,373	+14%
Total income	7,509	6,697	+12%
Direct expenses	2,664	2,322	+15%
Contribution before provisions	4,845	4,375	+11%
Provisions	580	755	-23%
<b>Contribution</b>	<b>4,265</b>	<b>3,620</b>	<b>+18%</b>

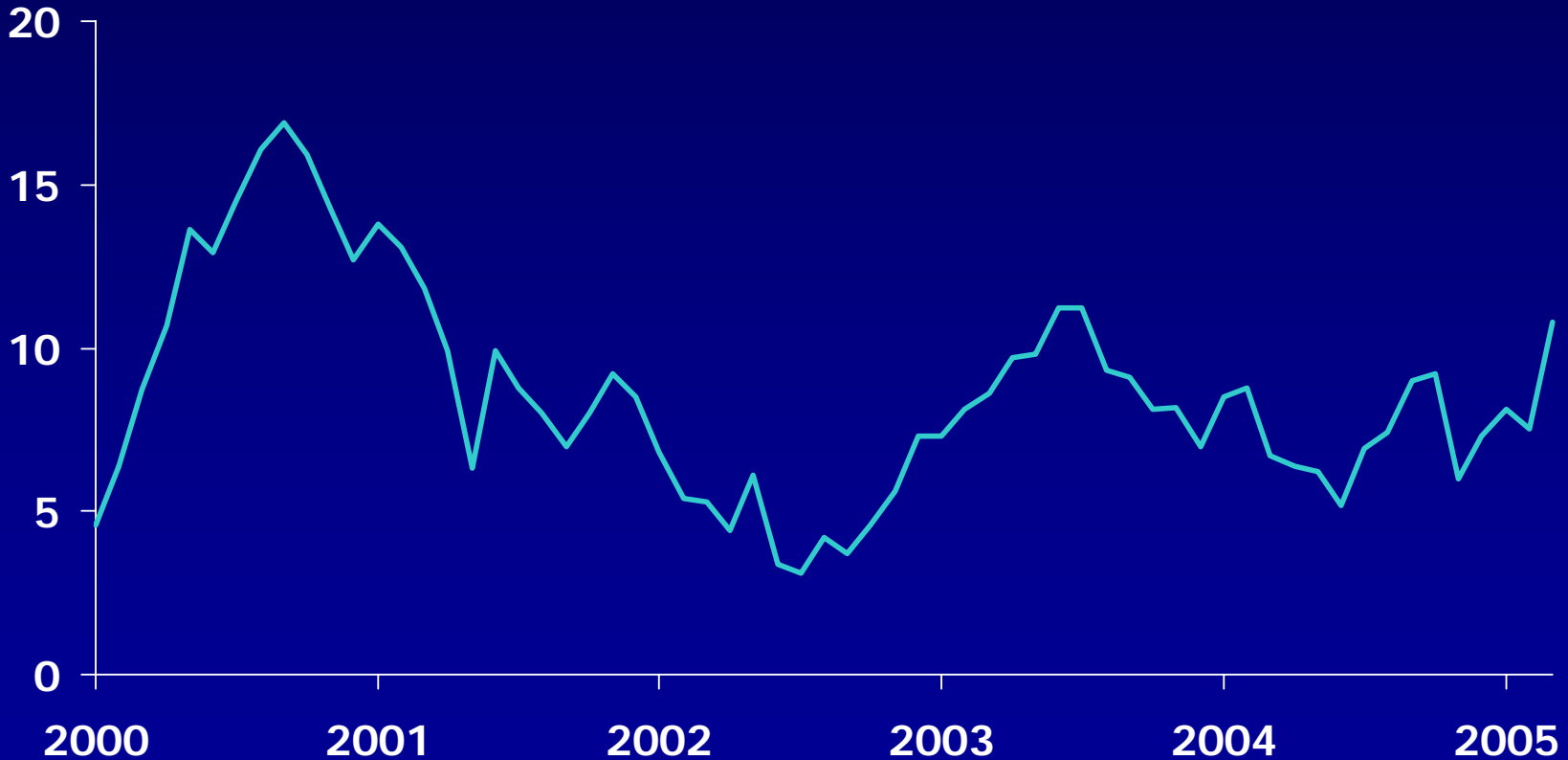


# UK Corporate Lending



*Corporate sector lending is increasing*

*% increase*



*Month on prior year month growth in non-financial lending*

*Source: Bank of England, financial institution sterling net lending excl securitisations to PNFC, seasonally adjusted*



# Corporate Banking & Financial Markets

<i>Income</i>	<i>2004</i>	<i>2003</i>	<i>Change</i>
US (\$m)	1,996	1,541	+30%
Continental Europe (€m)	436	263	+66%

## ■ United States

- Established debt capital markets business, leveraging Greenwich Capital's customer relationships
- Increased distribution of CBFM products to Citizens' customers

## ■ Continental Europe

- Expanded activities in Germany, France, Italy, Spain and Scandinavia
- Increased focus on financial institutions and distribution of financial markets products



# Corporate Banking & Financial Markets

- UK activity levels good
- Strong momentum in Europe
- Meaningful organic growth in US coupled with greater collaboration with Citizens
- Credit quality stable

# As good as it gets?



*As good  
as it gets?*

- Corporate Banking & Financial Markets
- Retail Banking and Retail Direct

no

# Retail Banking



	<i>2004</i>	<i>2003</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	3,112	2,959	+5%
Non-interest income	1,630	1,514	+8%
Total income	4,742	4,473	+6%
Direct expenses	1,074	1,030	+4%
Contribution before provisions	3,668	3,443	+7%
Provisions	389	273	+42%
<b>Contribution</b>	<b>3,279</b>	<b>3,170</b>	<b>+3%</b>

*2003 restated following transfer of certain activities from Wealth Management*

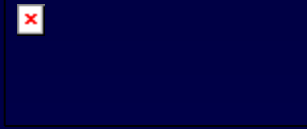
# Retail Direct



	<i>2004</i>	<i>2003</i>	<i>Change</i>
	<i>£m</i>	<i>£m</i>	
Net interest income	938	849	+10%
Non-interest income	1,191	986	+21%
Total income	2,129	1,835	+16%
Direct expenses	712	657	+8%
Contribution before provisions	1,417	1,178	+20%
Provisions	377	297	+27%
<b>Contribution</b>	<b>1,040</b>	<b>881</b>	<b>+18%</b>

*2003 restated following transfer of certain activities to Manufacturing*

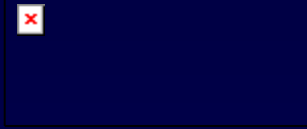
# Retail Banking and Retail Direct



## *% of Group Income 2004*

Personal lending	8%
Personal deposits	6%
Non-interest income and small business banking	16%
<b>Total</b>	<b>30%</b>

# UK Consumer Confidence



*UK consumer confidence has remained stable*

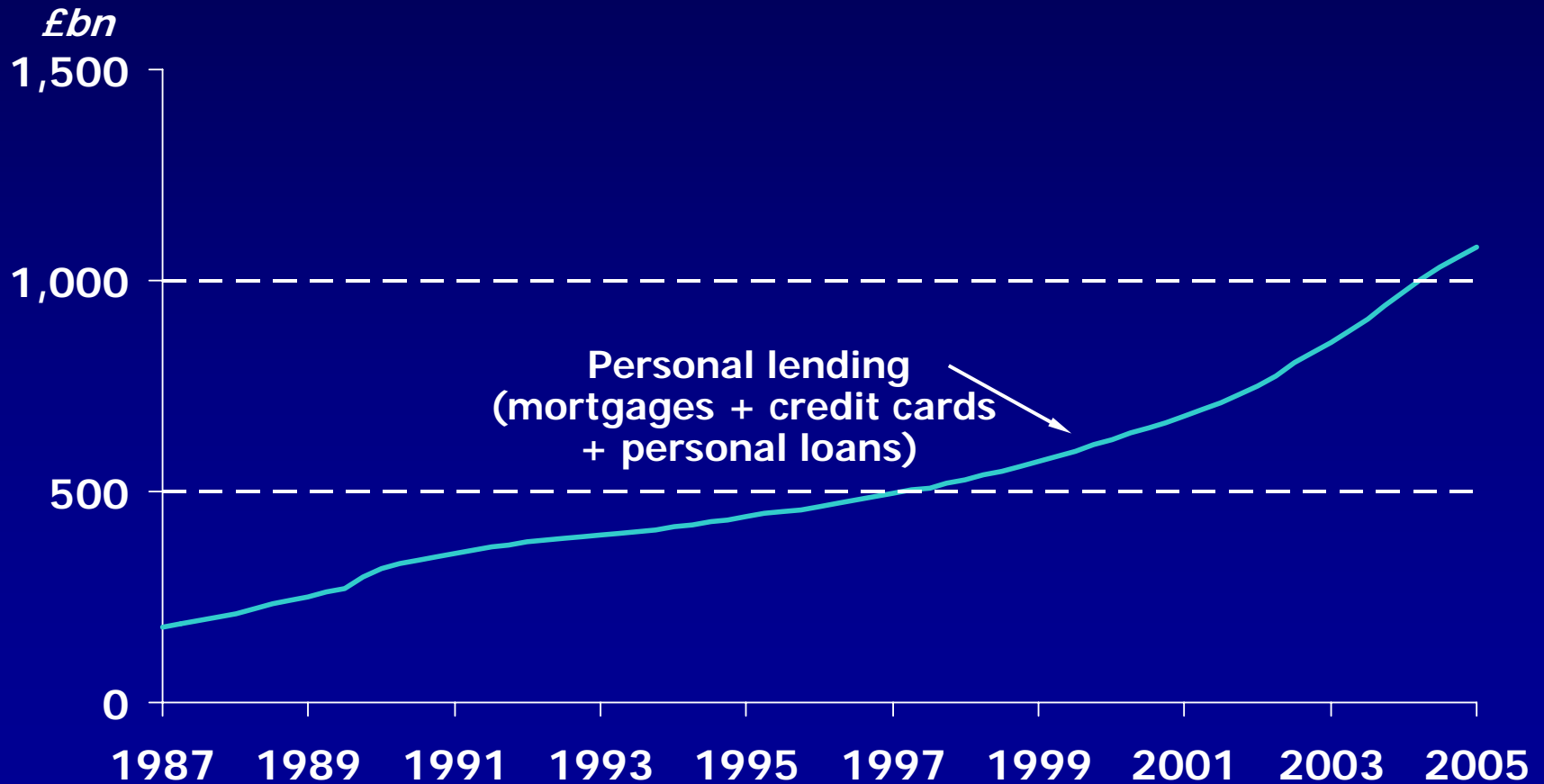




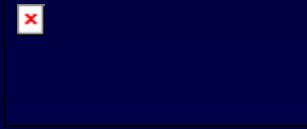
# UK Personal Lending



*UK personal lending has doubled in 7 years*



# UK Personal Lending



*% of Total Income 2004*

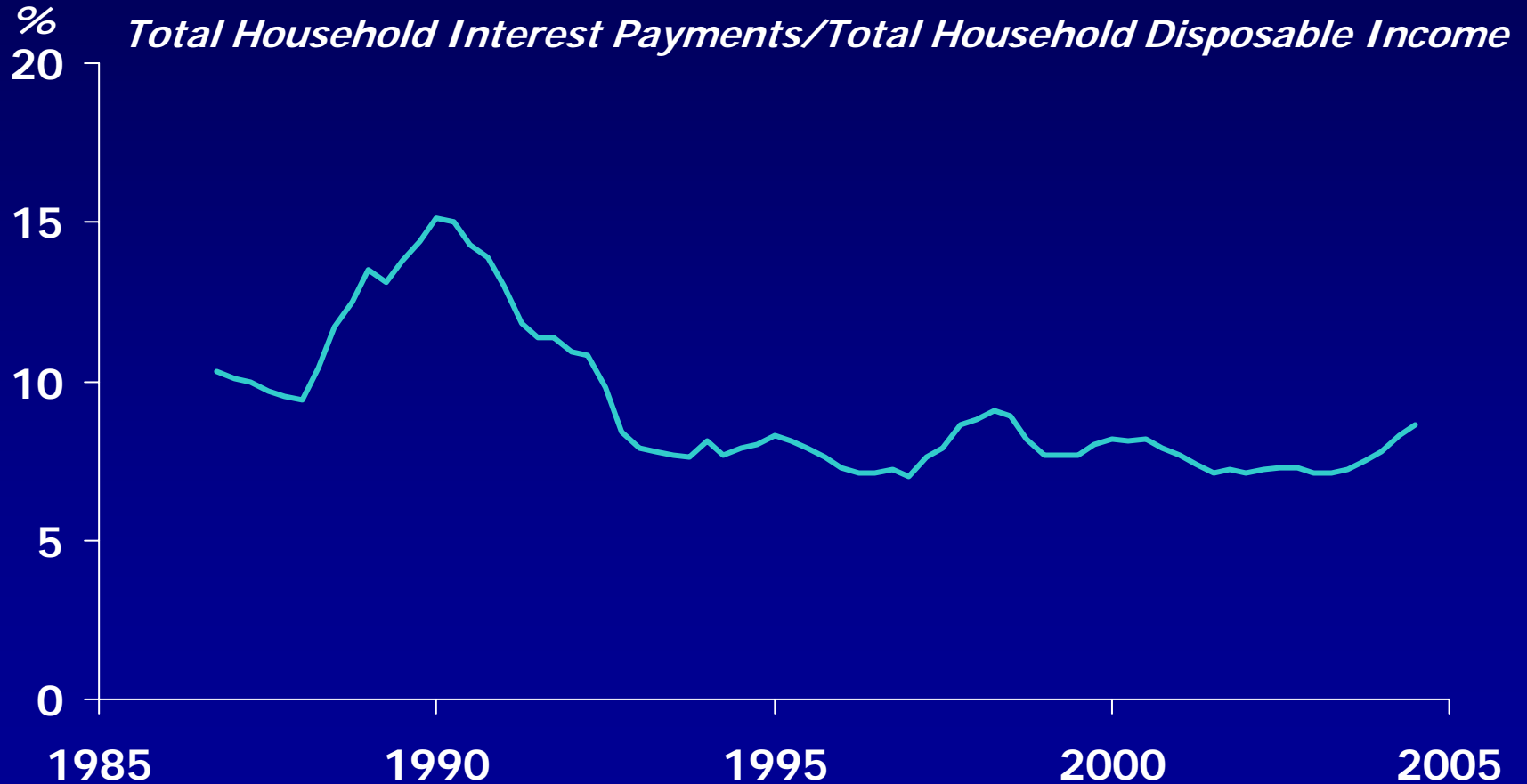
	<i>Net</i>	<i>Non-</i>	<i>Total</i>
	<i>Interest</i>	<i>Interest</i>	

Credit cards + personal loans	7%	2%	9%
Mortgages	2%	–	2%
Personal lending	9%	2%	11%

# UK Personal Lending



*But UK personal sector gearing remains low*



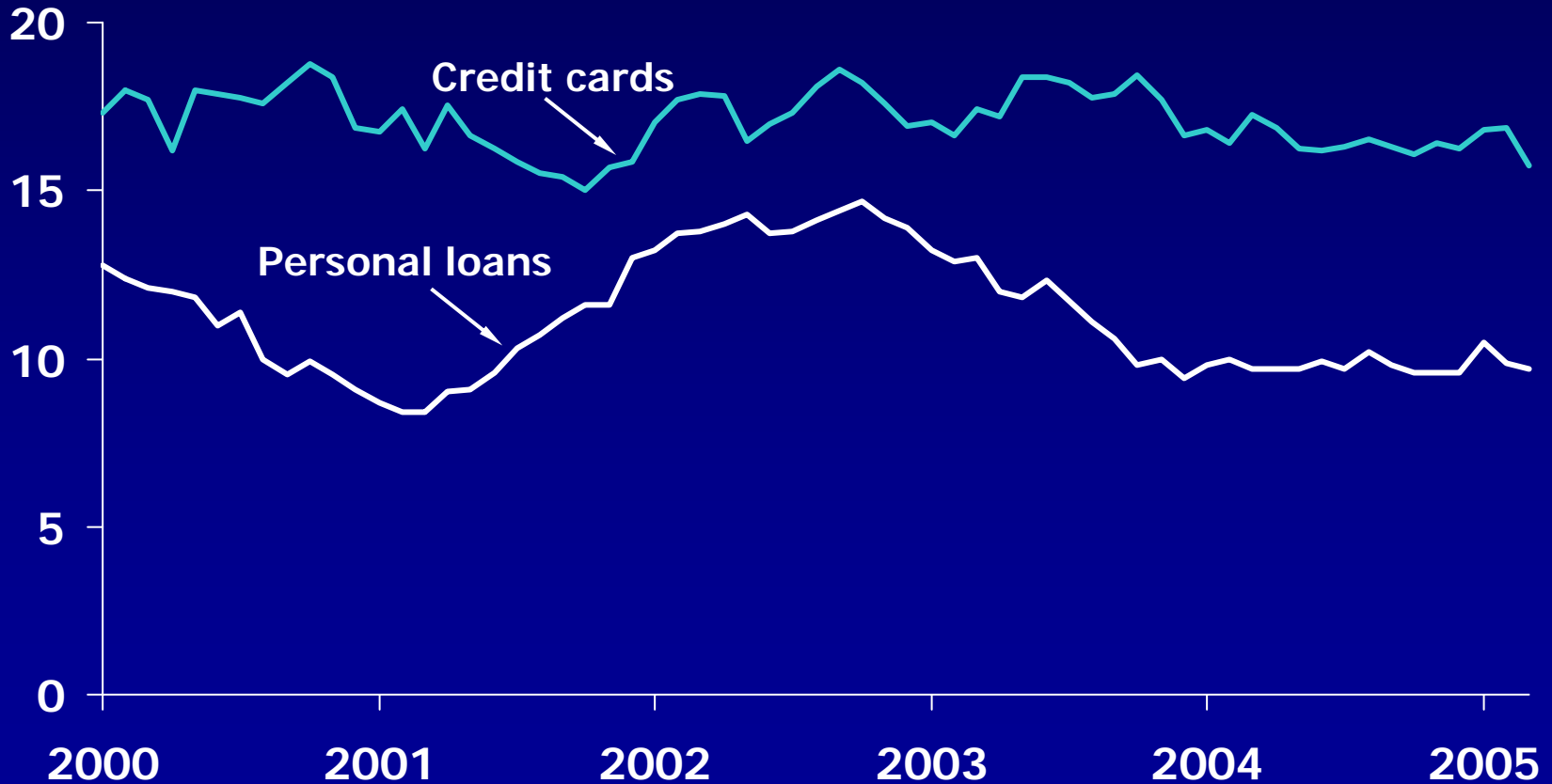
Source: Bank of England (series commenced 1987)

# UK Personal Lending



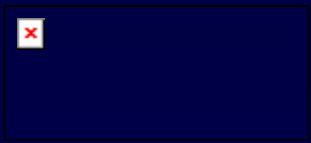
*The rate of increase in personal loans has declined*

*% increase*



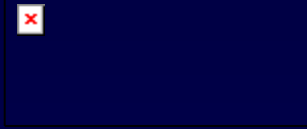
*Annual growth in unsecured balances*  
*Source: Bank of England*

# Retail Banking and Retail Direct



- Continuing income growth, although consumer in a period of transition
  - Reducing growth in income from unsecured lending
  - Increased volume of secured lending
  - Increased activity in savings
- Continued growth in small business income and money transmission
- Some increase in arrears, but from historically low level

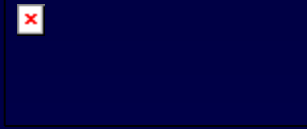
# As good as it gets?



*As good  
as it gets?*

- Corporate Banking & Financial Markets no
- Retail Banking and Retail Direct no

# As good as it gets?



*As good  
as it gets?*

- Corporate Banking & Financial Markets no
- Retail Banking and Retail Direct no
- Citizens

# Citizens



	<i>2004</i>	<i>2003</i>	<i>Change</i>
	<i>\$m</i>	<i>\$m</i>	
Net interest income	2,821	2,143	+32%
Non-interest income	1,102	841	+31%
Total income	3,923	2,984	+31%
Expenses	1,877	1,438	+31%
Contribution before provisions	2,046	1,546	+32%
Provisions	146	145	+1%
<b>Contribution</b>	<b>1,900</b>	<b>1,401</b>	<b>+36%</b>



# Citizens



<i>Excluding Acquisitions</i>	<i>2004</i> <i>\$m</i>	<i>2003</i> <i>\$m</i>	<i>Change</i>
Net interest income	2,352	2,124	+11%
Non-interest income	856	838	+2%
Total income	3,208	2,962	+8%
Expenses	1,525	1,430	+7%
Contribution before provisions	1,683	1,532	+10%
Provisions	113	145	-22%
<b>Contribution</b>	<b>1,570</b>	<b>1,387</b>	<b>+13%</b>

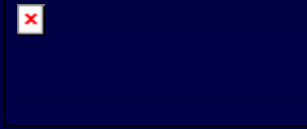
# Charter One



	<i>2004</i>	<i>2003</i>	<i>Change</i>
	<i>\$bn</i>	<i>\$bn</i>	
Consumer loans	14.3	12.6	+13%
Mortgage loans	11.3	10.7	+6%
Commercial loans	6.8	5.5	+24%
<b>Loans and advances</b>	<b>32.4</b>	<b>28.8</b>	<b>+13%</b>
Current accounts/savings	19.3	16.9	+14%
Certificates of deposit	9.8	10.3	-5%
<b>Deposits</b>	<b>29.1</b>	<b>27.2</b>	<b>+7%</b>

*At 31 December, US GAAP*

# Transaction Benefits



*Contribution to  
Profit Before Tax  
in 2007  
\$m*

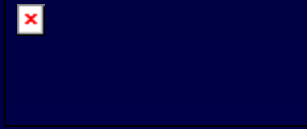
Revenue benefits	222
Cost savings	185
<b>Total</b>	<b>407</b>

# Opportunities for Organic Growth



	<i>Households 000s</i>
■ Citizens states	
– New England	4,767
– Mid-Atlantic	4,837
■ Charter One states	
– Midwest	15,490
– Northeast	3,416

# Opportunities for Organic Growth



	<i>Population (m)</i>	<i>Total Deposits \$bn</i>	<i>Forecast H'hold Income Growth (04-09)</i>
<i>Midwest</i>			
Chicago, Illinois	9.4	220.5	13.2%
Detroit, Michigan	4.5	76.2	11.5%
Cleveland, Ohio	2.1	62.2	11.0%
Indianapolis, Indiana	1.6	23.7	13.4%

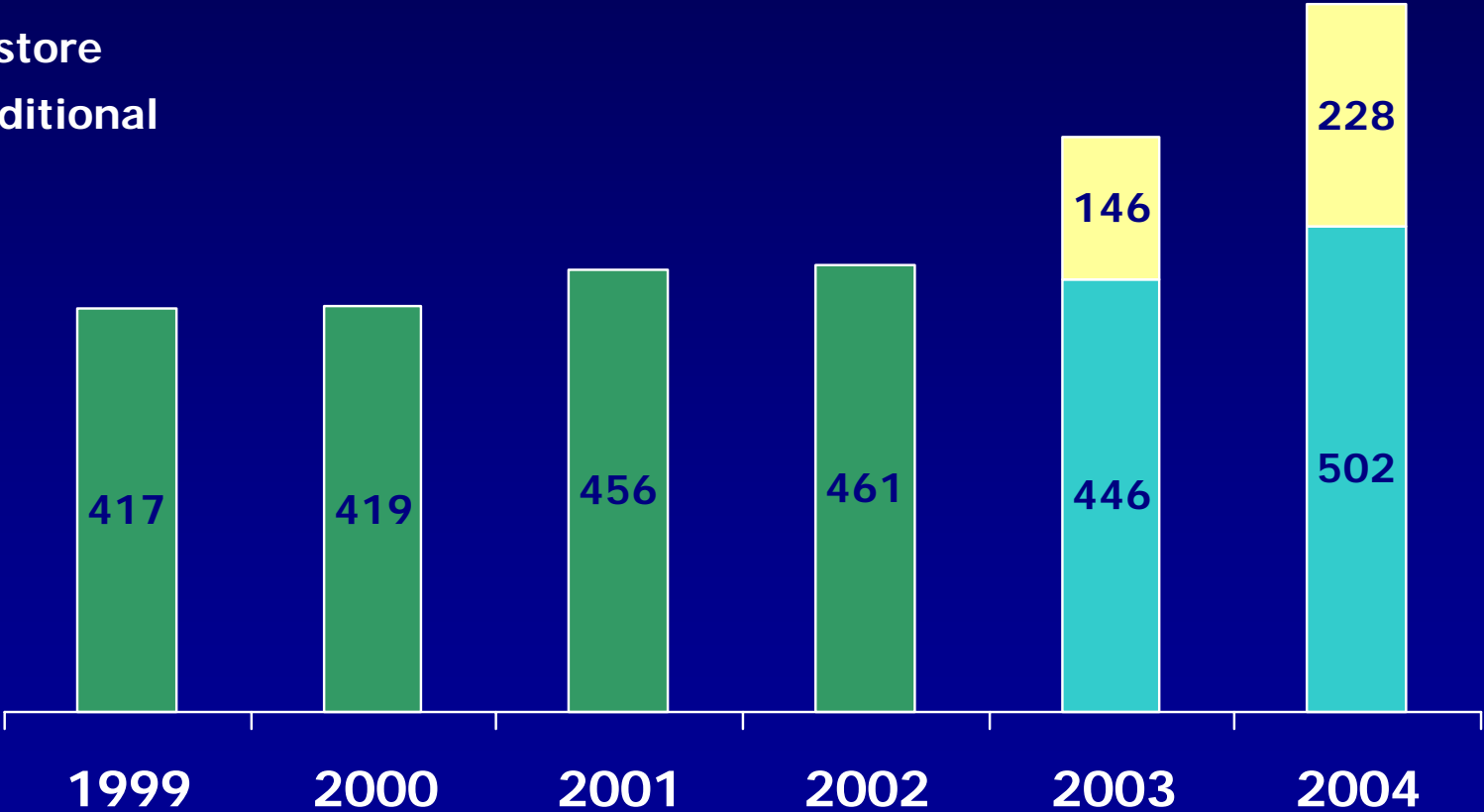
*Deposits exclude Credit Unions  
Source: SNL Datasource*

# Charter One



## *Branches*

- In-store
- Traditional

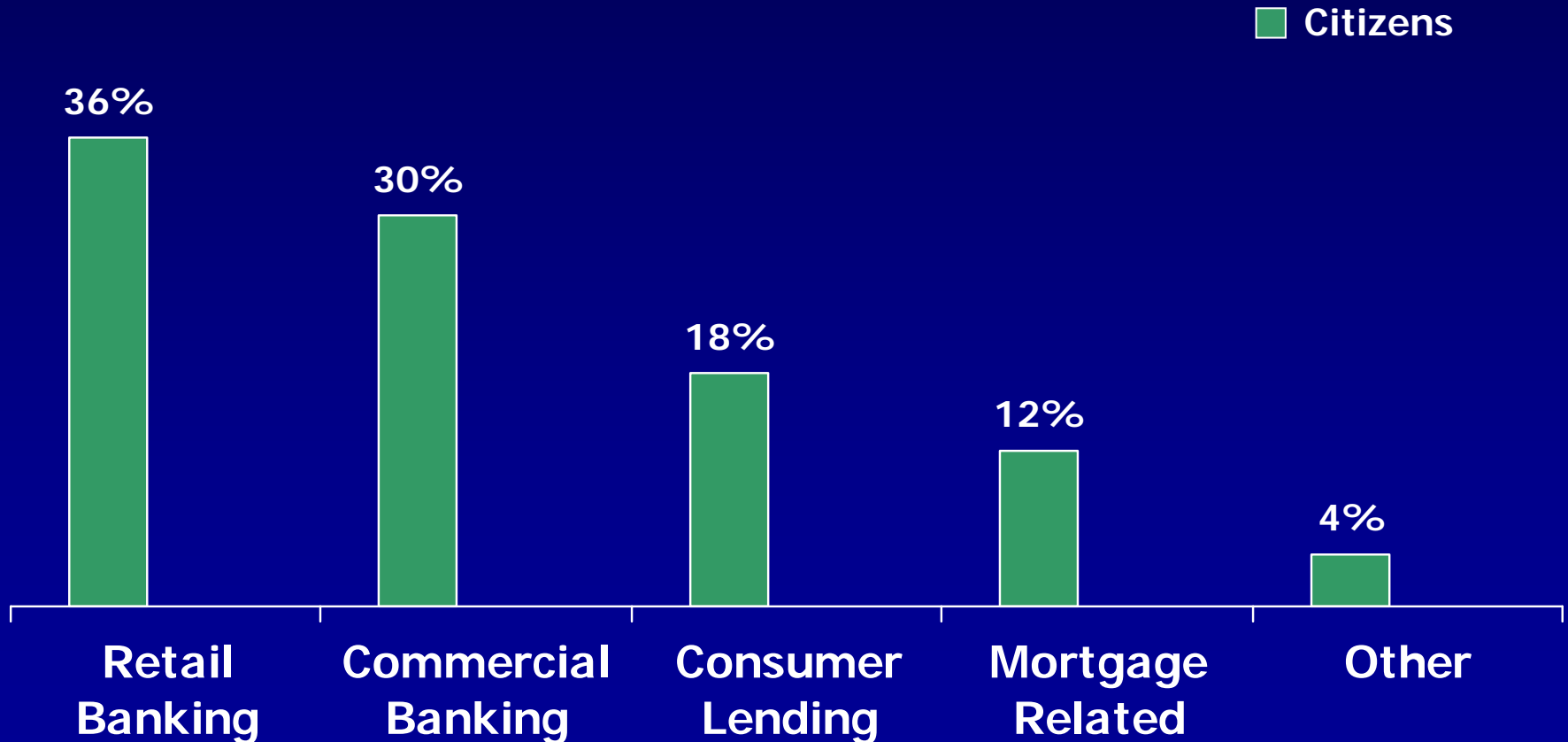


Source: 2003 annual report, Citizens

# Citizens



## *Distribution of 2004 Income by Activity*



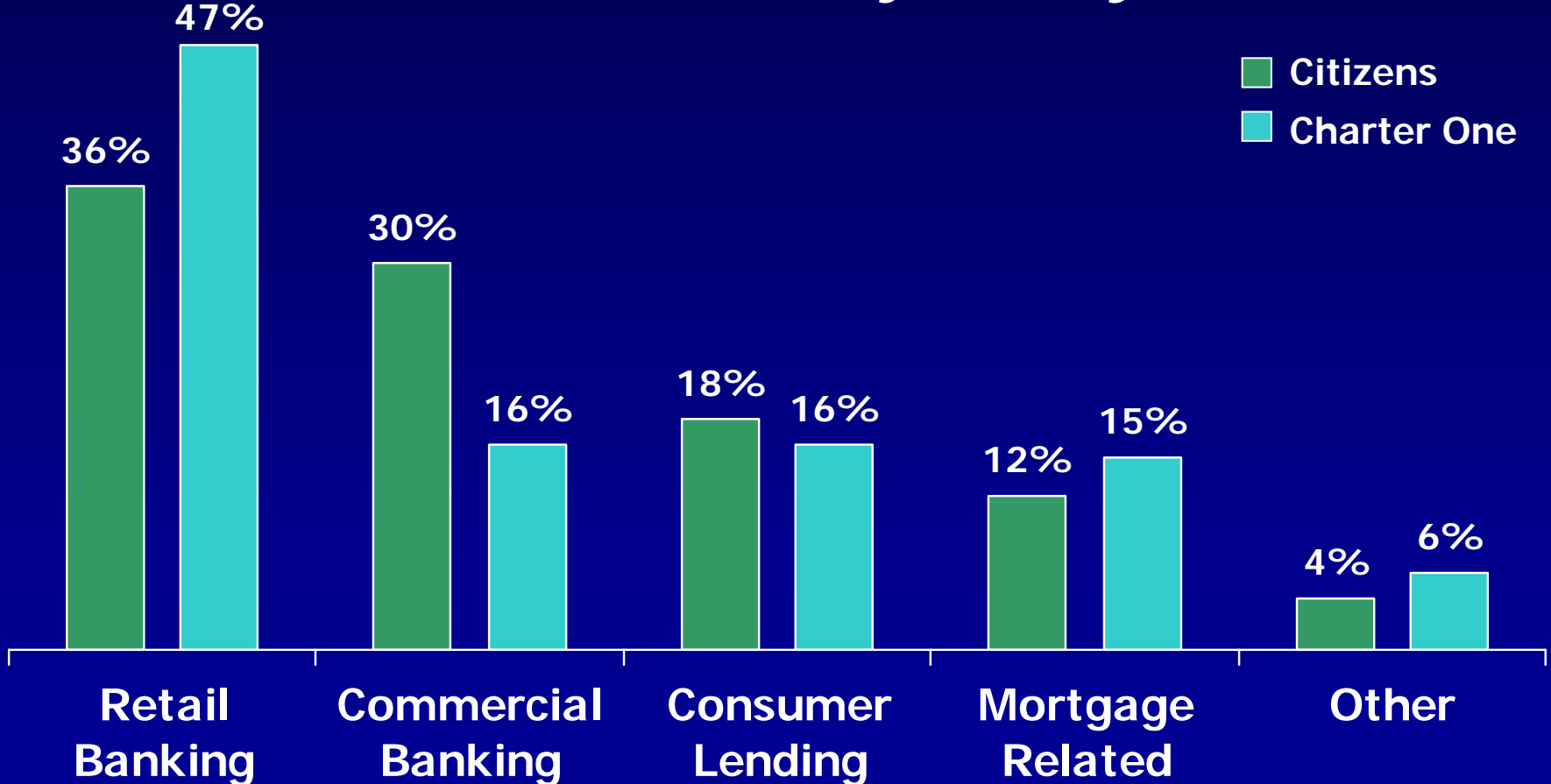
*Citizens income 2004*

*Retail banking includes deposits and fees, commercial banking includes loans, deposits and fees*

# Citizens and Charter One



## *Distribution of 2004 Income by Activity*



*Citizens: 2004 income, Charter One: Sep-Dec 2004 income*

*Retail banking includes deposits and fees, commercial banking includes loans, deposits and fees*

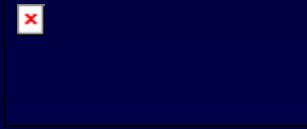


# Citizens



- Good underlying franchise growth
- Charter One
  - Initial performance good
  - Integration fully on track
  - Enhanced product range and new branches adding value
  - So far, so good
- Credit quality stable

# As good as it gets?



*As good  
as it gets?*

- Corporate Banking & Financial Markets no
- Retail Banking and Retail Direct no
- Citizens no



# As good as it gets?

*As good  
as it gets?*

- Corporate Banking & Financial Markets no
- Retail Banking and Retail Direct no
- Citizens no
- RBS Insurance no
- Wealth Management no
- Ulster no

# As good as it gets?



## *Summary*

- Group continues to perform well
- UK personal sector in period of transition
- Limited dependency on UK personal lending
- Activities in US and Europe significant and growing
- All integrations fully on track
- All divisions have real growth opportunities

# As good as it gets?



*As good  
as it gets?*

■ RBS

definitely not



*The Royal Bank of Scotland Group*

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