



Acquisition of Charter One



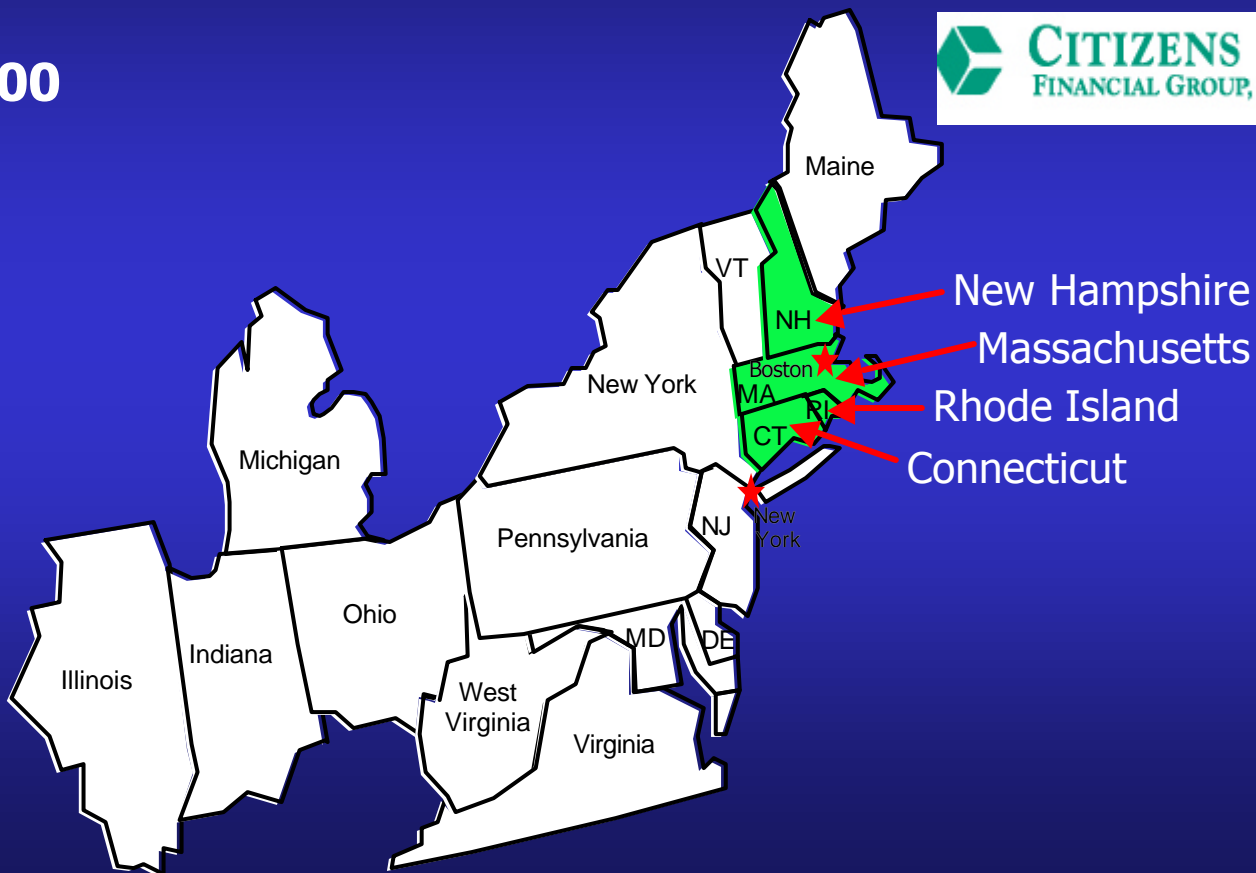
The Royal Bank of Scotland Group

Acquisition of Charter One

Strategic Rationale

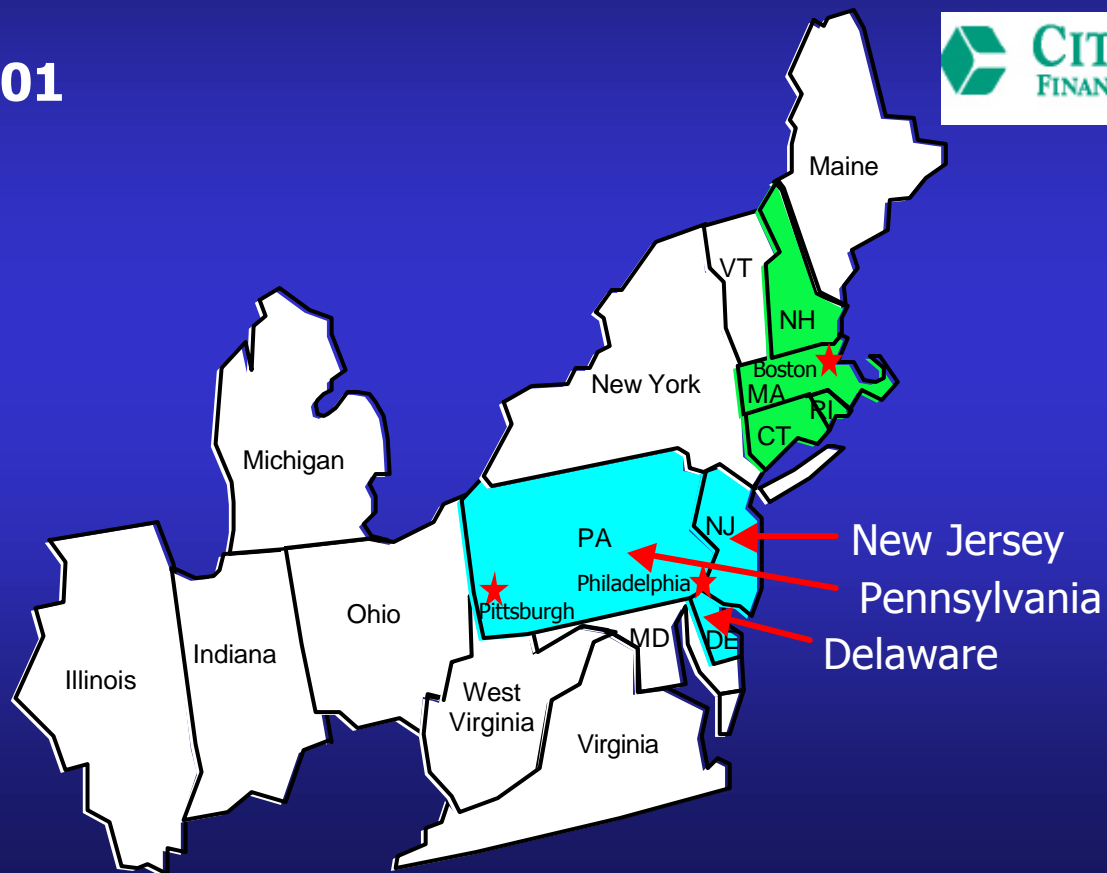
Second Largest Bank in New England

2000



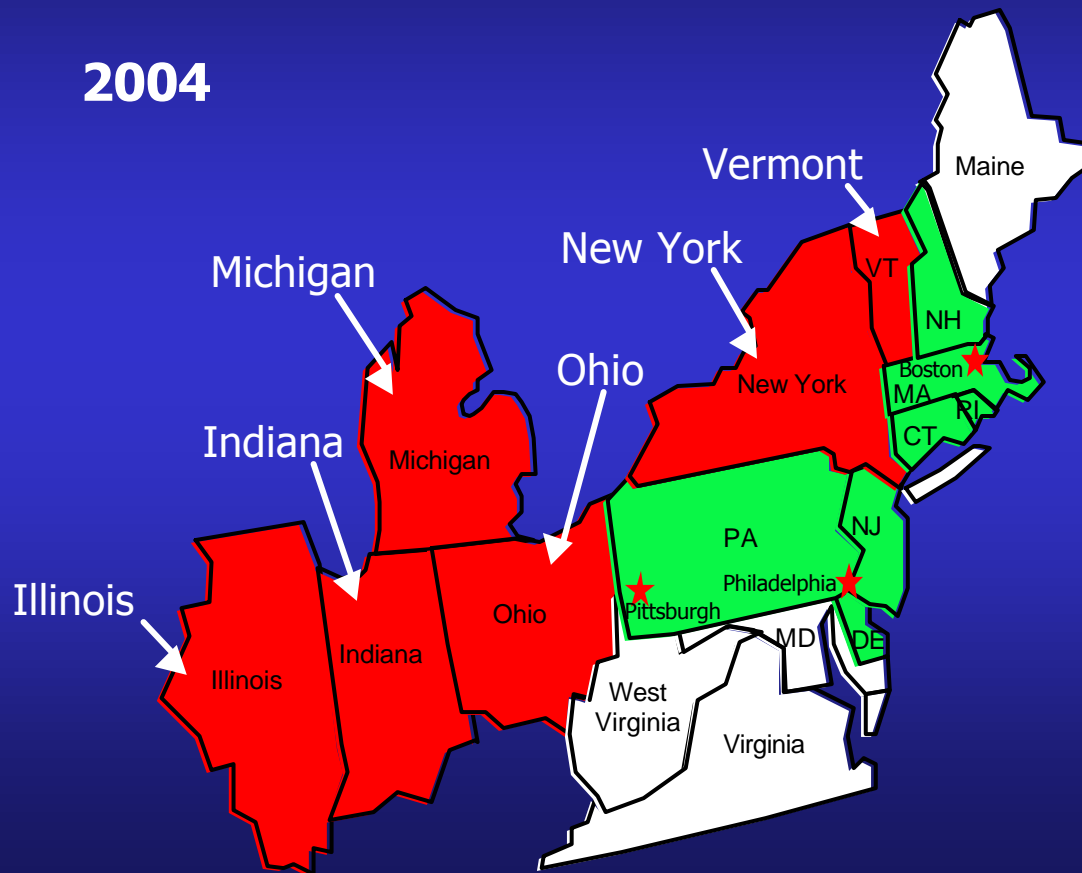
Logical Geographic Extension

2001

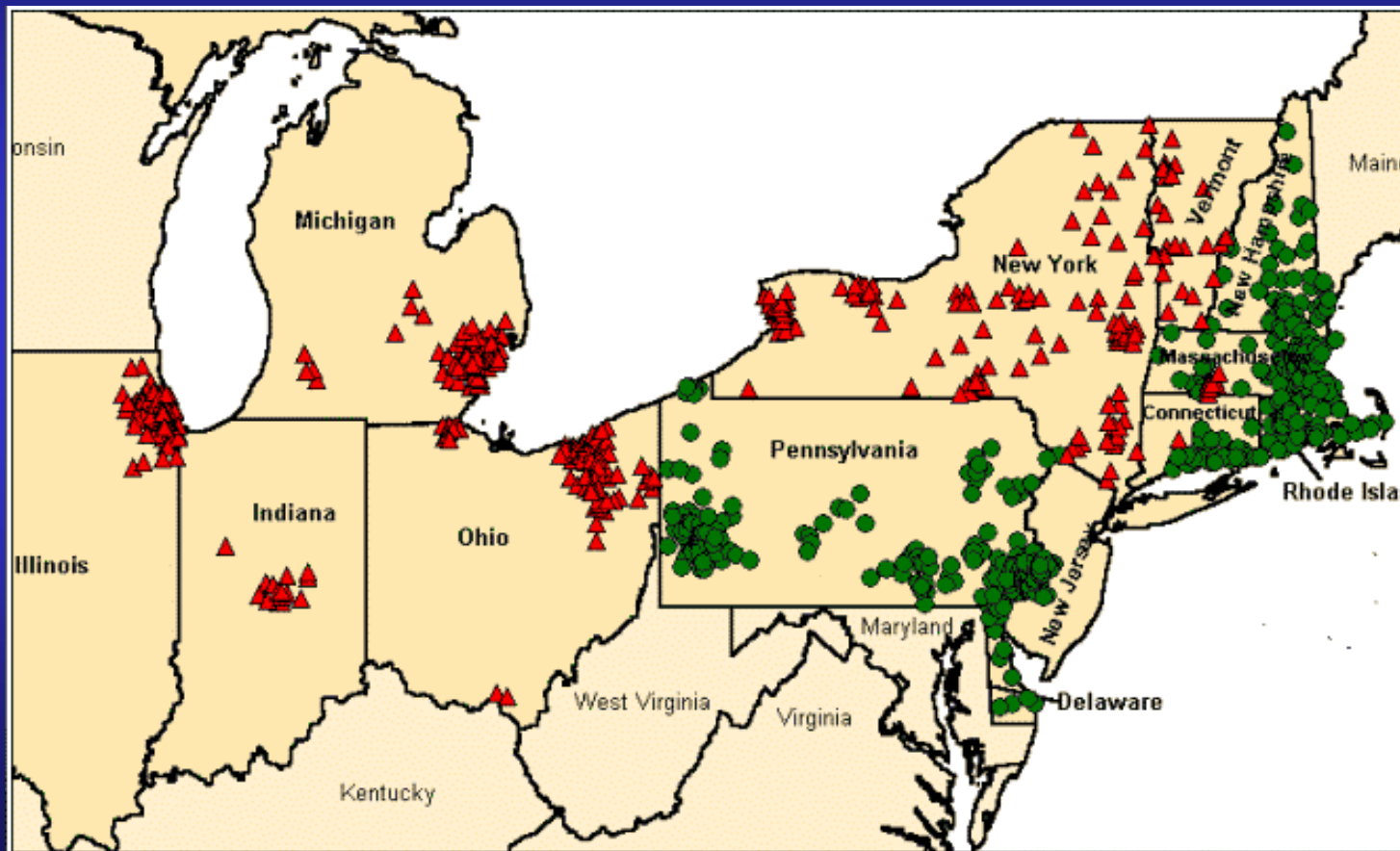


Logical Geographic Extension

2004



Logical Geographic Extension



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	000s	Small Businesses
New England		Mid West	
Rhode Island	21	Ohio	180
Massachusetts	128	Illinois	217
Connecticut	67	Michigan	166
New Hampshire	27	Indiana	98
Mid Atlantic		North East	
Pennsylvania	204	Upstate New York	86
		Vermont	16

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

Opportunities for Organic Growth

\$bn	Total Deposits	\$bn	Total Deposits
New England		Mid West	
Rhode Island	17.8	Ohio	211.0
Massachusetts	172.4	Illinois	281.8
Connecticut	69.6	Michigan	137.1
New Hampshire	29.6	Indiana	80.3
Mid Atlantic		North East	
Pennsylvania	208.0	Upstate New York	105.1
		Vermont	8.8

Source :SNL Datasource as at 30 June 2003

Opportunities for Organic Growth

	F'cast Ave H'hold Income Growth (03-08)		F'cast Ave H'hold Income Growth (03-08)
New England		Mid West	
Rhode Island	11.9%	Ohio	14.8%
Massachusetts	13.6%	Illinois	14.8%
Connecticut	11.5%	Michigan	15.1%
New Hampshire	13.4%	Indiana	14.9%
Mid Atlantic		North East	
Pennsylvania	13.1%	Upstate New York	12.6%
		Vermont	13.3%

Source: SNL Datasource as at 30 June 2003

Opportunities for Organic Growth

	Population (m)	Total Deposits \$bn	F'cast Ave H'hold Income Growth (03-08)
Mid West			
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

Mkt Share Deposits	Ohio	Illinois	Michigan
1.	16%	16%	16%
2.	12%	9%	16%
3.	12%	7%	13%
4.	9%	3%	9%
5.	6%	3%	7%
6.	6%	2%	4%
7.	4%	2%	4%
8.	4%	2%	4%
9.	3%	2%	3%

Options for Future Acquisitions

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

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

Significant Increase in Scale

\$bn	Charter One	Citizens	Increase
• Customer deposits	27.2	62.8	+43%
• Loans and advances	28.3	43.5	+65%
• Total assets	42.6	76.8	+55%
• Income (\$m 2003)	1,867	2,984	+63%
• Expenses (\$m 2003)	791	1,438	+55%

2003 Income and expenses: Citizens UK GAAP , Charter One US GAAP

End 2003 deposits, loans and advances and total assets: Citizens UK GAAP, Charter One US GAAP

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. Pro forma Citizens + Charter One	87
7. HSBC North America	86
8. SunTrust Banks	81
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

Top 10 Bank in US

	Assets \$bn
1. Citigroup	1,318
2. JP Morgan Chase + Bank One (pending)	1,121
3. Bank of America	1,016
4. Wachovia	411
5. Wells Fargo	397
6. US Bancorp	192
7. Pro forma Citizens + Charter One	129
7. National City + Provident Financial (pending)	128
8. ABN Amro North America*	127
9. HSBC North America *	126
10. SunTrust Banks	125
11. BB&T	94
12. Fifth Third Bancorp	94
13. Bank of New York	93
14. KeyCorp	84
15. Regions Financial + Union Planters (pending)	81
16. Citizens	80
17. PNC	74
18. Comerica	55
19. SouthTrust	53
20. M&T Bank	51

US commercial banks, US GAAP, all figs as of 31 Mar 04 except * which are as of 31 Dec 03
Source: SNL DataSource

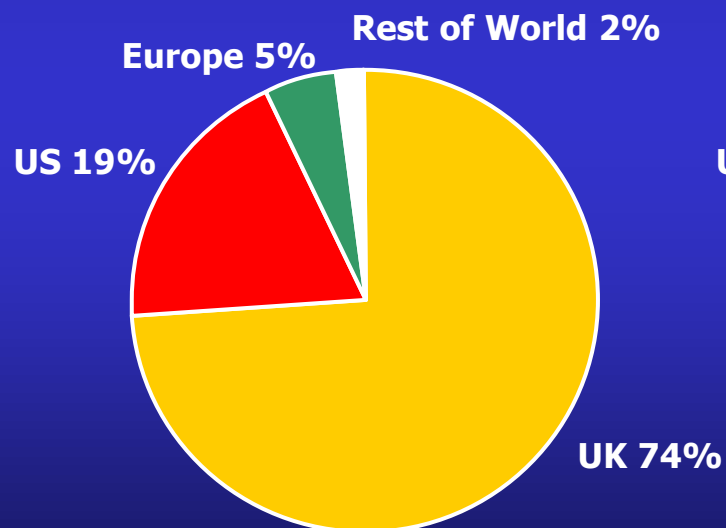
Top 3 Supermarket Branches in US

	Branches
1. Wells Fargo	698
2. Bank of America	514
3. Pro forma Citizens + Charter One	418
3. US Bank National Association	318
4. Citizens	258
5. TCF National Bank	242
6. Washington Mutual	202
7. National Bank of Commerce	187
8. Bank One	181
9. Charter One	160
10. SunTrust Banks	155

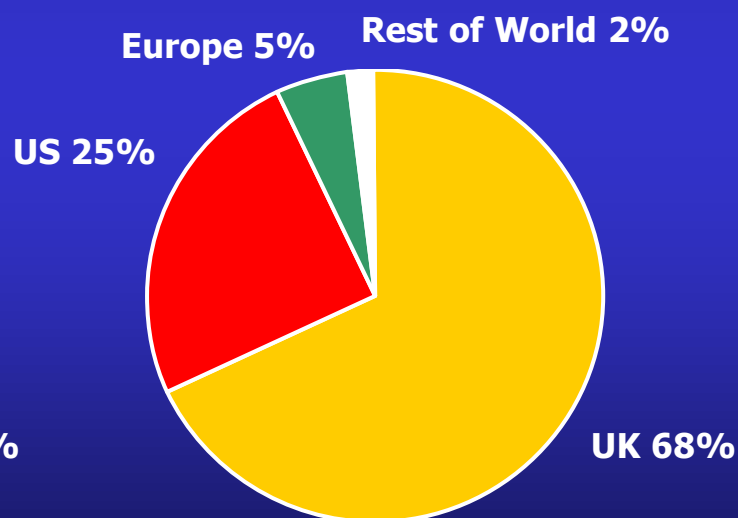
Source: NCBS December 2003

Greater Contribution from US

**RBS Profit Before Tax
Before Charter One**



**RBS Profit Before Tax
After Charter One**





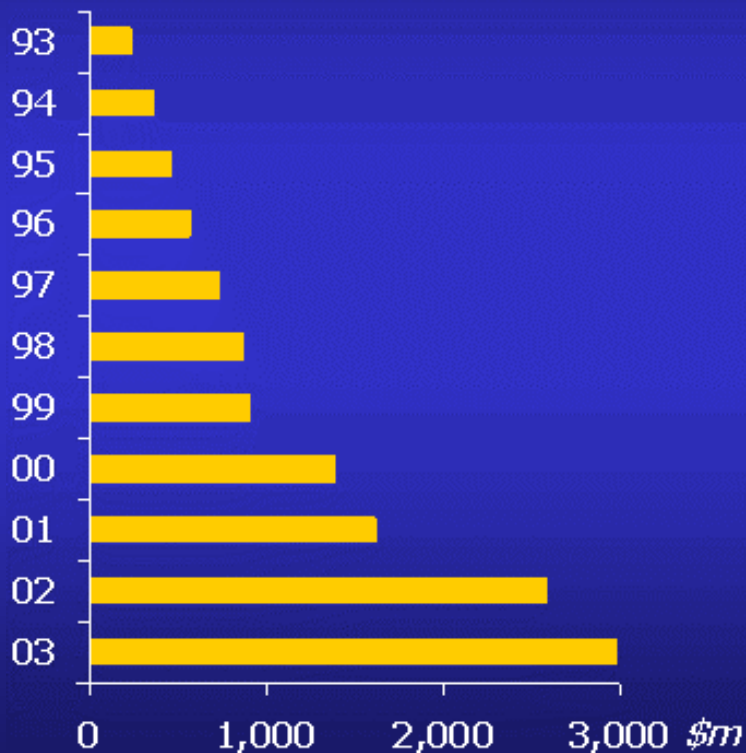
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Acquisition of Charter One

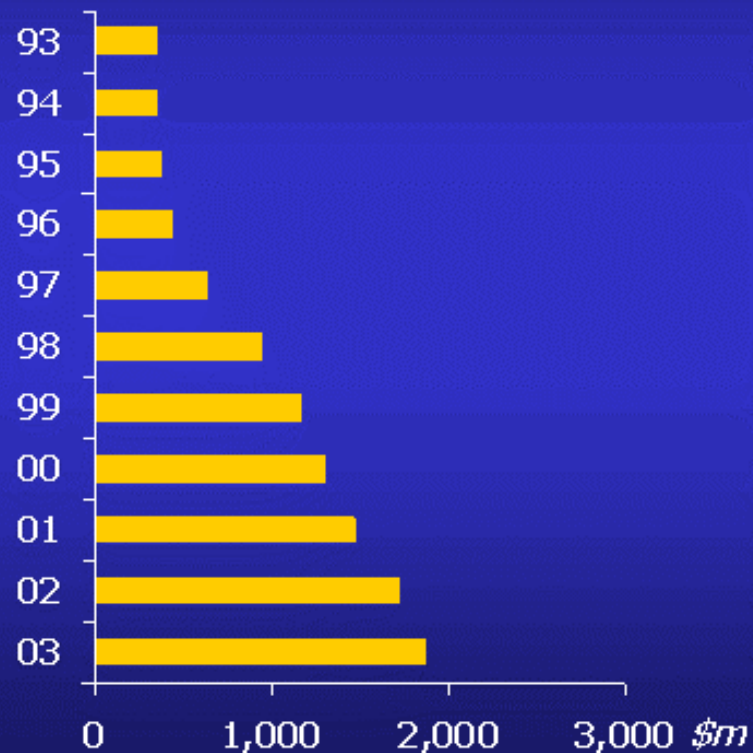
Transaction Benefits

Strong Income Growth

Citizens Total Income



Charter One Total Income



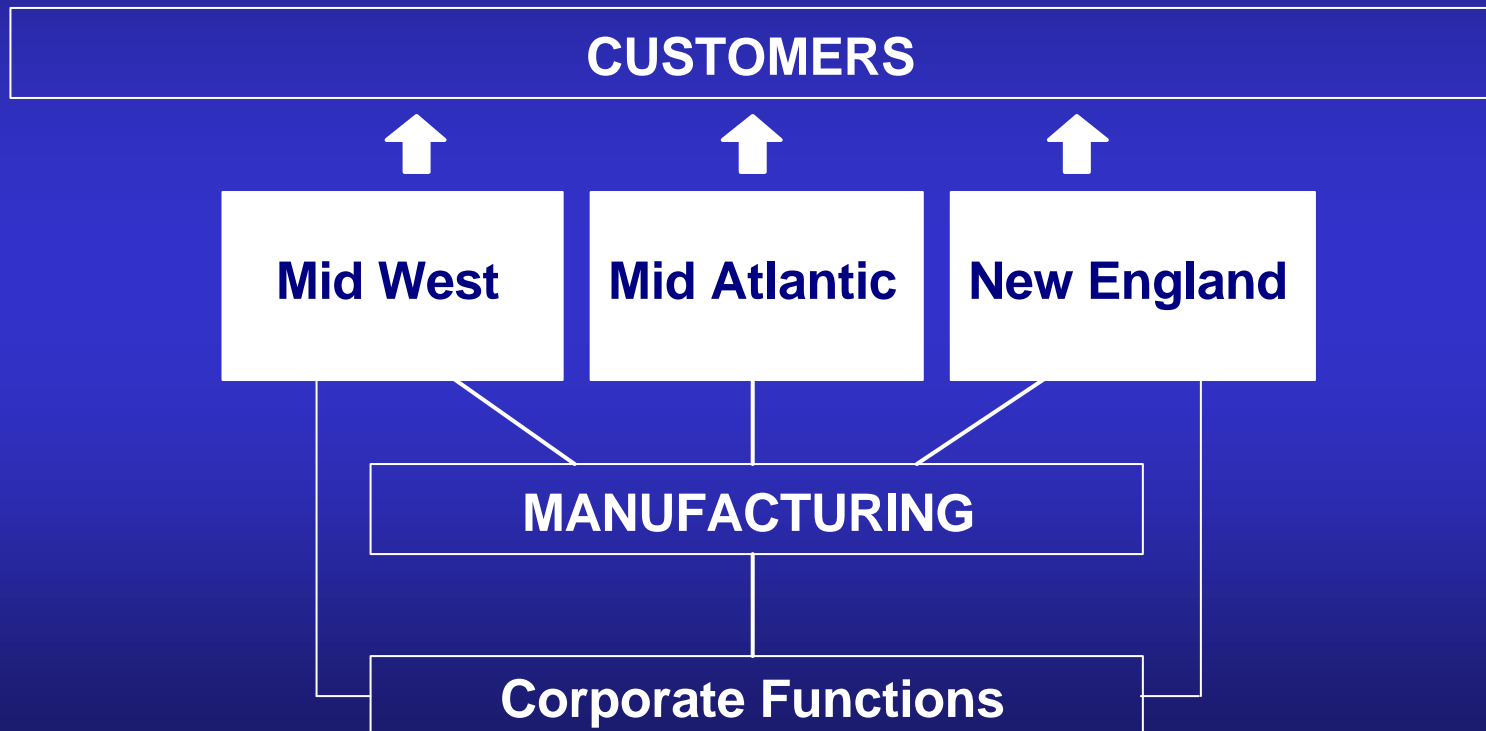
Citizens results, year to 30 Sep 1993 to 1998, year to 31 Dec 1999 to 2003 (UK GAAP)
Charter One results, year to 31 December (US GAAP)

Clear Business Plan

Objective

- Focus on growth, improved efficiency and increased profit
- **Strategies**
- Apply proven Citizens products and sales processes
- Minimise changes to customer relationships
- No branch closures as a result of the transaction
- Reposition balance sheet
- Migrate to Citizens manufacturing platform

Business Architecture



Significant Product Opportunities

Personal Banking Products	Charter One	Citizens
<ul style="list-style-type: none"> • Checking accounts <ul style="list-style-type: none"> – Free checking – Relationship checking 	<ul style="list-style-type: none"> ✓✓✓ – 	<ul style="list-style-type: none"> ✓ ✓✓✓
<ul style="list-style-type: none"> • Savings accounts 	<ul style="list-style-type: none"> ✓ 	<ul style="list-style-type: none"> ✓✓✓
<ul style="list-style-type: none"> • Mortgages 	<ul style="list-style-type: none"> ✓✓✓ 	<ul style="list-style-type: none"> ✓
<ul style="list-style-type: none"> • Home equity 	<ul style="list-style-type: none"> ✓ 	<ul style="list-style-type: none"> ✓✓✓
<ul style="list-style-type: none"> • Investments 	<ul style="list-style-type: none"> ✓ 	<ul style="list-style-type: none"> ✓
<ul style="list-style-type: none"> • Credit cards 	<ul style="list-style-type: none"> – 	<ul style="list-style-type: none"> *

* RBS announced purchase of People's Bank credit card business in February 2004

Revenue Benefits

Personal Customers

- Charter One offers simple, transactional products
 - Focus on free checking current accounts
 - Fees driven by customer overdrafts
- Citizens builds relationships with customers
 - 'Circle' accounts lead to more sales of other products

Per Current Account Customer	Charter One	Citizens
Savings deposits	\$7,200	\$14,000
Home equity loans	\$4,800	\$10,800

Revenue Benefits

Personal Customers

- Introduce Citizens' personal customer sales process
 - Needs-based profiling
 - Ex\$ell incentive scheme
- Introduce Citizens' relationship products to Charter One
 - Increase savings deposits penetration
 - Increase home equity penetration

Significant Product Opportunities

Small Business Products	Charter One	Citizens
• Checking accounts	✓	✓✓✓
• Business savings	–	✓✓✓
• Loans	✓	✓✓✓
• Business credit card	–	✓

Revenue Benefits

Small Business Customers

- Charter One does not focus on small business banking
 - Like personal, focus on free checking accounts
 - No relationship banking
- Charter One branches are in prime business districts
- Citizens ranked #2 nationally for SBA loans

	Charter One	Citizens
Small businesses in footprint	763,000	447,000
Business bankers	60	200

Revenue Benefits

Small Business Customers

- Introduce Citizens' relationship management strategy
- Expand small business product set
- Add 150 business bankers
- Involve branches in business sales
- Create outbound calling unit to generate business leads

Significant Product Opportunities

Mid-Corporate Products	Charter One	Citizens
• Cash management	–	✓✓✓
• Loans	✓	✓✓✓
• Sweep account (interest paying)	–	✓✓✓
• Foreign exchange	–	✓✓
• Derivatives	–	✓✓
• Leasing	✓✓	✓✓

Revenue Benefits

Mid-Corporate Customers

- Charter One offers only limited mid-corporate banking
- Charter One geography includes many mid-corporates, especially in Chicago, Detroit, Cleveland

	Charter One	Citizens
Mid-corporates (sales >\$5m) in footprint	25,000	15,000
Mid-corporate relationship managers	115	338

Revenue Benefits

Mid-Corporate Customers

- Add mid-corporate banking in key metropolitan areas
- Offer range of products provided by Citizens and RBS
- Add 295 mid-corporate relationship managers
- Focus on Citizens areas of special expertise
 - Cash management, foreign exchange, derivatives, local government banking, professional banking
- Capitalise on Citizens success in the Mid Atlantic franchise
 - Commercial deposit growth +112%
 - Commercial loan growth +20%
 - Mid-corporate customers +30%

Cost Savings

- Technology and Operations
 - Migrate technology to Citizens' systems
 - Consolidate operations
- Corporate overheads
 - Eliminate HQ costs
 - Combine central functions
- Business combinations
 - Combine auto finance businesses
 - Rationalise loan processing operations
 - Rationalise mortgage operations

Transaction Benefits

	Contribution to Profit Before Tax in 2007 \$m
Revenue benefits	222
Cost savings	185
Total	407

Transaction Benefits

Mellon	\$m	Mellon	\$m
Gross revenue benefits	242	Cost savings	101
Mellon income	719	Mellon costs	453
Benefits %		Savings %	
Mellon income	34%	Mellon costs	22%
Charter One	\$m	Charter One	\$m
Gross revenue benefits	378	Cost savings	185
Charter One income	1,867	Charter One costs	791
Benefits %		Savings %	
Charter One income	20%	Charter One costs	23%



Acquisition of Charter One

Low Risk Acquisition

Low Risk Acquisition

- Charter One is similar to Citizens
 - Emphasis on retail banking
 - Focus on growth and efficiency
 - Strong credit quality
- No need for divestitures or disposals
- No branch closures
- Citizens proven track record in acquisitions

Low Risk Acquisition

Due Diligence

- 145 people on site for 3 days, access to 50 Charter One leaders
- Credit penetration
 - Reviewed 97% of leasing portfolio
 - Review 74% of commercial loans
 - Reviewed 62% of commercial real estate portfolio
 - Statistical analysis and modelling of consumer portfolios
- Detailed review of interest rate risk
- Shopped 254 branches (42% of total)
- On-site visits to 17 core facilities in 8 cities
- Reviewed all material source documents and contracts



Acquisition of Charter One

Transaction Financials

Transaction Financials

- Price per share \$44.50
- 15.1 times 2004 consensus earnings
- 13.9 times 2005 consensus earnings
- Exceeds Group hurdle rate (12% post tax)
- Earnings per share broadly neutral in first year, accretive thereafter
- Completion expected Q4 2004

Funding

- Purchase price £5.8bn
- Equity placing £2.5bn
 - Accelerated bookbuild 4/5 May
- Balance from other funding and from internal resources
- Tier 1 ratio expected to be close to 7% at end 2004

Equity placing £2.5 billion, excluding over-allotment option of up to £250 million



Acquisition of Charter One

Conclusion

Acquisition of Charter One

Summary

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

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