



Annual Review and  
Summary Financial  
Statement 2002

**Make it happen.**

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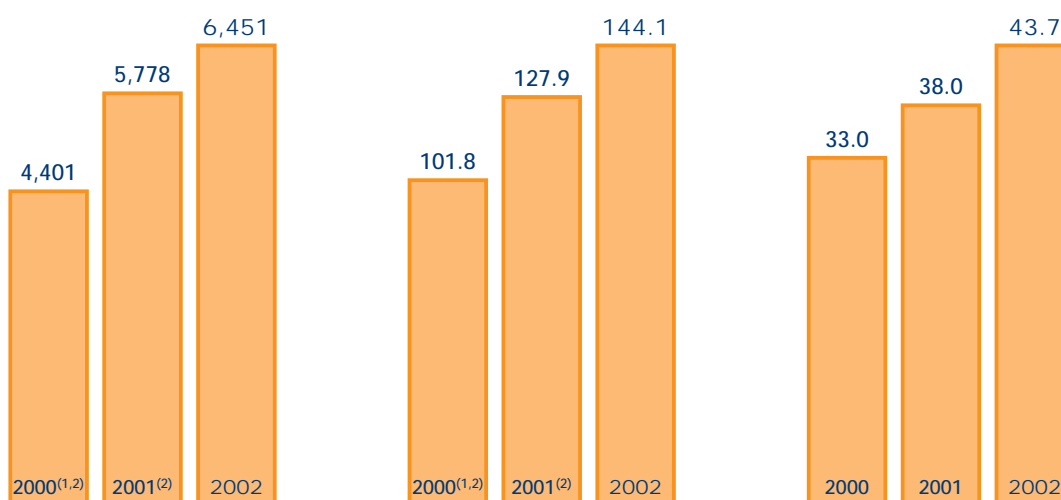
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## Financial highlights

The Group's profit before tax, goodwill amortisation and integration costs rose by 12% to £6,451 million.

Adjusted earnings per share increased by 13% to 144.1p.

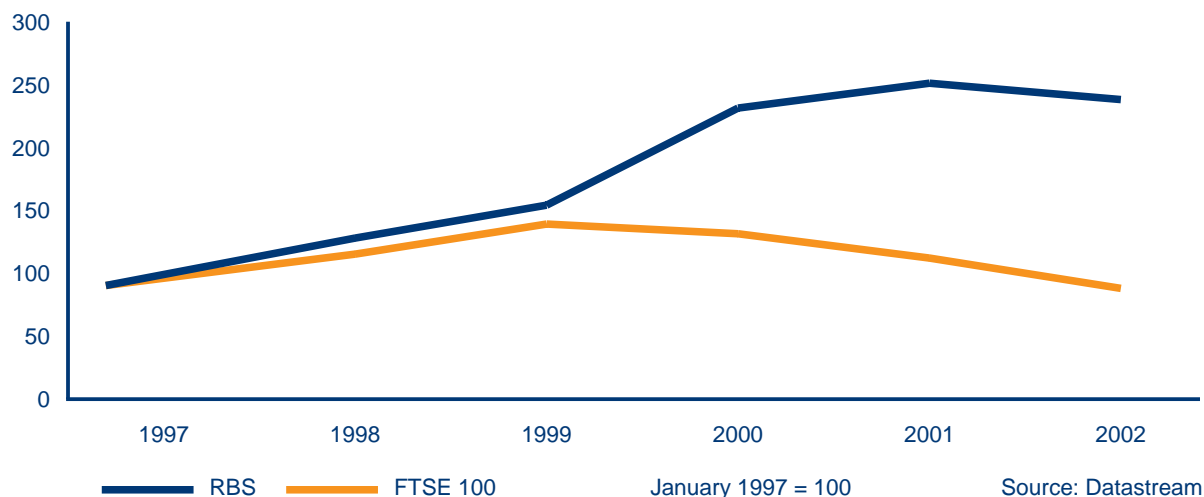


Profit before tax, goodwill amortisation and integration costs (£m)  
The Group's profit before tax, goodwill amortisation and integration costs rose by 12% to £6,451 million.

Adjusted earnings per share (pence)  
Earnings per share, adjusted for goodwill amortisation, integration costs and the dividend on the Additional Value Shares increased by 13% to 144.1p.

Dividend per ordinary share (pence)  
The directors have recommended a final dividend of 31.0p which, when added to the interim dividend of 12.7p, makes a total for the year of 43.7p, an increase of 15%.

### Total shareholder return



#### Notes:

- (1) On a pro forma basis assuming NatWest acquisition on 1 January 2000.
- (2) Restated for the implementation of FRS 19 and the issuance of UITF 33 (see page 41).

## Board of directors



Sir Steve Robson

Norman McLuskie  
FCIBS

Eileen Mackay  
CB, FCIBS

Jim Currie

Peter Sutherland

Juan Inciarte

Colin Buchan

Bill Wilson  
FCIBS

Lawrence Fish

Miller McLean  
FCIBS  
Secretary

The directors have recommended a final dividend of 31.0p per ordinary share, making a total for the year of 43.7p per ordinary share, an increase of 15%.



Gordon Pell  
FCIB, FCIBS

Emilio Botin

Fred Goodwin  
DUniv, FCIBS, FCIB  
Group Chief Executive

Sir Iain Vallance  
FCIBS  
Vice-chairman

Bob Scott  
CBE

Iain Robertson  
CBE, FCIBS

Sir George Mathewson  
CBE, DUniv, LL.D, FRSE, FCIBS  
Chairman

Fred Watt  
FCIBS

Sir Angus Grossart  
CBE, LL.D, FRSE, DL, FCIBS  
Vice-chairman



The *of Scotland Group*



# Chairman's statement

In 2002 the Group continued to make good progress. The undoubted highlight was the completion of the NatWest IT integration on to the Royal Bank platform. This project — one of the largest integration projects ever undertaken worldwide — was completed ahead of schedule, with benefits well in excess of those promised to shareholders during the bid for NatWest.

In the US, the Mellon Regional Franchise was successfully integrated on to the Citizens platform, and again the project was completed ahead of schedule. The success of both these integration projects was a result of good planning, teamwork and sheer hard work on the part of our staff.

On a range of key measures of success including income, profitability, customer numbers, credit quality and return on capital the Group continues to perform well. This is particularly pleasing given that 2002 was by any standard a challenging year.

## Financial performance

Profit before tax, goodwill amortisation and integration costs was up 12% to £6,451 million (2001 — £5,778 million). Total income grew by 16% to £16,815 million. Our cost:income ratio has again fallen, to 45.6%, down from 47.0% last year, as a result of our strong growth in income, tight control of our cost base and delivery of the benefits from integration. Adjusted earnings per share rose by 13% to 144.1p.

## Dividend

The Board has recommended a final dividend for the year of 31.0p which, with the interim dividend of 12.7p, makes a total of 43.7p, an increase of 15%. Our second Additional Value

Share dividend of 30.0p was paid on 2 December 2002.

## Staff profit sharing

The staff profit share for the year has been set at 10% of basic salaries, reflecting the overall strong financial performance of the Group.

## Business developments

During 2002 we purchased Dixon Motors PLC which, as one of the UK's largest car dealerships, complements Lombard's existing activities. Direct Line continued its European expansion with the acquisition in Italy of the direct insurance business of Royal Insurance from Royal & Sun Alliance. Citizens Bank announced two further acquisitions in the past year, Medford Bancorp and Commonwealth Bancorp, making it the 17th largest bank by deposits in the US.

## Board of directors

We were deeply saddened by the death of Viscount Younger of Leckie on 26th January 2003. Viscount Younger was an outstanding Chairman of the Group over 10 years which saw unparalleled growth and development, culminating in the takeover of NatWest. The business achievements of the Group during that time very much reflect the personal qualities and attributes he brought to the role: he inspired loyalty and warmth amongst his colleagues, as well as providing the Group with vision and leadership of the highest order.

On 1 June 2002, we appointed Colin Buchan as a non-executive director. Colin has spent most of his professional career with UBS Warburg from where he retired as Global Head of Equities.

Having participated in the Review of the Role and Effectiveness of Non-Executive Directors undertaken by Derek Higgs

during 2002, we are considering his recommendations to ensure that we continue to apply the highest standards of governance.

## Economic outlook

While the UK economy is not as strong as it was 12 months ago, we do expect a moderate improvement in growth throughout 2003. Activity in the UK is underpinned by consumer and government spending, which seem set to continue. We expect to see the UK among the best performing industrialised nations again this year. The US economy has made steady progress after the traumas of 2001, aided by a substantial policy stimulus. The gradual improvement should continue in 2003, but the US economy is unlikely to achieve trend growth until next year.

That said, we are clearly in a period of heightened geopolitical and economic risk, which has resulted in increased volatility on many fronts. This continues to colour the sense of optimism which we would otherwise feel on the strength of the underlying fundamentals in the economies in which we principally operate.

## Prospects

We remain focussed on building strategic options for the Group and growing income in ways which will provide value for our shareholders, customers and staff. I am confident that the strength, diversity and flexibility of the Group provides us with an excellent platform to build value in the future.



Sir George Mathewson  
Chairman

# Group Chief Executive's review

The Group continued to make good progress both financially and operationally during 2002. As a result, we increased our Group profit before tax, goodwill amortisation and integration costs by 12%, adjusted earnings per share by 13% and our dividend per share by 15%.

Our business model recognises that, to deliver superior sustainable value to our shareholders, we need to do the same for our customers and our people.

## Our customers

All divisions of the Group increased their customer numbers during 2002, arguably the clearest evidence that we are delivering value for our customers. Our divisions achieved consistently good results in various surveys of customer satisfaction, and won a number of awards for customer service. For example, in the important area of small businesses, NatWest was voted Best Bank that I would recommend to a small business in the NOP Opinion Formers Survey, while The Royal Bank of Scotland won the award for Best Small Business Bank from the Chartered Institute of Management Accountants.

Notwithstanding these pleasing results, there is, as always, no room for complacency and we continue to strive for improvements.

## Our people

As ever, the success of the Group is only made possible by the efforts and achievements of our people. Each year, a survey is carried out by the independent firm International Survey Research, which evaluates employee opinion under a number of criteria and relative to various external benchmarks. The response rate to the latest survey was our best ever at 83%, significantly higher than the response rate of 75% to the previous survey.

The latest survey shows that we have further improved our performance from the very good level achieved in the last survey and continue to perform as well as a

number of the world's best companies. I am also pleased to report that we are again ahead of the UK financial services sector in every category and improved our performance relative to both the global financial services and global high performance norms.

## Our shareholders

To create value for our shareholders, we concentrate on the simple fundamentals of growing our income and improving our efficiency, whilst disciplining ourselves to retain a bias away from activities and geographies which may bring undue volatility to our results.

During 2002 we grew income across the Group as a whole by 16%. Income growth was particularly strong in Citizens, Direct Line and Retail Direct. This growth was supported by increased customer numbers and business volumes: the Group's net interest margin remained stable at 3.1% (2001 — 3.1%). A more detailed review of the performance of our individual businesses is outlined later in this document.

In addition to growing its income, the Group improved its efficiency in 2002. On a comparable basis, the Group cost:income ratio improved further to 45.0% (2001 — 47.0%), and to 45.6% including acquisitions, a level that keeps us at the forefront of efficiency when compared to similar banks in the UK and internationally. This represents a substantial improvement since 1999, when the pro forma cost:income ratio for the enlarged Group, including NatWest, was almost 60%.

Provisions for bad debts were higher in 2002 than in 2001, reflecting the deterioration in the short-term economic environment. However, during 2002, provisions continued at a rate consistent with the second half of 2001 and the growth in our loan portfolio. As ever we remain focused on ensuring that our balance sheet carries adequate provision for bad debts and our provision coverage remains at 81% of risk elements in lending.

## Integration

The large and complex NatWest IT integration was completed successfully in October 2002, several months ahead of schedule. In recognition of this outstanding achievement, an integration bonus amounting to 5% of salary was paid to all employees whose business units were involved in integration.

Last year we announced increased targets for annual transaction benefits amounting to £2,030 million (formerly £1,730 million). These transaction benefits had been fully implemented by February 2003, although their full impact will not show through to profits until 2004.

Our achievements in integration are without doubt one of the principal highlights of the last year. To mark this important milestone, we have reported the detail of some of the highlights from our integration programme in the section which follows. It would however, be a pity if the successful integration were to obscure the strong underlying organic growth which took as much planning, teamwork and effort to be achieved.

## Outlook

International uncertainty inevitably casts something of a shadow over an otherwise reasonable prognosis for the key economies in which we operate. Whilst we have no particular insights as to how events might unfold, it is clear that the strength, diversity and flexibility of our Group present many options for future growth not only in the UK, but also in the US and in Continental Europe.

By continuing to focus on the fundamentals of credit quality, income growth and improving efficiency, we are confident that we can continue to deliver superior sustainable value to our shareholders, our customers and our people.



Fred Goodwin  
Group Chief Executive





*The Royal Bank of Scotland Group*



# Group Chief Executive's review – integration

We successfully completed the integration of NatWest systems ahead of schedule.



Delivering on our promises has been a key theme since we acquired NatWest on 6 March 2000 — and we made no bigger promise than the completion of the integration of NatWest on to the RBS technology platform.

Despite the fact that an integration on this scale was without precedent, we have beaten the targets we set with minimal impact to our customers.

This is the story of how we did it

- **March 2000** Within weeks of the take-over, the fastest ever integration of Financial Markets was completed, and internal email between RBS and NatWest — critical to new teams working together — established.
- **July 2000** The rollout of the RBS teller system to all NatWest branches to convert them to a single branch platform began.
- **November 2000** Moving ATMs to a single Group format began.
- **May 2001** RBS cards moved to a new platform and NatWest cards followed in July 2001. The largest card acquirer and the 2nd biggest issuer of credit cards in Europe had successfully migrated 13 million credit card accounts — the biggest migration ever undertaken in the credit card sector.
- **October 2001** Close to 3,350 NatWest ATMs were successfully migrated to the RBS platform, the largest ever migration of ATMs, completed without a hitch.
- **November 2001** Rollout of the Royal Bank's teller system to over 1,500 NatWest branches was completed on schedule.
- **December 2001** Nearly 750,000 NatWest Online banking customers migrated to the RBS Digital Banking platform by December 2001.
- **March 2002** Saw the completion of Group Desktop Integration, with 15,347 desktops migrated to a single format.
- **April 2002** Integration of all clearing functions was complete, all NatWest sort codes migrated and a New Authorisation Process for authorisation of point-of-sale, ATMs and teller transactions for 14 million customer accounts successfully concluded.
- **April 2002** Streamline, our merchant credit card platform used by customers such as Asda, Dixons and Boots amongst others, successfully migrated by December 2002.
- **By October 2002** Delivering integration was not only about technical achievements. Our front line staff had to prepare for each of the changes to minimise the

## Make it integrated. Make it happen.

Many thousands of people were involved in the project to migrate NatWest accounts on to the RBS platform. These are just a few of the staff who helped us to make it happen.

effect on customers. The largest training programme the Group had ever undertaken involved over a million hours of training in new systems. This training was supported by nearly 40 million communications issued to advise our customers of every change they would experience.

One of the largest test environments ever built was created to test the conversion of NatWest customer data and processes and prove it would not only work effectively, but also that the conversion could be completed over a weekend to minimise disruption.

Over a period of ten weeks proving cycles were run to fine tune the running of the conversion process, followed by a series of five trials. In each of these the conversion process was tested in parallel with the operational changes our corporate and business functions had to make to successfully deliver integration.

- **Weekend 5/6 October 2002** A team of over 4,000 worked round the clock — as they had through all the proving cycles and trial weekends — to deliver a smooth migration.
- **7 October 2002** On Monday 7 October, The Royal Bank of Scotland and NatWest banks opened for business, successfully operating from a new single IT platform — and the promise was delivered.

Derek Andrews  
Programme Manager,  
Application Systems Integrity,  
The Royal Bank of Scotland

# Group Chief Executive's review – divisions



## Corporate Banking and Financial Markets

increased its contribution before manufacturing costs by 6% to £3,203 million (2001 — £3,024 million). Corporate Banking and Financial Markets maintained leading positions in the UK in corporate lending, leasing, deposits, payments, derivatives and foreign exchange and across a wide range of specialised corporate banking activities. Outside the UK, the division achieved good growth in Continental Europe through its offices in Paris, Frankfurt, Milan and Madrid. In the US, the division improved its already strong position in US treasuries and asset-backed securities.

**Retail Banking** increased its contribution before manufacturing costs by 8% to £3,019 million (2001 — £2,807 million). Retail Banking increased its total personal customers by 3% to 13.1 million (2001 — 12.7 million) and total small business customers by 3% to 1.1 million. Both The Royal Bank of Scotland and NatWest achieved good growth in current accounts, including packaged current accounts, mortgages, personal loans and deposits and small business loans and deposits. NatWest maintained its market leading position for small business relationships.

**Retail Direct** increased its contribution before manufacturing costs by 27% to £701 million (2001 — £551 million). Retail Direct increased its credit card accounts by 4% to 9.5 million (2001 — 9.1 million), while increasing both credit card balances and fee income associated with these accounts. Tesco Personal Finance grew its customer account base by 29% to 3.4 million (2001 — 2.6 million). The One accounts (formerly Virgin One) average mortgage balances increased by 36% to £4.3 billion (2001 — £3.1 billion).

**Manufacturing** costs increased by 7% to £1,682 million (2001 — £1,568 million). Within this amount, technology costs were up by 5% to £662 million (2001 — £632 million) and customer support and other operations were also up by 5% to £492 million (2001 — £469 million), both reflecting increased volumes and scope across a wide range of activities. Manufacturing completed the conversion of NatWest systems on to the RBS IT platform in October 2002, some months ahead of the original target.





**Wealth Management** contribution declined by 6% to £432 million (2001 — £459 million), principally due to reduced fee income reflecting lower stock market values. However, Coutts, which is investing in its UK regional branch network, increased its total customer base by 5% to over 75,000. Offshore Banking launched a new expatriate service offering a full range of banking and investment services.



**Direct Line Group** increased its contribution by 36% to £355 million (2001 — £261 million). Direct Line Group increased its UK motor insurance policies (including those sold through Tesco Personal Finance) by 16%, to 4.7 million (2001 — 4.0 million) and its UK home insurance policies by 17%, to 1.6 million (2001 — 1.4 million). In Continental Europe, Direct Line businesses in Spain, Italy and Germany doubled their total policy numbers to 1.2 million (2001— 0.6 million).



**Ulster Bank** increased its contribution by 7% to £244 million (2001 — £229 million). Ulster Bank increased its personal current accounts by 5% and business current accounts by 2%, mainly in the Republic of Ireland. During the year Ulster Bank completed its transformation programme, Project Horizon, which was designed to increase focus on customers across its branch network.



**Citizens** increased its contribution by 53% to £766 million (2001 — £501 million). Citizens increased its personal customer base by 13% to 2.0 million (2001 — 1.8 million), partly by increasing its distribution capacity through supermarkets. Citizens also increased its business customers by 6% to 197,000 (2001 — 185,000). In August 2002, Citizens successfully completed the conversion to its own systems of Mellon Financial Corporation's regional banking franchise. Citizens also acquired Medford Bancorp, New England — completing conversion in December 2002 — and announced the acquisition of Commonwealth Bancorp, Pennsylvania in September 2002.

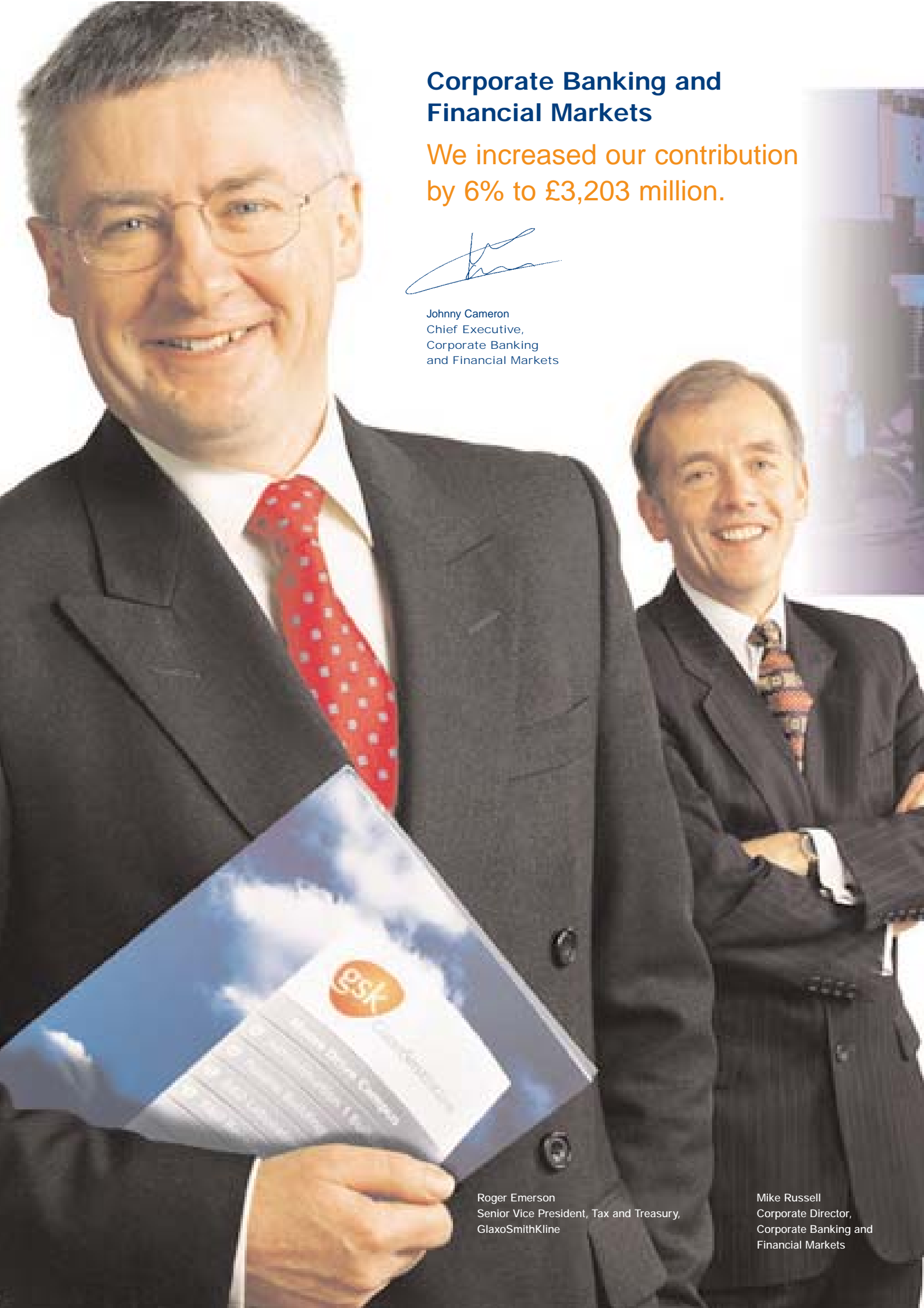


## Corporate Banking and Financial Markets

We increased our contribution  
by 6% to £3,203 million.



Johnny Cameron  
Chief Executive,  
Corporate Banking  
and Financial Markets



Roger Emerson  
Senior Vice President, Tax and Treasury,  
GlaxoSmithKline

Mike Russell  
Corporate Director,  
Corporate Banking and  
Financial Markets

## Make it deal of the year. Make it happen.

We acted as joint bookrunner for a successful £500 million bond issue for GlaxoSmithKline, which was voted Sterling Bond Deal of the Year in the EuroWeek Review of the Year 2002.

- CBFM is the leading provider of corporate banking and financial markets solutions to large and medium sized businesses in the UK, meeting their short and long term needs in general banking, finance and risk management.

### Corporate Banking

- Corporate Banking in the UK acts as lead bank for around one third of UK corporates. We are increasingly also providing these services to large corporate customers throughout Europe. We have a banking relationship with 92 of the FTSE 100 and 176 of the FTSE 250 companies in the UK; 60% of the Dow Jones Euro Stoxx in Europe; and over 40% of the Fortune 100 in the US.
- Forbes Global Magazine placed The Royal Bank of Scotland in the Banking category A list of The World's Best in 2002.

### Deals

- We were a lead manager of a £1.25 billion securitisation of four Canary Wharf Group plc properties, the first non-tenant bank to perform such a role. We were able to provide rental undertaking facilities which, unusually, allowed the bonds to be issued ahead of the completion of the buildings.
- We formulated a finance strategy for Nuffield Hospitals major development plans, resulting in a bespoke

£150 million 15 year loan, plus a £100 million revolving credit facility to part-finance a significant capital development programme.

- We structured and arranged a £600 million auto loan securitisation for Volkswagen Financial Services (UK) Ltd which was its first in the UK and the largest securitisation of its type completed in the UK.
- We lead managed a €500/£250 million (dual currency deal) bond issue for Hilton Group plc which was successfully placed with a wide range of investors in the UK and Europe including Scandinavia. This followed last year's successful £312 million structured sale and leaseback deal.
- The Yorkshire Building Society became the first UK building society to tap into the Asian investor base with a benchmark US\$500 million bond issued by one of our teams.
- In Europe we successfully arranged CHF255 million of debt as part of the CHF580 million acquisition by Candover of Swissport International, a leading global player in the airline ground handling industry. We revised our approach and economic assumptions following the collapse of the vendor, Swissair, and co-ordinated a seven strong group of investors.



## Make it a European record. Make it happen.

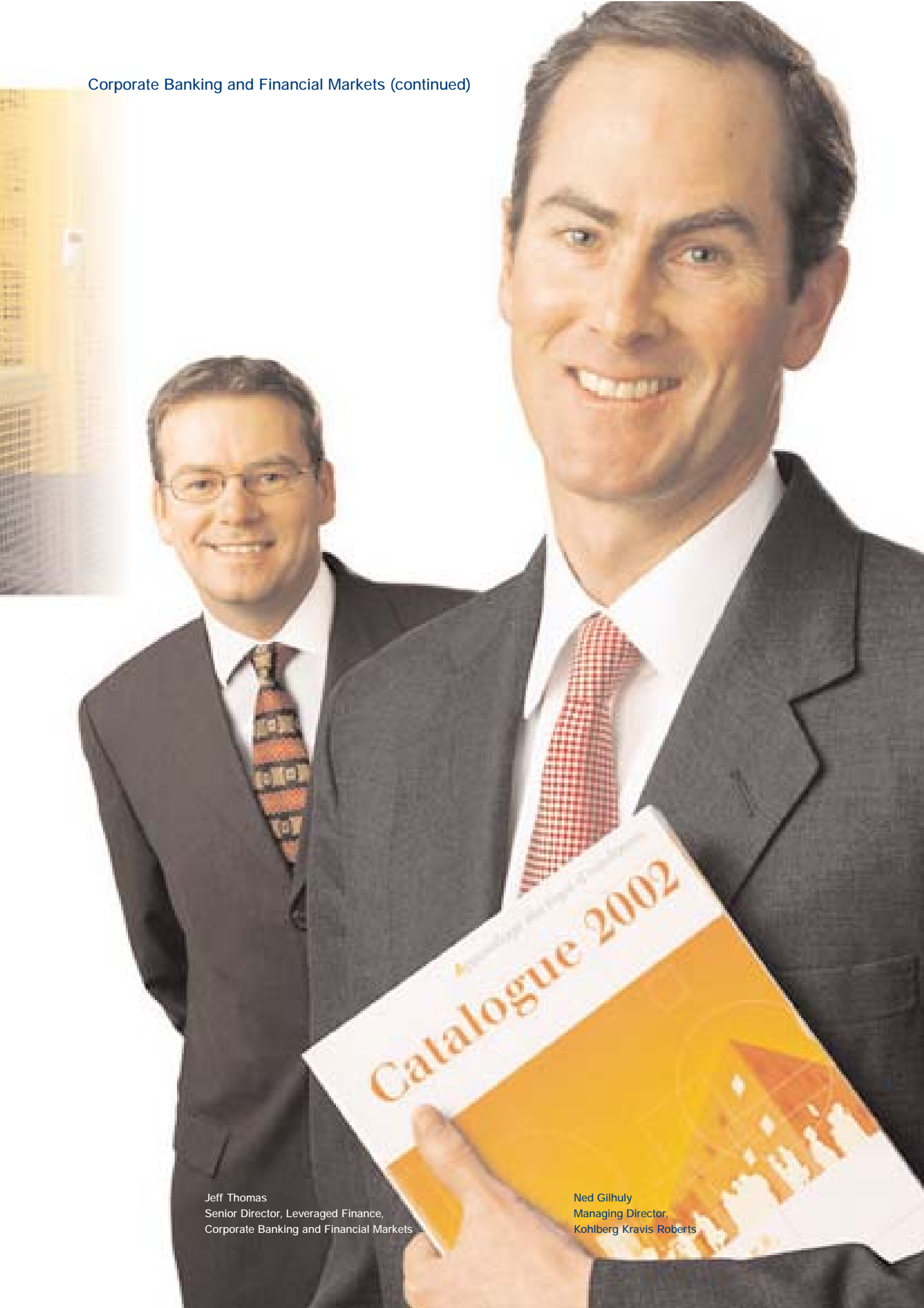
Our joint mandated lead arranger role in the purchase of Legrand SA, a global manufacturer headquartered in France, by Kohlberg Kravis Roberts and Wendel Investissement was the largest ever buyout in continental Europe. It included €2.2 billion of senior secured credit facilities and a €600 million subordinated mezzanine bridge loan facility.

- We supported €2.1 billion of funding related to Paris-listed Gecina's acquisition of Simco, creating the third largest real estate group in Europe.
- We completed the US\$455/£150 million (dual currency deal) for the restructuring of Enodis plc, a global leader in the food service equipment business.
- We put together a £6 million funding package with M & D Leisure Ltd, which will help extend their existing leisure facilities at their theme park in the Motherwell, Scotland, to include a new four star hotel and investment in a new rollercoaster.
- The US\$850 million private placement financing for Scottish & Newcastle plc was the largest ever traditional corporate private placement and it had the best pricing at its credit rating in the private market in the last year. In support of the deal we provided a risk management solution through the financial markets.
- The Royal Bank of Scotland Commercial Services is the UK's leading provider of invoice finance and operates in mainland Europe through Euro Sales Finance plc, a fully owned subsidiary of the Group. Last year we provided a £35 million facility within a £160 million syndicated invoice discounting line for the management buyout of Palmer & Harvey McLane Limited, the largest privately owned business in the UK.
- We backed The Intercare Group Plc in the €55 million acquisition of L.C.O. Sante. We arranged and underwrote a debt financing package totalling £165 million including invoice discounting facilities provided by The Royal Bank of Scotland Commercial Services, and a tailor-made interest rate management facility from our Financial Markets team.

### Financial Markets

- Our Agency Treasury Services continues to be the main international provider of outsourced treasury services in the UK and provides full service treasury risk management to corporate and institutional customers in the UK, Europe and North America.
- We won three first place rankings in the FX Week Best Bank 2002 Awards; for best bank in Foreign Exchange in London, best dealer in euro/sterling and best dealer in dollar/sterling. We also performed well with 23 No 1 positions across the Risk Magazine global derivatives and end user rankings. We achieved a particularly strong performance in sterling, euro and US dollar, with significant progress made in Yen.
- Our Global Treasury Funds money market fund products have more than doubled in size over the last 12 months to £3.35 billion, a 110% growth in assets under management. Aon UK chose us as the sole provider for their sterling investments.





Jeff Thomas  
Senior Director, Leveraged Finance,  
Corporate Banking and Financial Markets

Ned Gilhuly  
Managing Director,  
Kohlberg Kravis Roberts

Corporate Banking and  
Financial Markets (continued)



Leith Robertson  
Head of Structured Finance,  
Corporate Banking and  
Financial Markets

Jonathan Clarke  
Director,  
Cinven



## Make it a success. Make it happen.

Among our most high-profile deals this year was the provision of £820 million of acquisition financing for the purchase of National Car Parks by private equity house Cinven.

- In the US, RBS Greenwich Capital was named along with two other banks as a lead manager for a US\$2 billion Freddie Mac bond re-opening. Freddie Mac is a US Congress chartered corporation that creates a continuous flow of funds to mortgage lenders in support of home ownership and rental housing and is one of the most high profile issuers of securities in the US. This positions RBS Greenwich Capital as one of an elite group of 12 dealers selected to lead such deals.
  - Elsewhere in Europe we: joint lead arranged a €111.5 million institutional buyout of Fonecta Ltd, one of Europe's leading directory service providers; joint lead arranged the €235 million leveraged acquisition of Frida by Europastry, to create the market leading producer of frozen bread and pastry in Spain; were joint mandated lead arranger for the US\$1.45 billion term loan facility for the benefit of Bertelsmann, the German media and entertainment company; were joint mandated arranger for the €3.2 billion project finance package for H3G, the 3G mobile video company in Italy.
- Structured Finance**
- Our Structured Finance team maintained their No 1 ranking for leveraged finance in the UK and France. Across the whole of Europe we were the No 1 arranger of leveraged finance.
  - Our Project Finance team won four major awards in 2002, two for Best Bank in Project Finance, one for Project Finance House of the Year and one for Asia-Pacific Bank of the Year for our activities in Australia.
  - The A\$5.6 billion sale of Sydney Airport was the biggest Government trade sale in Australia and the biggest such disposal of any airport. We jointly provided A\$3.95 billion of debt.
  - Our €300 million mezzanine transaction for Telediffusion de France, the French radio, TV and telecoms infrastructure company, was the largest ever in Europe.
- Asset Finance**
- Lombard, the Group's Asset Finance business, has maintained its position as the leading asset financier in the UK.
  - In 2002 Lombard purchased Dixon Motors PLC, one of the UK's largest car dealerships, complementing Lombard's existing vehicle related activities.
  - In the same sector, we acquired a fleet of 17,800 cars and light commercial vehicles from the leasing subsidiary of The Lattice Group. A combination of this deal and strong organic growth took Lombard to 4th place in the contract hire industry.
  - Angel Trains Group remains Europe's largest train operating lessor with over 4,000 rail vehicles. In 2002 we invested £292 million in new trains taking the total to around £2.96 billion.



## Retail Banking

We increased our contribution by 8% to £3,019 million.

*B. Higgins*

Benny Higgins  
Chief Executive,  
Retail Banking

Jim McTaggart  
Business Customer,  
The Royal Bank of Scotland

David Rollo  
Business Manager,  
Largs and West Kilbride,  
The Royal Bank of Scotland



# Make it a flying start. Make it happen.

Commercial flying, airshows and appearances in films are all in a day's work for Jim McTaggart, who we helped to set up his own aviation company VT10 over ten years ago.

## The Royal Bank of Scotland

- Our customers grew by 3% overall in 2002: personal customers increased by 3% and business customers by 7%.
- Savings balances for our personal customers showed another year of strong growth, up over 8% on the previous year.
- In 2002 we rolled out our Current Account Mortgage to all Royal Bank of Scotland branches. It now accounts for 14% of all new mortgage sales, with over 6,900 accounts at the end of December.
- Record completions saw the value of new mortgages bought from The Royal Bank of Scotland grow by 37% in 2002 taking us through the £10 billion barrier for the first time.
- Our Royalties Gold packaged account, which offers a range of benefits for customers from lower credit card and loan rates to inclusive annual travel insurance and holiday discounts, showed almost 15% growth in 2002, with over 350,000 customers. It now accounts for over 18% of our current account base.
- Digital Banking, our internet banking service, saw an impressive 46% increase in the value of transactions made online.
- Lending to business customers grew by 18% during 2002.
- Mentor, our in-house specialist consultancy, offering health and safety, employment law and tax consultancy to SME s increased turnover by 95%.
- The Business Service Review offered to our business customers has become increasingly popular with around 136,000 being completed in 2002 and has now been extended to the specialist Farming sector.
- We have continued to expand our range of specialist sector managers with appointments in the Franchise, Healthcare and Farming sectors.
- Our With Profit Bond launched during 2002 in partnership with Norwich Union created £14.4 million effective income from RBS customers.
- In 2002 we had our first graduates from our unique diploma in Customer Relationship Management, launched in 2001 and accredited by the Scottish and English Institutes of Bankers.



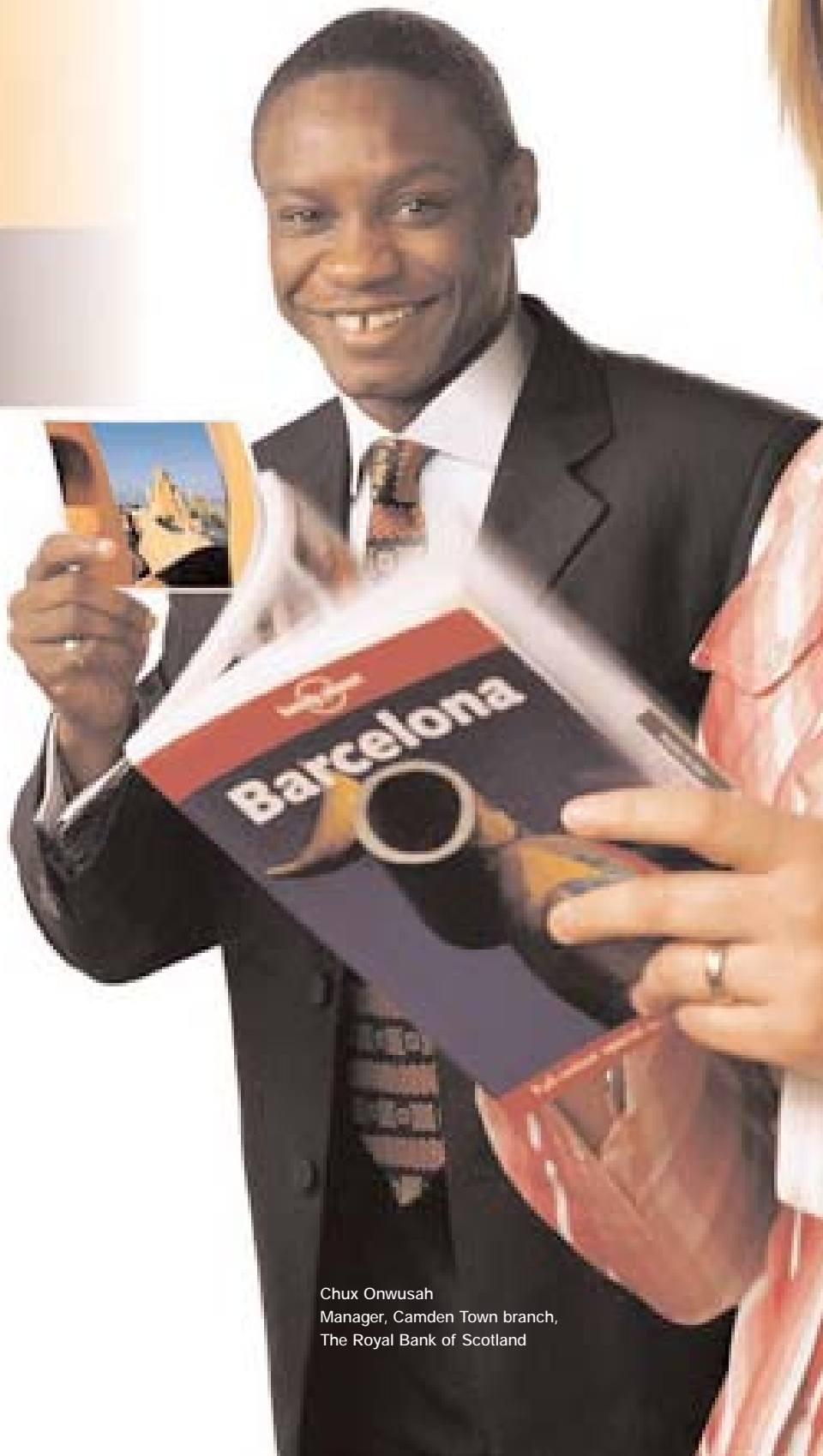


## Make it go further. Make it happen.

Louisa Webb, a customer of our Camden Town branch, used her Royalties Gold account to book up a holiday to Barcelona – and was able to make considerable savings.

- The Royal Bank of Scotland won a number of awards in 2002 including Best Small Business Bank from the Chartered Institute of Management Accountants and Best Provider of Commercial Mortgages in the Mortgages Introducer Awards.
- We were also finalists in the Unisys & Management Today Service Excellence Awards and the National Business Awards.
- NatWest is now market leader for recruitment in student accounts in England and Wales, and was the only Big Four bank to increase market share.
- Online banking had another year of excellent growth with an 81% increase in the value of payments and transfers made by customers.
- In 2002 we launched a With Profit Bond in partnership with Norwich Union and created £41.9 million effective income from NatWest customers.
- In business banking NatWest maintained its lead as the largest provider of business banking to SMEs with a 26% market share as measured by Taylor Nelson Sofres in a quarterly survey of 1,000 businesses in England and Wales.
- Lending to business customers increased by 18% in 2002.
- We have continued to see strong growth in our personal banking service with a 27% increase in our packaged accounts, a record year for the number of mortgage completions, increasing by 37% and an 8% increase in savings accounts. Personal Money Transmission Account customer numbers have grown by 4%.
- 2002 was a record year for mortgage completions with our total value for mortgages to personal customers breaking through the £20 billion barrier for the first time.





Chux Onwusah  
Manager, Camden Town branch,  
The Royal Bank of Scotland



Louisa Webb  
Customer,  
The Royal Bank of Scotland



## Make it grow. Make it happen.

NatWest helped Zeenat Ishak, a dentist in Collingham, set up her own business two years ago. It's been a successful partnership – so much so that we're now funding her expansion into a second practice.

- We are the only bank to have a network of dedicated regional social investment funds targeting areas historically associated with market and public sector failure, and we continue to be one of the leaders in the development of the socially directed intermediary banking sector for the UK. We are the founding supporters of most Community Development Finance Institutions in the UK.
- We completed close to 300,000 Business Service Reviews, an important aspect of the service offered to our business customers and an opportunity to ensure we are providing them with the appropriate products and services for their business.
- NatWest won a number of awards in 2002. It was voted Best Bank that I would recommend to a small business in the NOP Opinion Formers Survey which also voted it best bank for Guides and Information packs. Financial Adviser gave NatWest a five star award in the Life Insurance Association Product and Service Awards 2002. In Your Mortgage Awards, it was winner of Best Bank and highly commended as CAM/Offset Mortgage Lender and Direct Mortgage Lender. Your Money Magazine voted us Best Direct Mortgage Provider and our Homelife Magazine for mortgage customers won Best Customer Communication by the Institute of Financial Services at the 2002 Financial Innovations Awards.
- We installed direct lines in 1,100 NatWest branches to offer customers the additional choice of contacting their branches by phone.

### Insurance

- We now have over 1.5 million insurance customers.
- Sales of home insurance policies have been particularly strong, an increase of 29% in NatWest and 66% in Royal Bank of Scotland with over 400,000 policies now in force.
- In 2002 we successfully launched a personal accident insurance product which provides cash benefits for permanent disability, death and hospitalisation arising from an accident, with over 100,000 sold in the first year.
- We won the Your Money Best Direct Home and Contents Insurance Provider Award in 2002.





Zeenat Ishak  
Business Customer,  
NatWest

Neil Worthington  
Senior Business Manager,  
NatWest

## Retail Direct

We increased our contribution  
by 27% to £701 million.

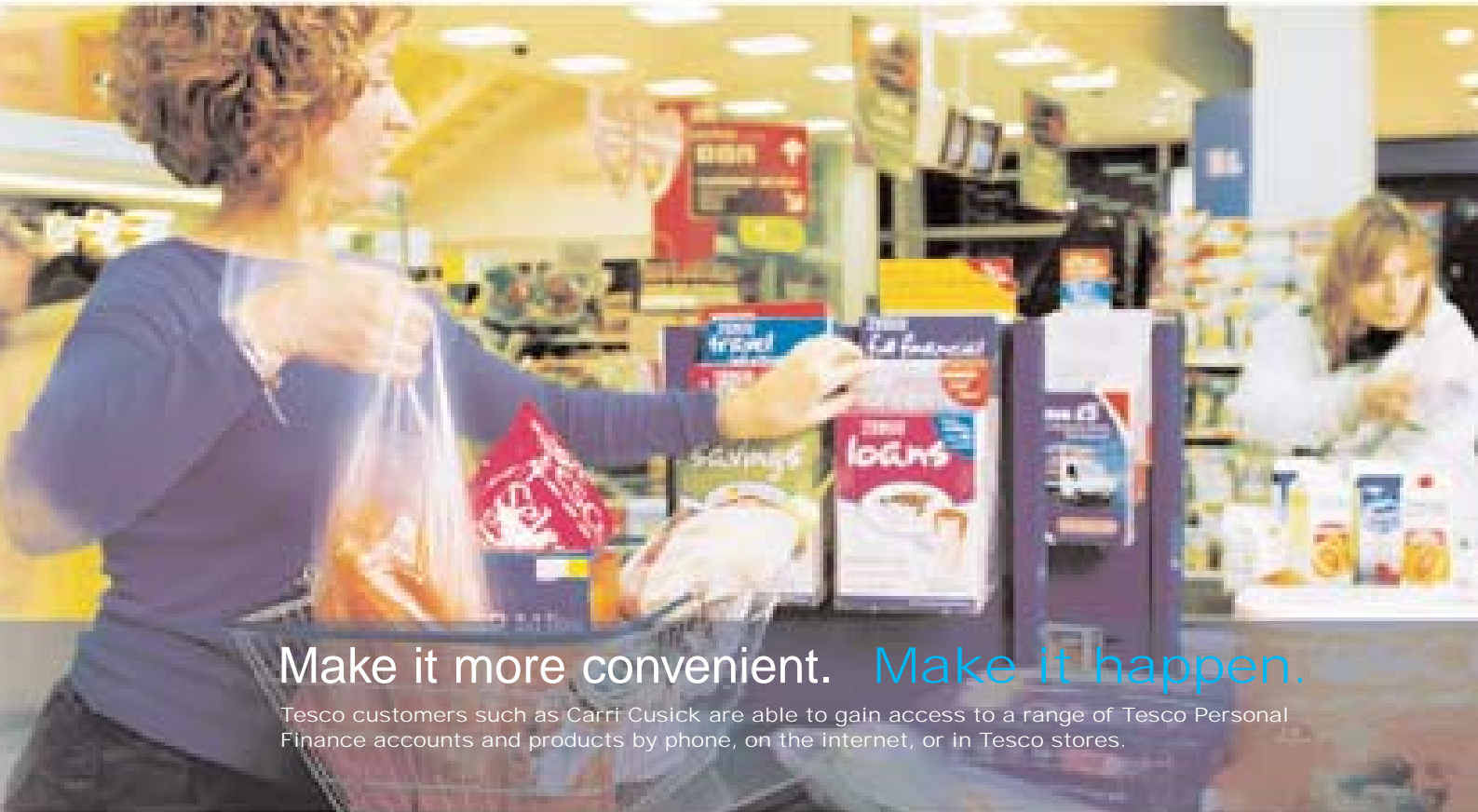
*Norman McLuskie*

Norman McLuskie  
Executive Director and Chief Executive,  
Retail Direct



Andy Dewhurst  
Commercial and Marketing Director,  
Tesco Personal Finance

Carri Cusick  
Tesco Customer



**Make it more convenient. Make it happen.**

Tesco customers such as Carri Cusick are able to gain access to a range of Tesco Personal Finance accounts and products by phone, on the internet, or in Tesco stores.

- Retail Direct now has nearly 15 million customer accounts with balances of £20 billion.
- Personal credit card account balances grew by £258 million, an increase of 4%.
- We launched the new NatWest Black card, a super premium credit card offering a personal assistant service and worldwide access to airport lounges.
- Tesco Personal Finance has now broken through the 3 million barrier for customer accounts. Over a million of these are insurance policies, including motor or travel. Instant travel insurance is now available in over 400 stores UK wide and has been a popular success.
- Direct Line Financial Services was awarded Best Personal Loans Provider by Your Money Magazine, Best Direct Lender by Mortgage Magazine and Best Direct Mortgage Lender by Your Mortgage magazine.
- Lombard Direct has extended its range of products to include home and motor insurance. Customers can also obtain a quote and sign up online in minutes at [www.lombarddirect.com](http://www.lombarddirect.com).
- The One account (formerly Virgin One) had another strong year with average mortgage lending 36% higher at £4.3 billion, up £1.3 billion on the previous year. It won Guardian/Observer Consumer Finance Award for Best Mortgage Provider for the second year in a row in 2002.
- Internet sales have proved popular across all of the Retail Direct brands in 2002. In Tesco Personal Finance 18% of sales were via the internet, while for The One account and for Lombard Direct the figure was 31%.
- Primeline is our premium telephone and internet banking service which offers customers a named personal banking manager, ensuring that customers always speak with a person, never a machine. It achieved customer satisfaction ratings of 98% in 2002.
- Comfort Card, our retail point-of-sale business operating in Austria, Belgium, Netherlands and Germany has grown balances by 15% to over €1 billion.
- Streamline is our merchant acquiring business, serving Asda, Dixons and Boots among others. It had another record year with transaction volumes up 16% to 2.13 billion.
- We have once again focussed on keeping fraud levels as low as possible. Overall in Retail Direct our credit card fraud levels are amongst the lowest in the UK.





## Manufacturing

We developed our role as the backbone of the Group by enabling business growth and change.

Mark Fisher  
Chief Executive,  
Manufacturing

Moya Bird  
Customer,  
NatWest

David Rundle  
Manager, Finsbury Square branch,  
NatWest



## Make it personal. Make it happen.

For seven million NatWest customers – including Moya Bird – we’ve reintroduced the ability to make calls directly to their branches. The new initiative was rolled out in six months, and involved the installation of 1,100 new telephone lines.

- Manufacturing provides the engine which allows The Royal Bank of Scotland Group to function day and night, 365 days a year. This ranges from 24 hour telephone banking to operating and maintaining the UK’s largest network of ATMs and running the sophisticated IT platform which supports transactions for over 21 million customer accounts.
- Manufacturing drives optimum efficiencies in high volume processing activities, leverages the Group’s purchasing power and has become the centre of excellence for managing large scale and complex change such as integration.
- During 2002 our 5,400 ATMs issued over £28 billion. We handled 70 million customer calls, made over 5 million CHAPS payments, processed around £130 billion of cash, opened 500,000 new customer accounts, made over 7 million direct debit and standing order changes and, every day, handled around 6 million cheques and credits.
- We processed nearly 210,000 new mortgage applications bringing the combined value of RBS and NatWest mortgages to over £30 billion.
- Improved efficiencies in our cash handling centres attracted major new contracts with transaction values of £2.5 billion annually from major corporate customers such as WHSmith and Chevron Texaco.
- High levels of performance in critical customer services were maintained and we consistently met key deadlines for cheque clearing, CHAPS payments, standing order instructions and cash handling. ATM and point-of-sale systems availability was maintained at an average of 99.7%.
- The geographic spread of the Group’s operations is now allowing us to purchase items on a global basis and achieve significant cost savings.
- Our Group Property function has continued to support the drive to rationalise our property portfolio following the NatWest acquisition and to provide world class accommodation for our staff and customers. Occupation of our new City of London buildings is well underway, Birmingham will follow in 2003 and Manchester in 2004. In Doncaster we have constructed a new call centre for UKI Partnerships (formerly Green Flag), and in autumn 2003 we will complete a new building housing all Cards staff in Southend.
- We have received full planning consents from the City of Edinburgh and the Scottish Executive for the building of our new world headquarters on the outskirts of the city.



## Wealth Management

We expanded our  
business and increased  
the number of our clients.

*GP*

Gordon Pell  
Executive Director and Chairman,  
Retail Banking and Wealth Management

Sir Steve Redgrave  
Client,  
Coutts

Sasha Speed  
Private Banker,  
Coutts



## Make it world class. Make it happen.

As one of the UK's leading private banks, Coutts provides wealth management services to a high proportion of the most well known names in business, entertainment and sport, including five times Olympic Gold Medal winner Sir Steve Redgrave.

- Wealth Management provides banking, wealth management, investment management, financial planning and trust and fiduciary services to a wide spectrum of personal, private and corporate clients in the UK and offshore.
- Coutts consolidated its position as the UK's leading private bank with assets under management including deposits maintained at over £34 billion whilst the FTSE 100 has fallen by 24% during the year.
- The number of Coutts clients grew by 5% to over 75,000, served from 37 offices worldwide.
- In 2002 Coutts announced plans for significant investment to expand its regional office network in the UK including a 30% increase in the number of private bankers serving our clients.
- In challenging market conditions Coutts investment funds continued to perform well against industry benchmarks. Coutts Investment Programmes grew by 10% to £4.2 billion and attracted significant new investment during the course of the year. We are also one of Europe's biggest fund of hedge fund managers with more than £2.4 billion invested in a range of alternative investments.
- With a balance sheet in excess of £18 billion and over 2,000 staff, the Offshore Banking group is one of the leading players in the UK Offshore market, offering a full range of services to international clients from personal banking through to corporate finance.
- This year saw continued consolidation of the Offshore Banking group's position as one of the leading Corporate Banks in the offshore market, with the team leading a number of high profile transactions including one of the largest single tenanted property transactions in the City of London, whilst the securities business consolidated its position as number one in the offshore custody market place.
- In 2002 we launched a new expatriate service offering a full range of banking and investment services including the sale of Group investment products.
- Adam & Company remains unique as Scotland's only registered private bank. The purchase during the year of the private portfolio management business of Stewart Ivory doubled the funds under management taking them to almost £1 billion. The banking division had an exceptionally strong year with an 18% growth in deposits and a 27% increase in lending.
- NatWest Stockbrokers won the 2002 Investor's Chronicle award for Best Overall Broker. A new joint venture with TD Waterhouse will bring together its product and channel capabilities and The Royal Bank of Scotland Group's retail franchise.

## Direct Line Group

We increased our contribution by 36% to £355 million.



Annette Court  
Chief Executive,  
Direct Line Group



Mario Günther  
Customer,  
Direct Line

Gordon Zellmann  
Service Centre Advisor,  
Direct Line





## Make it in Europe. Make it happen.

The number of Direct Line policies outside the UK market rose to over 1.2 million – with Mario Günther of Werder being just one of our new customers in Germany.

- Direct Line Group sells and underwrites retail and wholesale insurance on the telephone and the internet. The Retail Division sells general insurance and motor breakdown services direct to the customer and UKI Partnerships (formerly Green Flag) is a leading wholesale provider of insurance and motoring related services. In its International Division, Direct Line sells insurance in Spain, Germany, Italy and Japan.
- Direct Line Group had another record year with profits rising to £355 million from £265 million and in-force policies up 29% to 13 million.
- Direct Line Group experienced growth across all of its products, both in the UK and internationally.
- Direct Line Group provides insurance through the red phone, Privilege and partnership brands. It manages insurance for Tesco Personal Finance, some of the UK's leading banks and seven out of the top ten motor manufacturers.
- The red phone remains the most recognised motor insurance brand by UK consumers.
- Direct Line has maintained its position as the leading private motor insurer in the UK with 4.7 million policies.
- Sales of home insurance via the Direct Line brand have now topped the 1 million mark, maintaining Direct Line Group's position of 6th largest home insurer in the UK.
- Linea Directa, Direct Line's joint venture in Spain reached a significant milestone last year by selling its 500,000th policy and maintained its lead position as Spain's largest direct private motor insurer. Linea Directa was also named Insurance Company of the Year in Spain by financial publication Dinero.
- Direct Line continued its expansion in Europe with the acquisition in Italy of the direct insurance business of Royal Insurance from Royal & Sun Alliance. This adds to Direct Line's existing international operations in Spain, Germany and Japan and takes the number of policies outside of the UK market to over 1.2 million.
- Direct Line Group is the largest online direct insurance provider and was voted the best internet-based home and contents insurance provider in the Your Money Direct 2002 awards. It is constantly improving the online services on offer, most recently by enabling customers to action claims, amendments and renewals online via [directline.com](http://directline.com).



# Ulster Bank

We increased our contribution  
by 7% to £244 million.

*Martin Wilson*

Martin Wilson  
Chief Executive,  
Ulster Bank



Jim Gleeson  
Associate Director,  
Business and  
Corporate Banking

Mary Ann O'Brien  
Managing Director,  
Lily O'Brien's



# Make it a sweet relationship. Make it happen.

As a manufacturer of premium chocolates in County Kildare, Lily O'Brien's has had a long and successful relationship with Ulster Bank.

- Ulster Bank continued strong profit growth across both its Retail and Corporate divisions with average lending to customers up 10% or £0.7 billion to £8.0 billion. Average customer deposits grew by 7% to £7.9 billion.
- Mortgage numbers rose by 13%, credit card numbers were up by 10% and current accounts increased by 5%.
- In partnership with The Royal Bank of Scotland we funded the £90 million acquisition of Dunloe Ewart plc's property portfolio in Northern Ireland, the Province's largest property transaction in 2002.
- We opened a new state of the art dealing room in Dublin to serve our treasury customers, extended the range of structured treasury products on offer to customers and transacted record volumes of currency option trades last year.
- Also in the property sector we acquired the Danesfort Office Complex in Belfast which now accommodates 600 of our staff and has had an immediate impact on improving overall levels of efficiency.
- In October Ulster Bank completed its Horizon branch transformation programme, freeing up significantly more staff time to allow them to deal direct with customers and finishing the re-design of our branch operating model.
- During 2002 Ulster Bank launched a number of major new products including a Flexible Investor Mortgage which tracks Base Rate and European Central Bank Rate and a new Easy Access savings account.
- Our new Premier Brands investment bond was the first capital protected product in the UK and Ireland to track companies with strong brands and over £50 million has been invested to December 2002.
- Our customers are now able to withdraw funds at over 630,000 cash machines world-wide following the introduction of Cirrus in May 2002.

# Citizens

We increased our contribution  
by 53% to £766 million.



Larry Fish  
Chairman, President and  
Chief Executive Officer,  
Citizens Financial Group



Peter Galligan  
Executive Vice President and  
Director of Cash Management,  
Citizens Bank

Kathy Hinderhofer  
Executive Vice President and  
Director of Integration,  
Citizens Bank

(above) Bill Wray  
Executive Vice President and  
Chief Information Officer,  
Citizens Bank

John Quinn,  
Executive Vice President and  
Director of Technology  
Project Management,  
Citizens Bank





**Make it one system. Make it happen.**

The Group didn't only complete the integration of NatWest this year: Citizens' experienced team, headed by Kathy Hinderhofer, also successfully integrated nearly three million accounts belonging to 770,000 customers from Mellon Bank's retail, small and certain middle market businesses.

- Citizens achieved record profits of £766 million, an increase of 53%, or 57% at constant exchange rates.
- 2002 was a year for strong organic growth in both deposits and loans in the New England and Mid-Atlantic Regions. Excluding the acquisition of Medford, deposits were up \$6 billion (15%) and loans \$4 billion (16%), making Citizens the 17th largest bank by deposits in the US.
- The largest conversion ever undertaken by Citizens was completed ahead of schedule with the successful migration of 770,000 Mellon customers to the Citizens platform.
- Citizens continued its strategic acquisition programme with the purchase of \$1.4 billion asset Medford Bancorp in Massachusetts in October. Medford accounts were converted to the Citizens platform in December.
- Acquisition of \$1.8 billion asset Commonwealth Bancorp in eastern Pennsylvania was announced in October and completed in January 2003. Account conversion is due in the first half of 2003.
- Citizens strengthened its commitment to customer convenience with its Instore Banking Group opening new branches in 58 Stop & Shop Supermarkets in Massachusetts and Rhode Island and five Giant Eagle Stores in the Mid-Atlantic Region. With the Commonwealth acquisition Citizens is 4th in the US for full service supermarket banks with more than 245 branches.
- The US Small Business Administration named Citizens its Small Business Lender of the Year in both the Mid-Atlantic and New England Regions and it was the nation's 2nd largest lender to Small Business Administration-insured businesses during 2002.
- Citizens launched a Homebuyer Assistance Program for its employees. This grants each employee a forgivable loan of \$5,000-8,000 towards the purchase of his or her main residence in an effort to make housing more affordable and increase employee retention.

Joyce Fleischer,  
Senior Vice President  
and Director of Conversion  
Communications,  
Citizens Bank

## Community

We spent £33.7 million during 2002 making a difference in the communities in which we work.



Bev Chippendale  
Customer Services  
Manager,  
NatWest



# Make it worthwhile. Make it happen.

A team of fourteen staff from Leicester give up their lunch hours to be reading mentors to children from Shaftesbury Junior School and Community Centre as part of the local newspaper's 'Right to Read' campaign.



The Group has adopted policies which progressively integrate social, environmental and ethical issues into all aspects of our business activities. This section only briefly outlines our current initiatives: for more detailed information, please request a copy of our Community and Environment Report from the address at the end of this document, or visit [www.rbs.co.uk/Group\\_Information/Corporate\\_Responsibility](http://www.rbs.co.uk/Group_Information/Corporate_Responsibility).

### Community investment

In 2002, we invested £33.7 million to make a real difference in the communities in which we operate. Working in partnership with charities and other organisations, we have helped to create real opportunities for employment, enterprise and education in disadvantaged communities across the UK.

More than 15,000 staff have helped over 6,000 good causes, generating donations from staff and the Group of £7.3 million. We continue to make the biggest corporate contribution to payroll giving in the UK with our unique programme that trebles employee giving.

At the end of 2002 we celebrated the successful integration of NatWest with a £1 million donation distributed among the top 10 charities supported by staff through payroll giving.

Our £10 million partnership with The Prince's Trust saw the first Royal Bank of Scotland and NatWest

Business Awards presented by HRH The Prince of Wales and the roll-out of Route 14-25, through which the Trust is providing personal development, advice and guidance for young people.

Alongside the development of a specialist community development banking team, we have invested directly to boost enterprise in disadvantaged areas, and indirectly through the emerging community development finance sector. We are a major investor in the £40 million Bridges Community Venture Fund for businesses in deprived areas and Social Investment Scotland which supports social enterprises. During the past year, we launched Enterprising Solutions: The National Social Enterprise Award in partnership with the Department of Trade and Industry.

The Chancellor of the Exchequer once again presented the Inner City 100 Awards, supported by The Royal Bank of Scotland and NatWest, celebrating the achievements of the fastest-growing companies in Britain's deprived communities.

Aimhigher, a new initiative to encourage more young people from disadvantaged communities to go into higher education, was launched in 2002. Over 75,000 young people experienced the programme in one of five specially-built vehicles that tour the country, with experts on board to help answer questions and dispel fears about higher education.



Volunteer  
The Prince's Trust

Stephanie Allison  
Community Investment Manager





## Make it your goal. Make it happen.

Route 14-25 is a new way of working for The Prince's Trust, which offers a tailor-made package of support to 14-25 year olds in areas of greatest disadvantage. Young people helped by the Trust – like the volunteer in our picture, who also helped make a video to launch the initiative – receive an individually tailored package of support to help them realise their full potential.

Our Face2Face financial education programme has now helped over 330,000 young people to understand personal finance with the support of over 4,000 bank staff since its launch in 1994. To encourage the development of financial education in the curriculum, we now fund specialist centres in Scotland, England and Wales to support teachers and develop new materials for schools.

Helping those who find themselves in debt or need money advice continues to be a priority for the Group. This helps to ensure that everyone who needs it has access to high-quality free money advice. Building on our previous support, the Money Advice Trust launched new internet-based training funded by the Group for money advisors in Citizens Advice Bureaux and other centres across the UK. We also funded a specialist advice helpline for lone parents in conjunction with the three major lone parent family charities.

In the US, Community Champions is a new initiative launched by Citizens to recognise and support non-profit organisations for the contribution they make to their communities. Awards are made quarterly for \$25,000 worth of grants and extensive promotional and volunteer support. A different community need such as healthcare, childcare or homelessness is picked each quarter.

### Sponsorships

The second NatWest Cricket Series was played between England, Sri Lanka and India, with India emerging as victors. The Royal Bank of Scotland was again Official Bank to The Open Championship, the PGA European Tour and The Ryder Cup.

The Royal Bank of Scotland sponsored a Royal Shakespeare Company tour of England of *A Midsummer Night's Dream*. At The Edinburgh International Festival The Royal Bank of Scotland supported an innovative and successful series of concerts for which all tickets were £5. In addition to continuing its sponsorship of Welsh National Opera, Coutts & Co sponsored *Uncle Vanya* and *Twelfth Night* at Donmar Warehouse.

The Royal Bank of Scotland again sponsored the famous Royal Bank Street Party on Hogmanay, and for the first time was main sponsor of the Edinburgh Military Tattoo.

NatWest continued its support of agriculture as main sponsor of The Royal Show and The Royal Bank of Scotland continued its support as main sponsor of The Royal Highland Show.

## Financial results

The profit and loss account set out below shows goodwill amortisation and integration costs separately. In the statutory profit and loss account on page 46, these items are included in operating expenses.

Profit before tax, goodwill amortisation and integration costs was £6,451 million (2001 — £5,778 million — restated). Profit before tax for the year ended 31 December 2002 was £4,763 million (2001 — £4,252 million — restated).

## Consolidated profit and loss account

for the year ended 31 December 2002

	2002 £m	2001* £m
<b>Net interest income</b>	7,849	6,846
Dividend income	58	54
Fees and commissions receivable	5,308	4,735
Fees and commissions payable	(965)	(930)
Dealing profits	1,462	1,426
Other operating income	1,209	1,052
	7,072	6,337
General insurance premium income	1,894	1,375
<b>Non-interest income</b>	8,966	7,712
<b>Total income</b>	16,815	14,558
Staff costs	3,942	3,461
Other operating expenses	3,727	3,380
<b>Operating expenses</b>	7,669	6,841
<b>Profit before other operating charges</b>	9,146	7,717
General insurance claims	1,350	948
<b>Operating profit before provisions</b>	7,796	6,769
Provisions for bad and doubtful debts	1,286	984
Amounts written off fixed asset investments	59	7
<b>Profit before goodwill amortisation and integration costs</b>	6,451	5,778
Goodwill amortisation	731	651
Integration costs	957	875
<b>Profit before tax</b>	4,763	4,252
Tax	1,556	1,537
<b>Profit after tax</b>	3,207	2,715
Minority interests (including non-equity)	133	90
Preference dividends — non-equity	305	358
	2,769	2,267
Additional Value Shares dividend — non-equity	798	399
<b>Profit attributable to ordinary shareholders</b>	1,971	1,868
<b>Basic earnings per 25p ordinary share</b>	68.4p	67.6p
<b>Adjusted earnings per 25p ordinary share</b>	144.1p	127.9p

\*restated

## Basis of preparation and presentation of results

### Basis of preparation

The profit and loss account for the year ended 31 December 2002 is extracted from the audited accounts, modified as described below.

### Basis of presentation

The results for the two years ended 31 December 2002 have been presented on the following basis:

- (a) Operating profit is stated before goodwill amortisation and integration costs which are shown separately on the face of the profit and loss account.
- (b) Integration costs comprise expenditure incurred in respect of cost reduction and revenue enhancement targets set in connection with the acquisition of NatWest, costs of integrating the regional retail and commercial banking operations acquired from Mellon Financial Corporation in December 2001, together with expenditure incurred on the related cost reduction and revenue enhancement targets and the costs of integrating Medford Bancorp Inc. acquired in October 2002.

### Restatements

The Group has implemented Financial Reporting Standard 19 Deferred Tax (FRS 19) which requires recognition of deferred tax assets and liabilities on all timing differences, with specified exceptions. Previously, provision was made for deferred tax only to the extent that timing differences were expected to reverse and the deferred tax liability crystallise in the foreseeable future. The effect of adopting the new policy is to increase the tax charge for 2002 by £45 million and reduce profit and loss account reserves at 31 December 2002 by £162 million. Prior periods have been restated resulting in a decrease in profit and loss account reserves of £117 million at 31 December 2001, an increase in the deferred tax liability of £194 million at 31 December 2001 and an increase in the deferred tax asset of £77 million at 31 December 2001. The tax charge for 2001 is unchanged.

Following the issuance of Urgent Issues Task Force Abstract 33 Obligations in capital instruments (UITF 33) in February 2002, the Group has reclassified its perpetual regulatory tier one securities, issued in August 2001, from non-equity shareholders funds to subordinated liabilities and the interest on these securities (£60 million in 2002) is now included in interest payable rather than non-equity dividends. Comparative figures have been restated resulting in an increase in interest payable of £23 million in the year ended 31 December 2001, a reduction in non-equity shareholders funds of £835 million, an increase in undated loan capital of £820 million and an increase in accruals and deferred income of £15 million as at 31 December 2001.

## Corporate governance

The Group is committed to high standards of Corporate Governance and the Board of directors believes that this is a key element in ensuring that we continue to deliver value to our shareholders. An explanation of how the Principles of Good Governance, set out in the Combined Code, have been applied, is contained in the Corporate Governance and Remuneration Reports in the Group's 2002 Report and Accounts.

# Remuneration report

The objective of the executive remuneration policy is to provide remuneration that will attract, motivate and retain high calibre executives. In order to achieve this objective, the policy is framed around the following core principles:

- Total rewards set at competitive levels within the relevant market.
- Demanding performance targets based on measures consistent with shareholder interests over time.
- An appropriate balance between fixed and performance related rewards.
- Incentive plans and performance metrics that are robust through the business cycle.
- Remuneration arrangements designed to support the company's business strategy, to promote appropriate teamwork and to conform to best practice standards.

Performance related elements will comprise the major part of executive remuneration packages. Non-executive directors do not participate in any incentive or performance plan.

## UK based directors

In addition to benefits available to all other employees, UK based directors' remuneration consists of a salary, short-term annual incentives (based on individual, financial and operational targets), and long-term incentives (in the form of share options and share or share equivalent awards). Executive directors normally have a maximum annual bonus potential of 100 per cent of salary, and in exceptional cases up to 200 per cent. The objectives of the long-term incentives are to encourage the creation of value over the long-term and to align the rewards of the executive directors with the returns to shareholders. These objectives are reflected in the performance conditions that apply to the long-term incentives.

## Medium-term performance plan

The plan is highly geared to the company's relative performance. All awards under the plan are subject to three-year performance targets. The plan uses a combination of earnings per share (EPS) and total shareholder return (TSR) performance targets which measure the underlying financial performance of the company and ensure a direct link between the value delivered to shareholders and the levels of incentive payment. The company's TSR is compared with the TSR of a comparator group of companies.

Each executive director is eligible for an annual award under the plan in the form of share or share equivalent awards, within the overall limit of one and a half times earnings.

## Options

All executive options are subject to a performance target which is that the company's EPS over three years must exceed the growth in RPI plus 9 per cent. The target is consistent with market practice and represents a stretching long-term test of performance.

Performance is re-tested in subsequent years if the company fails the performance condition. The test is based on the higher of either the EPS in the final year immediately preceding the three year period, or the EPS in the year preceding the grant. The Remuneration Committee believes that this provides a significant test, more stretching than that normally applied by organisations allowing re-testing and allows the share options to form an incentive for corporate performance in the long term.

Each executive director is eligible for the annual grant of an option, typically equal to one times salary over shares at the market value at date of grant.

## US based director – Mr Lawrence Fish

In addition to benefits available to all other employees, Mr Fish's remuneration consists of a salary and a short-term annual incentive plan, which rewards the achievement of Group, business unit and individual financial and non-financial targets. In line with US market practice, Mr Fish's normal maximum annual bonus under the short-term incentive plan is 200 per cent of salary, although additional amounts may be awarded for exceptional performance.

Mr Fish also participates in the Long Term Incentive Plan and the Phantom 2000 Plan established for executives of Citizens. The Remuneration Committee believes that it is appropriate to include, as part of Mr Fish's total remuneration package, an element of reward that is based on the value created in Citizens. It is also necessary to ensure that his total remuneration package is competitive for the US market.

### Citizens long term incentive plan

Mr Fish is eligible for an annual award under the Citizens Long Term Incentive Plan, a cash compensation plan designed to reward participants for achieving long-term financial results. Each three-year performance target is based on the annual pre-tax income target for Citizens, which is a simple and transparent method of measuring a profit figure target. This performance target has been chosen because it focuses on the profit targets of Citizens, which the Remuneration Committee believes are challenging, and aligns Mr Fish's reward with the performance of Citizens.

### Citizens Phantom 2000 plan

Mr Fish has received two annual grants of awards under the Phantom 2000 Plan and will receive no further awards. Under this plan, units are awarded which are a cash-based proxy for share options, and are normally exercisable only between four and five years from the date of grant. The value of the units at the time of vesting is performance-linked and depends on a formula, based on economic profit and the Price/Earnings ratios of comparator banks. This performance target has been chosen because it establishes a clear link between the level of potential incentive and the performance of Citizens. It is designed to provide competitive executive rewards in the US environment.

### Service contracts

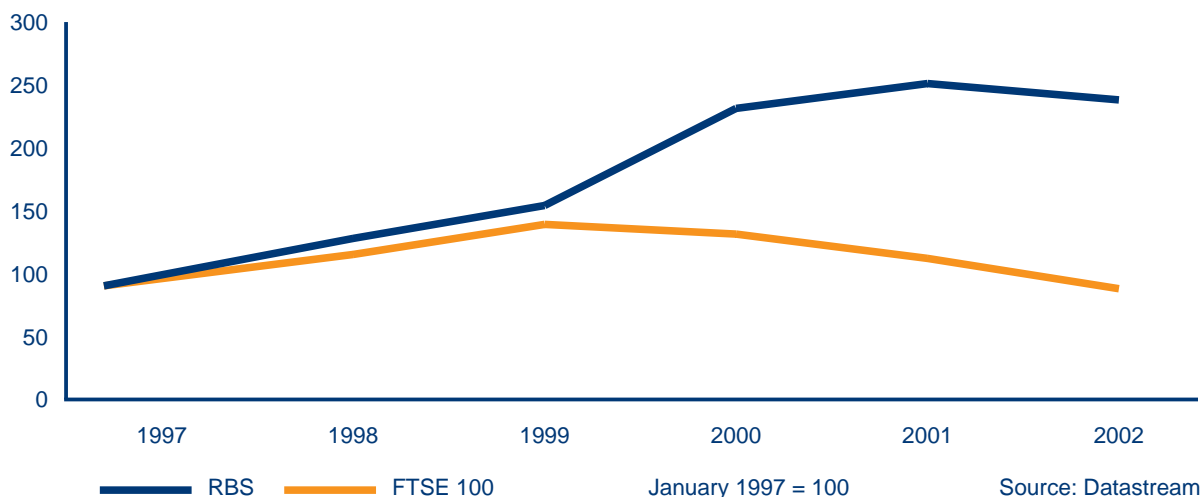
The company's policy in relation to the duration of contracts with directors is that executive directors' contracts generally continue until termination by either party, subject to the required notice, or until retirement date. The notice period under the service contracts of executive directors will not normally exceed 12 months. If it is necessary to provide a longer notice period when recruiting an individual, the contract will revert to 12 months in due course, as agreed on a case by case basis. Non-executive directors do not have service contracts and must retire by rotation and seek re-election by shareholders every three years.

All new service contracts for executive directors will be subject to approval by the Remuneration Committee. It will be the norm to include in those contracts standard clauses covering the performance review process, the company's normal disciplinary procedure, and terms for dismissal in the event of failure to perform or in situations involving actions in breach of the Group's policies.

### Performance graph

The undernoted performance graph illustrates the performance of the company over the past five years in terms of total shareholder return compared with that of the companies comprising the FTSE 100 index. This index has been selected because it represents a cross-section of leading UK companies.

### Total shareholder return



## Remuneration report (continued)

Throughout the period, the Group has applied the Principles of Good Governance relating to directors' remuneration as set out in the Combined Code. The full Remuneration Report is contained in the Group's 2002 Report and Accounts. The remuneration of each director for the year is summarised in the tables below.

	Salary £000	Performance Bonus* £000	Benefits £000	2002 Total £000	2001 Total £000
<i>Chairman</i>					
Sir George Mathewson	449		19	468	483
<i>Executive directors</i>					
Fred Goodwin	832	1,733	15	2,580	1,572
Lawrence Fish	665	2,661	26	3,352	2,213
Norman McLuskie	447	913	15	1,375	685
Gordon Pell	570	1,155		1,725	1,039
Iain Robertson	656	687	10	1,353	1,114
Fred Watt	466	966	1	1,433	690

\*includes 10% non-pensionable profit sharing

	Board fees £000	Board committee fees £000	2002 Total £000	2001 Total £000
<i>Non-executive directors</i>				
<i>Vice-chairmen</i>				
Sir Iain Vallance	100		100	100
Sir Angus Grossart	100		100	100
Emilio Botin	44		44	40
Colin Buchan (appointed 1 June 2002)	25	3	28	
Jim Currie	44	8	52	3
Juan Inciarte	44		44	40
Eileen Mackay	44	19	63	53
Cameron McLatchie (retired 26 April 2002)	14		14	40
Sir Steve Robson	44	10	54	20
Bob Scott	44	23	67	51
Murray Stuart (retired 26 April 2002)	14	10	24	68
Peter Sutherland	44		44	37
Bill Wilson	44	38	82	73

**Long-term incentive schemes** The following tables show details of awards made to the executive directors under long-term incentive schemes:

### Medium-term performance plan

	Scheme interest (share equivalents) at 1 January 2002	Scheme interest (share equivalents) awarded	Market price on award	End of the period for qualifying conditions to be fulfilled	Benefits received during the year	Interest at 31 December 2002
Fred Goodwin	68,807			31.12.03		68,807
		44,378	£18.59	31.12.04	Nil	44,378
	68,807	44,378				113,185
Norman McLuskie	36,697			31.12.03		36,697
		23,399	£18.59	31.12.04	Nil	23,399
	36,697	23,399				60,096
Gordon Pell	45,871			31.12.03		45,871
		29,585	£18.59	31.12.04	Nil	29,585
	45,871	29,585				75,456
Iain Robertson	57,339			31.12.03		57,339
		Nil			Nil	
	57,339					57,339
Fred Watt	36,697			31.12.03		36,697
		24,744	£18.59	31.12.04	Nil	24,744
	36,697	24,744				61,441

### Phantom 2000 plan

	Phantom 2000 units at 1 January 2002	Units awarded during year	Unit price on award	End of the period for qualifying conditions to be fulfilled	Benefits received during the year	Phantom 2000 units at 31 December 2002
Lawrence Fish	1,000,000			1.1.04		1,000,000
		1,000,000	US\$2.76	1.1.05	Nil	1,000,000
	1,000,000	1,000,000				2,000,000

#### Note:

In addition to the Phantom 2000 plan, Mr Fish also participates in the Citizens' long-term incentive plan. Under this plan, awards are linked to three year performance targets based on Citizens' budgets. A separate three year cycle commences each year. Mr Fish can receive a maximum award under the long-term plan of up to 105% of his average salary over the three year cycle. In 2002, Mr Fish received an award of \$821,303 under the plan.

## Summary financial statement

**Important note** This summary financial statement is a summary of information in the 2002 Report and Accounts. It does not contain sufficient information to allow for a full understanding of the results of the Group and the state of affairs of the company or of the Group. For further information, the 2002 Report and Accounts, the auditors' report on those accounts and the report of the directors should be consulted. A copy of the 2002 Report and Accounts may be obtained, free of charge, from the company's registrar at the address shown on page 52. All shareholders receive the Annual Review and Summary Financial Statement. Shareholders who also wish to receive the Report and Accounts should complete (if they have not done so previously) the request card which accompanies this document and return it to the company's registrar.

## Summary directors' report

**Activities and business review** A review of the activities and business of the Group for the year ended 31 December 2002, of recent events and of likely future developments is contained on pages 4 to 41.

**Directors** The names and a photograph of the directors are shown on pages 2 and 3. The biographical details of the directors are shown on pages 50 and 51.

**Report of the auditors** The auditors' report on the full accounts for the year ended 31 December 2002 was unqualified and did not include a statement under sections 237(2) (inadequate accounting records or returns or accounts not agreeing with records and returns) or 237(3) (failure to obtain necessary information and explanations) of the Companies Act 1985.

## Independent auditors' statement to the members of The Royal Bank of Scotland Group plc

We have examined the summary financial statement which comprises the summary directors' report, the summary consolidated profit and loss account and balance sheet and the remuneration report.

**Respective responsibilities of directors and auditors** The directors are responsible for preparing the Annual Review and Summary Financial Statement in accordance with United Kingdom Law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the full annual accounts, the directors' report and the remuneration report, and its compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Annual Review and Summary Financial Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

**Basis of opinion** We conducted our work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the United Kingdom Auditing Practices Board.

**Opinion** In our opinion, the summary financial statement is consistent with the full annual accounts, the directors' report and the remuneration report of The Royal Bank of Scotland Group plc for the year ended 31 December 2002 and complies with the applicable requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

*Deloitte & Touche*

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
Edinburgh  
26 February 2003

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements as shown on the website since they were initially made available on that site. These matters are the responsibility of the directors but it should be noted that no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

# Summary consolidated profit and loss account – statutory basis

for the year ended 31 December 2002

	2002 £m	2001* £m
Net interest income	7,849	6,846
Non-interest income	7,072	6,337
General insurance — earned premiums	2,383	1,804
—reinsurance	(489)	(429)
<b>Total income</b>	<b>16,815</b>	<b>14,558</b>
Operating expenses excluding integration costs	7,669	6,841
Integration costs	957	875
Goodwill amortisation	731	651
<b>Operating expenses</b>	<b>9,357</b>	<b>8,367</b>
<b>Profit before other operating charges</b>	<b>7,458</b>	<b>6,191</b>
General insurance — gross claims	1,693	1,263
—reinsurance	(343)	(315)
<b>Profit before provisions for bad and doubtful debts</b>	<b>6,108</b>	<b>5,243</b>
Provisions for bad and doubtful debts	1,286	984
Amounts written off fixed asset investments	59	7
<b>Profit on ordinary activities before tax</b>	<b>4,763</b>	<b>4,252</b>
Tax on profit on ordinary activities	1,556	1,537
<b>Profit on ordinary activities after tax</b>	<b>3,207</b>	<b>2,715</b>
Minority interests (including non-equity)	133	90
<b>Profit for the financial year</b>	<b>3,074</b>	<b>2,625</b>
Preference dividends — non-equity	305	358
	2,769	2,267
Additional Value Shares dividend — non-equity	798	399
<b>Profit attributable to ordinary shareholders</b>	<b>1,971</b>	<b>1,868</b>
Ordinary dividends	1,267	1,085
<b>Retained profit</b>	<b>704</b>	<b>783</b>
<b>Earnings per 25p ordinary share</b>	<b>68.4p</b>	<b>67.6p</b>
Additional Value Shares dividend	27.7p	14.5p
	96.1p	82.1p
Goodwill amortisation	24.2p	23.2p
Integration costs	23.8p	22.6p
<b>Adjusted earnings per 25p ordinary share</b>	<b>144.1p</b>	<b>127.9p</b>
<b>Diluted earnings per 25p ordinary share</b>	<b>67.4p</b>	<b>66.3p</b>

\*restated

## Directors' emoluments

	2002 £000	2001 £000
Non-executive directors — emoluments	716	625
Chairman and executive directors — emoluments	12,286	7,879
—contributions and allowances in respect of defined contribution pension schemes	153	102
	13,155	8,606
— amount received under long-term incentive plan	546	
—gains on exercise of share options	16	4,849
	<b>13,717</b>	<b>13,455</b>

Retirement benefits are accruing to six directors (2001 — six) under defined benefit schemes, two (2001 — two) of whom also accrued benefits under defined contribution schemes.

The comparative figures for directors' emoluments in 2001 include emoluments of directors who did not serve during the year ended 31 December 2002.



# Summary consolidated balance sheet

at 31 December 2002

	2002 £m	2001* £m
<b>Assets</b>		
Cash and balances at central banks	3,481	3,093
Items in the course of collection from other banks	2,741	3,288
Treasury bills and other eligible bills	11,459	10,136
Loans and advances to banks	44,296	38,513
Loans and advances to customers	223,324	190,492
Debt securities	67,042	64,040
Equity shares	1,886	1,557
Interests in associated undertakings	94	108
Intangible fixed assets	12,697	13,325
Tangible fixed assets	10,485	8,813
Other assets, prepayments and accrued income	25,384	25,246
	<b>402,889</b>	<b>358,611</b>
Long-term assurance assets attributable to policyholders	9,111	10,248
<b>Total assets</b>	<b>412,000</b>	<b>368,859</b>
<b>Liabilities</b>		
Deposits by banks	54,720	40,038
Items in the course of transmission to other banks	1,258	2,109
Customer accounts	219,161	198,995
Debt securities in issue	33,938	30,669
Other liabilities, accruals and deferred income and provisions	50,956	47,017
Subordinated liabilities including convertible debt	13,965	12,530
Minority interests (including non-equity)	1,839	585
Called up share capital	754	893
Share premium account	7,608	7,465
Merger reserve	11,455	12,029
Other reserves	387	212
Revaluation reserve	80	113
Profit and loss account	6,768	5,956
Shareholders funds		
— equity	23,545	22,287
— non-equity	3,507	4,381
	<b>402,889</b>	<b>358,611</b>
Long-term assurance liabilities to policyholders	9,111	10,248
<b>Total liabilities</b>	<b>412,000</b>	<b>368,859</b>
<b>Memorandum items</b>		
Contingent liabilities and commitments	144,180	138,844

\*restated

At 31 December 2002, provisions for bad and doubtful debts amounted to £3,927 million (2001 — £3,653 million).

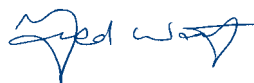
The summary financial statement on pages 45 to 47 was approved by the Board of directors on 26 February 2003.



Sir George Mathewson  
Chairman



Fred Goodwin  
Group Chief Executive



Fred Watt  
Group Finance Director

# Analyses of ordinary shareholders

at 31 December 2002

	shareholdings	millions	% of total
Individuals	166,765	243.5	8.4
Banks and nominee companies	23,118	2,392.1	82.5
Investment trusts	144	0.7	
Insurance companies	388	35.4	1.2
Other companies	3,413	191.2	6.6
Pension trusts	68	26.3	0.9
Other corporate bodies	74	11.7	0.4
	<u>193,970</u>	<u>2,900.9</u>	<u>100.0</u>
Range of shareholdings:			
1—1,000	125,430	45.0	1.6
1,001—10,000	62,572	173.5	6.0
10,001—100,000	4,601	116.9	4.0
100,001—1,000,000	1,032	322.1	11.1
1,000,001—10,000,000	287	833.9	28.7
10,000,001 and over	48	1,409.5	48.6
	<u>193,970</u>	<u>2,900.9</u>	<u>100.0</u>

# Shareholder information

Annual general meeting	28 April 2003 at 2.00 pm, Edinburgh International Conference Centre, The Exchange, Morrison Street, Edinburgh
Interim results	5 August 2003
Final results	February 2004
Dividends	
Payment dates:	
*Ordinary shares (2002 Final)	6 June 2003
Ordinary shares (2003 Interim)	October 2003
Cumulative preference shares	30 May and 31 December 2003
Non-cumulative dollar preference shares	31 March, 30 June, 30 September and 31 December 2003
Ex-dividend dates:	
Ordinary shares (2002 Final)	12 March 2003
Cumulative preference shares	7 May 2003
Record dates:	
Ordinary shares (2002 Final)	14 March 2003
Cumulative preference shares	9 May 2003

\*If the necessary approvals are obtained from shareholders at the annual general meeting on 28 April 2003, as an alternative to cash, a scrip dividend election will be offered and shareholders will receive details of this by letter after that date.

## Shareholder enquiries

Shareholdings in the company may be checked by visiting our website ([www.rbs.co.uk/shareholder](http://www.rbs.co.uk/shareholder)). You will need the holder identifier number printed on your share certificate or tax voucher to gain access to this information.

## Capital gains tax

For shareholders who held RBS ordinary shares at 31 March 1982 the market value of one ordinary share held was 103p. After adjusting for the 1 March 1985 rights issue, the 1 September 1989 capitalisation issue and the bonus issue of Additional Value Shares on 12 July 2000, the adjusted 31 March 1982 base value of one ordinary share held currently is 46.1p.

For shareholders who held NatWest ordinary shares at 31 March 1982 the market value of one ordinary share held was 85.16p for shareholders who accepted the basic terms of the RBS offer. This takes account of the August 1984 and June 1986 rights issues and the June 1989 bonus issue of NatWest ordinary shares as well as the subsequent issue of Additional Value Shares.

When disposing of shares, shareholders are also entitled to indexation allowance (to April 1998 only in the case of individuals and non-corporate holders), which is calculated on the 31 March 1982 value, on the cost of subsequent purchases from the date of purchase and on the subscription for rights from the date of that payment. Further adjustments must be made where a shareholder has chosen to receive shares instead of cash for dividends. Individuals and non-corporate shareholders may also be entitled to some taper relief to reduce the amount of any chargeable gain on disposal of shares.

The information set out above is intended as a general guide only and is based on current United Kingdom legislation and Inland Revenue practice as at this date. This information deals only with the position of individual shareholders who are resident in the United Kingdom for tax purposes, who are the beneficial owners of their shares and who hold their shares as an investment. It does not deal with the position of shareholders other than individual shareholders, shareholders who are resident outside the United Kingdom for tax purposes or certain types of shareholders, such as dealers in securities.

# Directors' biographies

## Chairman

**Sir George Mathewson** fl #

CBE, DUniv, LLD, FRSE, FCIBS

(age 62), has a wide background in finance, technology and management and has spent some of his career in the United States. He was appointed a director in September 1987 and became Group Chief Executive in January 1992. In March 2000, he was appointed Executive Deputy Chairman and, in April 2001, he was appointed to his present position as Chairman. He is president of the British Bankers Association. He is a director of Santander Central Hispano, S.A., The Scottish Investment Trust PLC and The International Monetary Conference. He was chief executive of the Scottish Development Agency from 1981 to 1987.

(Chairman of the Nominations Committee and the Chairmans Advisory Group)

## Vice-chairmen

**Sir Iain Vallance** fl #

FCIBS

(age 59), is an experienced businessman. He has held a range of positions, including president, CBI, chairman, British Telecommunications p.l.c., chairman, European Advisory Committee to NYSE, deputy chairman, Financial Reporting Council and a member of the board of directors of the Mobil Corporation. He was appointed a director in January 1993 and became a vice-chairman in March 1994. He is currently chairman, European Services Forum and a member of the supervisory board of Siemens AG.

**Sir Angus Grossart** fl #

CBE, LLD, FRSE, DL, FCIBS

(age 65), an advocate and chartered accountant, he has a background in merchant banking and is chairman of Noble Grossart Limited. He was appointed a director in September 1985 and became a vice-chairman in April 1996. He is also chairman of The Scottish Investment Trust PLC. He is a director of other public companies including Scottish and Newcastle PLC, Trinity Mirror PLC and Edinburgh US Tracker Trust plc. He is a Trustee of the National Heritage Memorial Fund and a former chairman of the Trustees of the National Galleries of Scotland. He has served on the boards of a wide range of public companies in the UK, the USA and Canada.

## Executive directors

**Fred Goodwin** #

DUniv, FCIBS, FCIB

Group Chief Executive

(age 44), a chartered accountant, was appointed as Deputy Group Chief Executive in August 1998 and to his present position in March 2000. He was formerly chief executive and director, Clydesdale Bank PLC and Yorkshire Bank PLC. He is chairman of The Prince s Trust: Scotland and a member of The Prince s Trust Council. He is a former president of the Chartered Institute of Bankers in Scotland.

**Lawrence Fish**

(age 58), was appointed a director in January 1993. He is Chairman, President and Chief Executive Officer of Citizens Financial Group, Inc. He is also a director of Textron, Inc., a trustee of The Brookings Institution, a director of the Federal Reserve Bank of Boston, and a director of numerous community organisations in the USA.

**Norman McLuskie**

FCIBS

(age 58), a chartered accountant, was appointed a director in June 1992 and is Chief Executive, Retail Direct.

**Gordon Pell**

FCIB, FCIBS

(age 53), was appointed as a director and Chief Executive, Retail Banking on 6 March 2000. On 1 October 2001, he was appointed to his current position as Chairman, Retail Banking and Wealth Management. He was formerly group director, Lloyds TSB UK Retail Banking before joining National Westminster Bank Plc as a director in February 2000.

**Iain Robertson** #

CBE, FCIBS

(age 57), a chartered accountant, was appointed a director in January 1993 and became Chief Executive, Corporate Banking and Financial Markets on 6 March 2000. He was appointed to his present position as Chairman, Corporate Banking and Financial Markets on 1 October 2001. He is also a chairman of British Empire Securities and General Trust plc.

**Fred Watt** #

FCIBS

(age 42), a chartered accountant, was appointed to his current position as Group Finance Director in September 2000. He was formerly finance director, Wassall plc.

◇ member of the Remuneration Committee  
◇ member of the Audit Committee

fl member of the Nominations Committee  
# member of the Chairmans Advisory Group

## Non-executive directors

**Emilio Botin**

(age 68), of Spanish nationality, is chairman of Santander Central Hispano, S.A. He is also chairman of several Santander Central Hispano Group subsidiaries and a director of a number of Spanish companies including Bankinter SA. He is chairman of Universia.net, an internet venture between Santander Central Hispano and 650 universities in Spain, Portugal and the main countries in Latin America.

**Colin Buchan** ◇

(age 49), was appointed on 1 June 2002. He was educated in South Africa and spent the early part of his career in South Africa and the Far East. He retired as a member of the group management board of UBS AG and head of equities of UBS Warburg in March 2001. He has considerable international investment banking experience, as well as experience with very large risk management in the equities business. He was appointed a director of SG Warburg Group plc in 1995. His public directorships include Merrill Lynch World Mining Trust Plc. His other directorships include Merrill Lynch Gold Limited, Royal Scottish National Orchestra Society Limited, Standard Life Investments Limited, UBS Bunting Warburg Limited and World Mining Investment Company Limited.

**Jim Currie**

(age 61), was appointed in November 2001. A highly experienced international civil servant, he spent many years working in Brussels and Washington. He was formerly Director General at the European Commission with responsibility for the EU's Environmental Policy and previously Director General for Customs and Indirect Taxation. He is also a director of British Nuclear Fuels Limited and International Adviser to Eversheds.

**Juan Inciarte**

(age 50), of Spanish nationality, is a general manager of Santander Central Hispano in charge of Europe and financial companies of the group. He is a former director of First Union Corporation, now Wachovia, and Interbank On-line System Limited. He is also a director of several Santander Central Hispano Group subsidiaries and a number of Spanish and European companies including CC-Bank AG and Sanpaolo IMI S.P.A.

**Eileen Mackay** ◇

CB, FCIBS

(age 59), is a former UK civil servant who held posts in Scotland, HM Treasury and the Cabinet Office and was principal finance officer at The Scottish Office. She is a director of Edinburgh Investment Trust plc and Scottish Financial Enterprise. She is chairman of Trustees of the David Hume Institute and is a member of the Economic and Social Research Council and the Review Board of the UK Accountancy profession and the Court of the University of Edinburgh.

**Sir Steve Robson** ◇

(age 59), was appointed in July 2001. He was formerly a senior civil servant, with responsibility for a wide variety of Treasury interests. His early career included the post of Private Secretary to the Chancellor of the Exchequer and secondment to ICFC, (now 3i). He retired in January 2001 as Second Permanent Secretary of HM Treasury, where he was managing director of the Finance and Regulation Directorate. He is a non-executive director of Cazenove Group Plc, Xstrata Plc and Partnerships UK plc.

**Bob Scott** fl #

CBE

(age 61), of Australian nationality, was appointed in January 2001. He has many years experience in the international insurance business and played a leading role in the consolidation of the UK insurance industry. He is a former group chief executive of CGNU plc and chairman of the Board of the Association of British Insurers. He is also a non-executive director of Jardine Lloyd Thompson Group plc, Swiss Reinsurance Company Zurich, Focus Wickes Group Limited, Yell Group Limited and a Trustee of the Crimestoppers Trust. (Chairman of the Remuneration Committee)

**Peter Sutherland**

(age 56), born in Ireland, was appointed in January 2001. He is a former attorney general of Ireland and was, from 1985 to 1989, European Commissioner responsible for competition policy. From 1989 to 1995, he was the chairman of Allied Irish Bank. From 1993 to 1995 he was director general of GATT and, subsequently, the World Trade Organisation. He is chairman of BP plc and chairman of Goldman Sachs International. He is also a director of Investor AB and Telefonaktiebolaget LM Ericsson.

**Bill Wilson** ◇ fl #

FCIBS

(age 65), a chartered accountant, has a background in accounting and insurance and spent a number of years based in North America. He was formerly deputy chairman of Alexander & Alexander Services Inc., now part of the Aon Group. His other public directorships are Edinburgh US Tracker Trust plc, First Title plc, First American Title Insurance (U.K.) Co plc and Scottish Rugby Union Plc. (Chairman of the Audit Committee)

## Secretary

**Miller McLean** #

FCIBS

(age 53), was appointed Group Secretary in August 1994 and Group Director, Legal and Regulatory Affairs and Group Secretary in March 2000. He is vice-chairman of Banco Santander, Portugal S.A., a Trustee of the Industry and Parliament Trust, non-executive chairman of The Whitehall and Industry Group and a non-executive director of The Scottish Parliament and Business Exchange.

# Important addresses

## Shareholder enquiries

### Registrar

Computershare Investor Services PLC  
PO Box 435  
Owen House  
8 Bankhead Crossway North  
Edinburgh EH11 4BR  
Telephone: 0870 702 0135  
Facsimile: 0131 442 4924

## Group Secretary's Department

The Royal Bank of Scotland Group plc  
42 St Andrew Square  
Edinburgh EH2 2YE  
Telephone: 0131 523 2471  
Facsimile: 0131 557 6140

## Registered office

36 St Andrew Square  
Edinburgh EH2 2YB  
Telephone: 0131 556 8555

## Website

[www.rbs.co.uk](http://www.rbs.co.uk)

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