

Board of directors and secretary



Chairman

1. Sir Tom McKillop (age 63) C, N, R

Appointed to the Board as Deputy Chairman in September 2005, Sir Tom is a non-executive director of BP p.l.c., and president of the Science Council. He was formerly chief executive of AstraZeneca PLC, and was previously president of the European Federation of Pharmaceutical Industries and Associations and chairman of the British Pharma Group. He is Pro-Chancellor of the University of Leicester and a trustee of the Council for Industry and Higher Education.

Chief Executive, Corporate Markets

4. Johnny Cameron (age 52) FCIBS

Appointed to the Board in March 2006, Johnny Cameron joined RBS from Dresdner Kleinwort Benson in 1998. In 2000, he was appointed Deputy Chief Executive of Corporate Banking & Financial Markets (CBFM) with responsibility for the integration of the NatWest and RBS Corporate Banking businesses. In October 2001 he was appointed Chief Executive CBFM, subsequently renamed Corporate Markets in January 2006.

Chief Executive, Retail Markets

7. Gordon Pell (age 57) FCIBS, FCIB

Appointed to the Board in March 2000, Gordon Pell was formerly group director of Lloyds TSB UK Retail Banking before joining National Westminster Bank Plc as a director in February 2000 and then becoming chief executive, Retail Banking. He is also a director of Race for Opportunity and a member of the National Employment Panel and the FSA Practitioner Panel. He was appointed chairman of the Business Commission on Racial Equality in the Workplace in July 2006.

Executive directors

Group Chief Executive

2. Sir Fred Goodwin (age 48)

DUniv, FCIBS, FCIB, LLD
C

Appointed to the Board in August 1998, Sir Fred is a Chartered Accountant. He was formerly chief executive and director, Clydesdale Bank PLC and Yorkshire Bank PLC. He is chairman of The Prince's Trust, a non-executive director of Bank of China Limited and a former president of the Chartered Institute of Bankers in Scotland.

Chairman and Chief Executive Officer of Citizens Financial Group, Inc.

5. Lawrence Fish (age 62)

Appointed to the Board in January 1993, Lawrence Fish is an American national. He is a career banker and was previously a director of the Federal Reserve Bank of Boston. He is a trustee of the Massachusetts Institute of Technology (MIT) and The Brookings Institution, and a director of Textron Inc. and numerous community organisations in the USA.

Non-executive directors

8. Colin Buchan* (age 52)

A, C, R

Appointed to the Board in June 2002, Colin Buchan was educated in South Africa and spent the early part of his career in South Africa and the Far East. He has considerable international investment banking experience, as well as experience in very large risk management in the equities business. He was formerly a member of the group management board of UBS AG and head of equities of UBS Warburg. He is chairman of UBS Securities Canada Inc. and vice-chairman of Standard Life Investments (Holdings) Ltd. He is also a director of Merrill Lynch World Mining Trust Plc, Merrill Lynch Gold Limited, Royal Scottish National Orchestra Society Limited and World Mining Investment Company Limited.

Group Finance Director

3. Guy Whittaker (age 50)

C

Appointed to the Board in February 2006, Guy Whittaker was formerly group treasurer at Citigroup Inc., based in New York, having previously held a number of management positions within the financial markets business at Citigroup. He was elected a Lady Beaufort Fellow of Christ's College Cambridge in 2004.

Chief Executive, Manufacturing

6. Mark Fisher (age 46) FCIBS

Appointed to the Board in March 2006, Mark Fisher is a career banker having joined National Westminster Bank Plc in 1981. In 2000, he was appointed Chief Executive, Manufacturing with various responsibilities including the integration of RBS and NatWest systems platforms. He is chairman of APACS Administration Limited.

9. Jim Currie* (age 65) D.Litt

R

Appointed to the Board in November 2001, Jim Currie is a highly experienced senior international civil servant who 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 director general for Customs and Excise and Indirect Taxation. He is also a director of Total Upstream UK Limited and an international adviser to Eversheds. He is a special adviser to the president of the European Bank for Reconstruction and Development.



10. Bill Friedrich* (age 58)

A
Appointed to the Board in March 2006, Bill Friedrich is currently deputy chief executive of BG Group plc. He previously served as general counsel for British Gas plc and is a former partner of Shearman & Sterling where he practised as a general corporate lawyer working for several of the world's leading financial institutions.

11. Archie Hunter* (age 63)

A (Chairman), C, N
Appointed to the Board in September 2004, Archie Hunter is a Chartered Accountant. He was Scottish senior partner of KPMG between 1992 and 1999 and President of The Institute of Chartered Accountants of Scotland in 1997/1998. He has extensive professional experience in the UK and North and South America. He is currently chairman of Macfarlane Group plc, a director of Edinburgh US Tracker Trust plc, Convenor of Court at the University of Strathclyde and a governor of the Beatson Cancer Research Institute.

12. Charles 'Bud' Koch (age 60)

Appointed to the Board in September 2004, Bud Koch is an American national. He has extensive professional experience in the USA and is currently chairman of the board of John Carroll University and a trustee of Case Western Reserve University. He was chairman, president and chief executive officer of Charter One Financial, Inc. and its wholly owned subsidiary, Charter One Bank, N.A. between 1973 and 2004. He is also a director of Assurant, Inc.

13. Janis Kong* (age 56) OBE, DUniv

R
Appointed to the Board in January 2006, Janis Kong was formerly executive chairman of Heathrow Airport Limited, chairman of Heathrow Express Limited and a director of BAA plc. She is currently a non-executive director of Kingfisher plc and Portmeirion Group plc. She is also chairman of Forum for the Future and a member of the board of Visit Britain.

14. Joe MacHale* (age 55)

A
Appointed to the Board in September 2004, Joe MacHale is currently the senior independent director and chairman of the audit committee of Morgan Crucible plc, a non-executive director and chairman of the remuneration committee of Brit Insurance Holdings plc, and a trustee of MacMillan Cancer Support. He held a number of senior executive positions with J P Morgan between 1979 and 2001 and was latterly chief executive of J P Morgan Europe, Middle East and Africa Region.

15. Sir Steve Robson* (age 63)

A
Appointed to the Board in July 2001, Sir Steve is a former senior UK civil servant, who had responsibility for a wide variety of Treasury matters. His early career included the post of private secretary to the Chancellor of the Exchequer and secondment to ICFC (now 3i). He was also a second permanent secretary of HM Treasury, where he was managing director of the Finance and Regulation Directorate. He is a non-executive director of JP Morgan Cazenove Holdings, Xstrata Plc and Partnerships UK plc, and a member of the Chairman's Advisory Committee of KPMG.

16. Bob Scott* (age 65) CBE, FCIBS

C, N, R (Chairman)
Appointed to the Board in January 2001, Bob Scott is an Australian national. He is the senior independent director. 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 (now Aviva plc) and former chairman of the board of the Association of British Insurers. He is chairman of Yell Group plc and a non-executive director of Swiss Reinsurance Company (Zurich) and Jardine Lloyd Thompson Group plc. He is also a trustee of the Crimestoppers Trust, an adviser to Duke Street Capital Private Equity and a board member of Pension Insurance Corporation Holdings LLP.

17. Peter Sutherland* (age 60) KCMG

C, N, R
Appointed to the Board in January 2001, Peter Sutherland is an Irish national. He is a former attorney general of Ireland and from 1985 to 1989 was the European Commissioner responsible for competition policy. He is chairman of BP p.l.c. and Goldman Sachs International. He was formerly chairman of Allied Irish Bank and director general of GATT and its successor, the World Trade Organisation.

Group Secretary and General Counsel

18. Miller McLean (age 57) FCIBS

C
Miller McLean was appointed Group Secretary in August 1994. He is a trustee of the Industry and Parliament Trust, non-executive chairman of The Whitehall and Industry Group and director of The Scottish Parliament and Business Exchange.

- A** member of the Audit Committee
- C** member of the Chairman's Advisory Group
- N** member of the Nominations Committee
- R** member of the Remuneration Committee
- *** independent non-executive director

Summary remuneration report

Remuneration policy

The Remuneration Committee conducted a comprehensive review of all aspects of the remuneration package in 2005, and the executive remuneration policy outcome was approved by shareholders at the company's Annual General Meeting in 2006. During the year, the Remuneration Committee continued to review policy in light of market changes and shareholder comments. As a result, a new executive share option plan is being submitted to shareholders for approval at the company's 2007 Annual General Meeting.

The objective of the executive remuneration policy is to provide, in the context of the company's business strategy, remuneration in form and amount which 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 will be set at levels that are competitive within the relevant market, taking each executive director's remuneration package as a whole. The relevant market is FTSE top 20 companies and major UK banks for the UK-based executives and US retail banks for US-based executives.
- Total potential rewards will be earned through achievement of demanding performance targets based on measures consistent with shareholder interests over the short, medium and longer term.
- Remuneration arrangements will strike an appropriate balance between fixed and performance-related rewards. Performance-related elements will comprise the major part of executive remuneration packages.
- Incentive plans and performance metrics will be structured to be robust through the business cycle.
- Remuneration arrangements will be designed to support the company's business strategy, to promote appropriate teamwork and to conform to best practice standards.

Components of executive remuneration

UK-based directors

Salary

Salaries are reviewed annually as part of total remuneration, having regard to remuneration packages received by executives of comparable companies. The Remuneration Committee uses a range of survey data from remuneration consultants and reaches individual salary decisions taking account of the remuneration environment and the performance and responsibilities of the individual director.

Benefits

UK-based executive directors, with the exception of Guy Whittaker, are members of The Royal Bank of Scotland Group Pension Fund ("the RBS Fund"). Any new executive directors will not be eligible to participate in the RBS Fund unless they were already a member prior to 1 October 2006.

The RBS Fund is a non-contributory defined benefit fund.

From April 2006, new tax legislation applies to UK pensions. The Remuneration Committee reviewed pension provision for all executives and determined that the cost of any additional tax that individuals may incur as a result of their benefits exceeding the new lifetime allowances and annual allowances would not be met by the Group. The Committee believes that pension is an effective element in the retention of directors and decided that no changes should be made to existing arrangements other than to allow directors to opt out of future tax-registered pension provision.

Executive directors are eligible to receive a choice of various employee benefits or a cash equivalent, on a similar basis to other employees. In addition, as employees, executive directors are eligible also to participate in Sharesave, Buy As You Earn and the Profit Sharing scheme, which currently pays up to 10% of salaries, depending on the Group's performance. These schemes are not subject to performance conditions since they are operated on an all-employee basis. Executive directors also receive death-in-service benefits.

Short-term annual incentives

UK-based executive directors normally have a maximum annual incentive potential of between 160% and 200% of salary. For exceptional performance, as measured by the achievement of significant objectives, executive directors may be awarded incentive payments of up to 200% of salary, or 250% of salary, in the case of the Group Chief Executive and the Chief Executive, Corporate Markets. Awards will normally be based on the delivery of a combination of appropriate Group and individual financial and operational targets approved each year by the Remuneration Committee.

For the Group Chief Executive, the annual incentive is primarily based on specific Group financial performance measures such as operating profit, earnings per share growth and return on equity. The remainder of the Group Chief Executive's annual incentive is based on a range of non-financial measures which may include measures relating to shareholders, customers and staff.

For the other executive directors a proportion of the annual incentive is based on Group financial performance and a proportion on division financial performance. The remainder of each individual's annual incentive opportunity is dependent on achievement of a range of non-financial measures, specific objectives and key result areas. Divisional performance includes measures such as operating income, costs, loan impairments or operating profit. Non-financial measures include customer measures (e.g. customer numbers, customer satisfaction), staff measures (e.g. employee engagement) and efficiency and change objectives.

In respect of 2006, the Remuneration Committee reviewed the annual incentive payments for all executive directors taking into account performance against the various targets set at the beginning of the year and covering overall Group financial metrics, divisional performance and each director's other operational targets.

Group operating profit and the other Group financial metrics were fully met or exceeded, while most divisional and individual performance objectives were also met or exceeded. As a result, the Remuneration Committee proposed and the Board (excluding executive directors) agreed annual incentive payments ranging from 75% to 125% of normal maximum level. The payments made to Mr Cameron (125% of normal maximum) and Sir Fred Goodwin (110% of normal maximum) reflected the outstanding performance achieved by Corporate Markets and the Group overall respectively and were within the exceptional maximum level.

Long-term incentives

The company provides long-term incentives in the form of share options and share or share equivalent awards. Their objective is to encourage the creation of value over the long term and to align the rewards of the executive directors with the returns to shareholders.

Medium-term Performance Plan

The Medium-term Performance Plan ("MPP") was approved by shareholders in April 2001. Each executive director is eligible for an annual award under the plan in the form of share or share equivalent awards. Whilst the rules of the plan allow awards over shares worth up to one and a half times earnings, the Remuneration Committee has adopted a policy of granting awards based on a multiple of salary. Normally awards are made at one times salary to executive directors, with one and a half times salary being granted in the case of the Group Chief Executive. No changes will be made to this policy without prior consultation with shareholders. All awards under the plan are subject to three year performance targets.

Awards made from 2006 are subject to two performance measures; 50% of the award vests on a relative Total Shareholder Return ("TSR") measure and 50% vests on growth in adjusted earnings per share ("EPS") over the three year performance period.

For the TSR element, vesting is based on the level of outperformance by the Group of the median of the comparator group TSR over the performance period. Awards made under the plan will not vest if the company's TSR is below the median of the comparator group. Achievement of median TSR performance against comparator companies will result in vesting of 25% of the award. Outperformance of median TSR performance by up to 9% will result in vesting on a straight-line basis from 25% to 125%, outperformance by 9% to 18% will result in vesting on a straight-line basis from 125% to 200%. Vesting at 200% will occur if the company outperforms the median TSR performance of the comparator group by at least 18%. For awards made in 2006, the companies in the comparator group are ABN Amro Holdings N.V.; Banco Santander Central Hispano, S.A.; Barclays PLC; Citigroup Inc; HBOS plc; HSBC Holdings plc; Lloyds TSB Group plc and Standard Chartered PLC. The Remuneration Committee considers this group to be appropriate in the context of the Group's business.

The EPS element ensures a clear line of sight for executives to improve long-term financial performance. For this element, the level of EPS growth over the three year period will be calculated by comparing the adjusted EPS in the year prior to the year of grant with that in the final year of the performance period. Each year the vesting schedule for the EPS growth measure will be agreed by the Remuneration Committee at the time of grant, having regard to the business plan, performance relative to comparators and analysts' forecasts.

For the awards made in 2006, the awards will not vest if EPS growth is below 5% per annum over the three year period. Where EPS growth is between 5% per annum and 10% per annum, vesting will occur on a straight-line basis from 25% to 100%. Vesting at 100% will occur if EPS growth is at least 10% per annum.

Options

In 2006, awards were made under the executive share option scheme approved by shareholders in January 1999. Options granted to executive directors were over shares worth between one and a quarter times salary and two and a half times salary, based on the market value at the date of grant. These options are exercisable only if, over a three year period from the date of grant, the growth in the company's EPS has exceeded the growth in the RPI plus 9%.

Summary remuneration report continued

A new executive share option plan is being submitted for approval at the company's Annual General Meeting in 2007. It is proposed that, subject to approval at the Annual General Meeting, the first grants under this plan will be made following the Annual General Meeting. Grants to executive directors will be made over shares worth up to 300% of salary with an EPS performance condition. The performance condition will be based on the average annual growth in the Group's adjusted EPS over the three year performance period commencing with the year of grant. The calibration of the EPS growth measure will be agreed by the Remuneration Committee at the time of each grant having regard to the business plan, prevailing economic conditions and analysts' forecasts.

Shareholding guidelines

In 2006, the Remuneration Committee reviewed the policy on shareholding requirements and the Group has now adopted shareholding guidelines for executive directors.

The target shareholding level is 200% of gross annual salary for the Group Chief Executive and 100% of gross annual salary for executive directors. Target shareholding levels are determined by reference to ordinary shares held, together with any vested awards under the Group's Medium-term Performance Plan. Executive directors have a period of five years in which to build up their shareholdings to meet the guideline levels.

US based director – Lawrence Fish

The remuneration policy for Mr Fish is as follows:

Base salary is set having regard to the levels of base salary in other US banks and the appropriate balance of fixed and variable remuneration for US based executives of UK listed companies operating within the corporate governance frameworks of the UK.

Benefits Mr Fish accrues pension benefits under a number of arrangements in the US. In addition he is entitled to receive other benefits on a similar basis to other Citizens employees.

Short-term performance rewards take the form of an annual incentive plan which rewards the achievement of Group, business unit and individual financial and non-financial targets. The normal maximum annual bonus potential is two times salary, although additional amounts to a maximum of a further two times salary may be awarded, at the discretion of the Board, for exceptional performance as measured by the achievement of significant objectives.

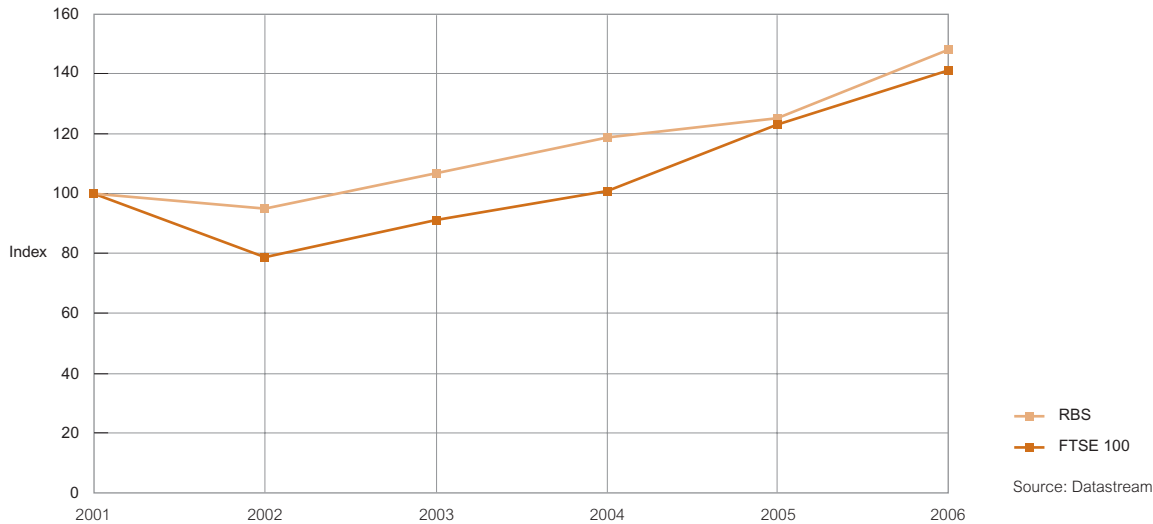
Long-term incentives consist of the following components:

- The last grant made under the Citizens Phantom 2000 Plan vested on 1 January 2006. The value of units at the time of vesting was based on the cumulative economic profit generated by Citizens, the trend in economic profit and on the external market trends in the US banking sector, using price/earnings ratios of comparator US banks.
- A grant under the Group's Medium-term Performance Plan within the levels, and on the same terms, available to UK-based executives.
- A grant under the executive share option scheme within the levels, and on the same terms, available to UK-based executives. In 2007, Mr Fish will be eligible for a grant under the new executive share option plan if approved by shareholders at the company's Annual General Meeting.
- A grant under the new Citizens Long Term Incentive Plan approved by shareholders at the company's Annual General Meeting in 2005. Performance is measured on a combination of Growth in Profit before Tax and Relative Return on Equity based on a comparison of Citizens with comparator US banks. The targets for this plan are set on an annual basis over the three year term of the grant. The target value of the award made under the plan in 2005 was 33% of salary and in 2006 was 75% of salary. Each award may deliver up to a maximum of twice the target value.

Total shareholder return performance

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. The total shareholder return for the company and the FTSE 100 have been rebased to 100 for 2001.

Total shareholder return



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. The notice period under the service contracts of executive directors will not normally exceed 12 months. In relation to newly recruited executive directors, subject to the prior approval of the Remuneration Committee, the notice period from the employing company required to terminate the contract will not normally exceed 12 months unless there is a clear case for this. Where a longer period of notice is initially approved on appointment, it will normally be structured such that it will automatically reduce to 12 months in due course.

All new service contracts for executive directors are subject to approval by the Remuneration Committee. Those contracts normally include 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.

Any compensation payment made in connection with the departure of an executive director will be subject to approval by the Remuneration Committee, having regard to the terms of the service contract and the reasons for termination.

Summary remuneration report continued

Directors' remuneration

| | Salary/ fees £000 | Performance bonus (1) £000 | Pension allowance £000 | Benefits £000 | Other £000 | 2006 Total £000 | 2005 Total £000 |
|--|-------------------------|----------------------------------|------------------------------|------------------|---------------|-----------------------|-----------------------|
| Chairman | | | | | | | |
| Sir Tom McKillop (appointed Chairman on 28 April 2006) | 471 | — | — | — | — | 471 | 67 |
| Sir George Mathewson (retired 28 April 2006) (2) | 199 | — | — | 1 | — | 200 | 607 |
| Executive directors | | | | | | | |
| Sir Fred Goodwin | 1,190 | 2,760 | — | 46 | — | 3,996 | 2,893 |
| Mr Cameron (appointed 1 March 2006) (3) | 889 | 2,340 | 236 | 31 | — | 3,496 | — |
| Mr Fish (4) | 1,017 | 1,627 | — | 35 | — | 2,679 | 2,509 |
| Mr Fisher (appointed 1 March 2006) (3) | 654 | 1,105 | 122 | 13 | — | 1,894 | — |
| Mr Pell | 790 | 1,309 | — | 21 | — | 2,120 | 1,586 |
| Mr Watt (resigned 31 January 2006) (5) | 57 | 55 | — | 5 | — | 117 | 1,399 |
| Mr Whittaker (appointed 1 February 2006) (6) | 663 | 1,190 | 228 | 2 | 2,392 | 4,475 | — |

Notes:

- (1) Includes 10% profit sharing. The performance bonus for Mr Cameron and Mr Fisher reflects their performance for the full year.
- (2) From 28 April 2006, Sir George has been employed as an adviser to the Group. Under this employment agreement dated 26 April 2006, which runs until 31 July 2009, Sir George received a fee of £179,000 for his services under this agreement in 2006, comprising £150,000 in respect of certain duties performed in the connection with the handover of his responsibilities to Sir Tom McKillop in the three month period following the Annual General Meeting and thereafter at the rate of £75,000 per annum. Under this arrangement he also received medical insurance, life assurance cover and secretarial and administrative support necessary for the performance of his duties.
- (3) The above figures include remuneration paid to Mr Cameron and Mr Fisher prior to their appointment as directors. For this period, Mr Cameron and Mr Fisher received salary and benefits of £141,000 and £105,000 respectively.
- (4) Mr Fish is a non-executive director of Textron Inc. and retains the fees paid to him in this respect. For 2006, he received a remuneration package from Textron Inc. equivalent to approximately US\$84,974.
- (5) Following his resignation as a director on 31 January 2006, Mr Watt remained employed by the Group until 28 February 2006 in order to facilitate a handover of duties to his successor. For this period, Mr Watt received remuneration of £112,000, comprising £57,000 in respect of salary and benefits and £55,000 in respect of performance bonus.
- (6) Included in other remuneration for Mr Whittaker is an award of ordinary shares in the company of £1,000,000, a cash payment of £1,195,181 and relocation expenses of £197,211.

| | Board fees £000 | Board committee fees £000 | 2006 Total £000 | 2005 Total £000 |
|---------------------------------------|--------------------|---------------------------------|-----------------------|-----------------------|
| Non-executive directors | | | | |
| Mr Buchan | 65 | 55 | 120 | 109 |
| Dr Currie | 65 | 15 | 80 | 68 |
| Mr Friedrich (appointed 1 March 2006) | 54 | 15 | 69 | — |
| Mr Hunter | 65 | 93 | 158 | 113 |
| Mr Koch (1) | 65 | — | 65 | 55 |
| Mrs Kong (appointed 1 January 2006) | 65 | 8 | 73 | — |
| Mr MacHale | 65 | 30 | 95 | 80 |
| Sir Steve Robson | 65 | 30 | 95 | 80 |
| Mr Scott (2) | — | — | 155 | 100 |
| Mr Sutherland | 65 | 23 | 88 | 60 |

Notes:

- (1) In addition to his role as a non-executive director, Mr Koch has an agreement with Citizens Financial Group, Inc. to provide consulting services for a period of three years following the acquisition by Citizens of Charter One Financial, Inc. For these services Mr Koch receives \$402,500 per annum.
- (2) Mr Scott's senior independent director fee covers all Board and Board Committee work including Chairmanship of the Remuneration Committee.

No director received any expense allowances chargeable to UK income tax or compensation for loss of office/termination payment. The non-executive directors did not receive any bonus payments or benefits.

Medium Term Performance Plan

| | Scheme interests (share equivalents) at 1 January 2006 | Awards granted in 2006 | Market price on award £ | Awards vested in 2006 ⁽¹⁾ | Awards exercised in 2006 | Market price on exercise £ | Share interest (share equivalents) at 31 December 2006 | End of period for qualifying conditions to be fulfilled |
|-----------------------------|--|------------------------------|----------------------------------|--|--------------------------------|-------------------------------------|---|--|
| Sir Fred Goodwin | 93,040 | | 16.35 | | | | 93,040 | vested 31.12.03 |
| | 33,855 | | 18.59 | | | | 33,855 | vested 31.12.04 |
| | 86,506 | | 17.34 | Nil | | | — | lapsed 31.12.06 |
| | 95,431 | | 17.29 | | | | 95,431 | 31.12.07 |
| | | 97,193 | 18.52 | | | | 97,193 | 31.12.08 |
| | 308,832 | | | | | 319,519 | | |
| Mr Cameron ⁽²⁾ | 55,824 | | 16.35 | | | | 55,824 | vested 31.12.03 |
| | 22,078 | | 18.59 | | | | 22,078 | vested 31.12.04 |
| | 40,370 | | 17.34 | Nil | | | — | lapsed 31.12.06 |
| | 46,270 | | 17.29 | | | | 46,270 | 31.12.07 |
| | | 48,597 | 18.52 | | | | 48,597 | 31.12.08 |
| | 164,542 | | | | | 172,769 | | |
| Mr Fish | 35,274 | | 17.34 | Nil | | | — | lapsed 31.12.06 |
| | 10,495 | | 17.29 | | | | 10,495 | 31.12.07 |
| | | 31,117 | 18.52 | | | | 31,117 | 31.12.08 |
| | 45,769 | | | | | 41,612 | | |
| Mr Fisher ⁽²⁾ | 20,000 | | 16.35 | | | | 20,000 | vested 31.12.03 |
| | 8,000 | | 18.59 | | | | 8,000 | vested 31.12.04 |
| | 31,719 | | 17.34 | Nil | | | — | lapsed 31.12.06 |
| | 34,703 | | 17.29 | | | | 34,703 | 31.12.07 |
| | | 35,098 | 18.52 | | | | 35,098 | 31.12.08 |
| | 94,422 | | | | | 97,801 | | |
| Mr Pell | 22,026 | | 16.35 | | 22,026 | 19.09 | — | vested 31.12.03 |
| | 37,774 | | 17.34 | Nil | | | — | lapsed 31.12.06 |
| | 40,486 | | 17.29 | | | | 40,486 | 31.12.07 |
| | | 41,577 | 18.52 | | | | 41,577 | 31.12.08 |
| | 100,286 | | | | | 82,063 | | |
| Mr Watt ⁽³⁾ | 18,877 | | 18.59 | | | | 18,877 | vested 31.12.04 |
| | 34,603 | | 17.34 | | | | — | — |
| | 38,173 | | 17.29 | | | | — | — |
| | 91,653 | | | | | | 18,877 | |
| Mr Whittaker ⁽⁴⁾ | — | 37,797 | 18.52 | | | | 37,797 | 31.12.08 |

Notes:

- (1) Awards were granted on 9 April 2004 and these awards have now lapsed.
- (2) Scheme interests at 1 January 2006 of Mr Cameron and Mr Fisher were awarded prior to their appointment to the Board on 1 March 2006.
- (3) Mr Watt resigned from the Board on 31 January 2006. Mr Watt subsequently exercised his 2002 award (which vested on 31 December 2004) on 7 March 2006. All remaining awards lapsed at cessation of employment.
- (4) Mr Whittaker was appointed to the Board on 1 February 2006.

For any awards that have vested, participants holding option-based awards can exercise their right over the underlying share equivalents at any time up to 10 years from the date of grant.

No variation was made to any of the terms of the plan during the year.

Summary remuneration report continued

Restricted Stock Award

| | Awards granted in 2006 and held at 31 December 2006 | Market price on award £ | End of the period for qualifying conditions to be fulfilled ⁽³⁾ |
|-----------------------------|---|-------------------------|--|
| Mr Whittaker ⁽¹⁾ | 56,285 | 19.38 | 01.02.07 ⁽²⁾ |
| | 30,483 | 19.38 | 01.02.08 |
| | 25,322 | 19.38 | 01.02.09 |
| | 12,421 | 19.38 | 01.02.10 |
| | 124,511 | | |

Notes:

- (1) Awards were granted to Mr Whittaker in lieu of unvested share awards from his previous employer.
- (2) Award has now vested and shares will be released to Mr Whittaker on 1 March 2007.
- (3) The end period for qualifying conditions is subject to any restrictions on dealing in the Group's shares which may be in place and to which Mr Whittaker may be subject. As a result of the close period prior to the announcement of the Group's results on 1 March 2007, the end of the period for qualifying conditions to be fulfilled in 2007 is 1 March 2007.

Phantom 2000 Plan

| | Phantom 2000 units at 1 January 2006 | Awards granted during year | | End of the period for qualifying conditions to be fulfilled | Benefits received during year | Phantom 2000 units at 31 December 2006 |
|---------|--------------------------------------|----------------------------|-----------------------|---|-------------------------------|--|
| | | Units awarded during year | Market price on award | | | |
| Mr Fish | 1,000,000 | | | 01.01.05 | US\$6,100,000 | — |

No variation was made to any of the terms of the plan during the year.

Citizens Long Term Incentive Plan ⁽¹⁾

| | Interests at 1 January 2006 | Awards granted during year | Benefits received during year | Interests at 31 December 2006 |
|---------|--|--|---|--|
| Mr Fish | LTIP awards for the 3 year periods: 01.01.03 – 31.12.05 01.01.04 – 31.12.06 01.01.05 – 31.12.07 | LTIP award for the 3 year period: 01.01.06 – 31.12.08 | LTIP award for the 3 year period: 01.01.03 – 31.12.05 was US\$1,268,747 | LTIP awards for the 3 year periods: 01.01.04 – 31.12.06 01.01.05 – 31.12.07 01.01.06 – 31.12.08 |

Note:

- (1) A new cash LTIP was approved by shareholders at the company's Annual General Meeting in April 2005. Details are given on page 48. This replaced the previous LTIP which provided for a target payment of 60% of average salary over the three year period and a maximum payment of 105% of average salary.

No variation was made to any of the terms of the plan during the year.

Financial results

Summary financial statement

Important note

This summary financial statement is a summary of information in the 2006 Report and Accounts (the 'R&A'). It does not contain sufficient information to allow for a full understanding of the results of the Group and of the state of affairs of the company or of the Group. For further information, the 2006 R&A, the auditors' report on those accounts and the report of the directors should be consulted. A copy of the R&A may be obtained, free of charge, from the company's registrar at the address shown on page 60. All shareholders receive the Annual Review and Summary Financial Statement.

Shareholders who also wish to receive the R&A should complete (if they have not done so previously) the request card which accompanies this document and return it to the company's registrar.

The income statement set out below shows amortisation of purchased intangible assets, integration costs and net gain on sale of strategic investments and subsidiaries separately. In the statutory summary consolidated income statement on page 56, these items are included in total income and operating expenses, as appropriate.

Summary consolidated income statement for the year ended 31 December 2006

| | 2006 £m | 2005 £m |
|---|------------|------------|
| Net interest income | 10,596 | 9,918 |
| Non-interest income (excluding net insurance premium income) | 11,433 | 9,872 |
| Net insurance premium income | 5,973 | 5,779 |
| Non-interest income | 17,406 | 15,651 |
| Total income | 28,002 | 25,569 |
| Operating expenses | 12,252 | 11,298 |
| Profit before other operating charges | 15,750 | 14,271 |
| Insurance net claims | 4,458 | 4,313 |
| Operating profit before impairment losses | 11,292 | 9,958 |
| Impairment losses | 1,878 | 1,707 |
| Profit before tax, amortisation of purchased intangible assets, integration costs and net gain on sale of strategic investments and subsidiaries | 9,414 | 8,251 |
| Amortisation of purchased intangible assets | 94 | 97 |
| Integration costs* | 134 | 458 |
| Net gain on sale of strategic investments and subsidiaries | — | 240 |
| Profit before tax | 9,186 | 7,936 |
| Tax | 2,689 | 2,378 |
| Profit after tax | 6,497 | 5,558 |
| Minority interests | 104 | 57 |
| Preference dividends | 191 | 109 |
| Profit attributable to ordinary shareholders | 6,202 | 5,392 |
| Basic earnings per ordinary share | 194.7p | 169.4p |
| Adjusted earnings per ordinary share | 200.0p | 175.9p |

* Integration costs comprise expenditure incurred in respect of cost reduction and revenue enhancement targets set in connection with the various acquisitions made by the Group.

Corporate governance

The company is committed to high standards of corporate governance, business integrity and professionalism in all its activities. Throughout the year ended 31 December 2006, the company has complied with all of the provisions of the Combined Code issued by the Financial Reporting Council (the "FRC") in July 2003 (the "Code") except in relation to the authority reserved to the Board to make the final determination of the remuneration of the executive directors and in relation to the appointment of the Chairman of the Board to the Remuneration Committee.

In June 2006, the FRC issued a revised Combined Code (the "revised Code") which applies to reporting years beginning on or after 1 November 2006. The company has adopted

provision B.2.1 of the revised Code early and has appointed the Chairman of the Board as a member of the Remuneration Committee as the company considers him to have been independent on appointment as Chairman.

Under the US Sarbanes-Oxley Act of 2002 (the "Act"), enhanced standards of corporate governance and business and financial disclosure apply to companies with securities registered in the US. The company complies with all currently applicable sections of the Act.

A full explanation of how these principles are applied is contained in the corporate governance and remuneration reports in the Group's 2006 Report and Accounts.

Summary directors' report

Activities and business review

A review of the activities and business of the Group for the year ended 31 December 2006, of recent events and of likely future developments is contained on pages 4 to 41.

Directors

Photographs and biographical details of the directors are shown on pages 44 and 45 respectively.

Report of the auditors

The auditors' report on the full accounts for the year ended 31 December 2006 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 consolidated income statement (statutory basis), balance sheet, the summary directors' report and the summary remuneration report.

This report is made solely to the company's members, as a body, in accordance with section 251 of the Companies Act 1985. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, for our audit report or for the opinions we have formed.

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 within the Annual Review and Summary Financial Statement with the full annual accounts and the directors' 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 as described in the contents section 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 Auditing Practices Board for use in the United Kingdom. Our report on the company's full annual financial statements describes the basis of our audit opinion on those financial statements and the part of the directors' remuneration report described as having been audited.

Opinion

In our opinion, the summary financial statement is consistent with the full annual accounts, the directors' report and the directors' remuneration report of The Royal Bank of Scotland Group plc for the year ended 31 December 2006 and complies with the applicable requirements of section 251 of the Companies Act 1985 and the regulations made thereunder.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Edinburgh
28 February 2007

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 information since first published. These matters are the responsibility of the directors but 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 income statement for the year ended 31 December 2006 (statutory basis)

| | 2006 £m | 2005 £m |
|--|------------|------------|
| Net interest income | 10,596 | 9,918 |
| Non-interest income (excluding net insurance premium income) | 11,433 | 10,205 |
| Net insurance premium income | 5,973 | 5,779 |
| Non-interest income | 17,406 | 15,984 |
| Total income | 28,002 | 25,902 |
| Administrative expenses | 10,802 | 10,121 |
| Depreciation and amortisation | 1,678 | 1,825 |
| Operating expenses* | 12,480 | 11,946 |
| Profit before other operating charges | 15,522 | 13,956 |
| Insurance net claims | 4,458 | 4,313 |
| Impairment losses | 1,878 | 1,707 |
| Operating profit before tax | 9,186 | 7,936 |
| Tax | 2,689 | 2,378 |
| Profit for the year | 6,497 | 5,558 |
| Profit attributable to: | | |
| Minority interests | 104 | 57 |
| Preference shareholders | 191 | 109 |
| Ordinary shareholders | 6,202 | 5,392 |
| | 6,497 | 5,558 |
| Earnings per 25p ordinary share | 194.7p | 169.4p |
| Diluted earnings per 25p ordinary share | 193.2p | 168.3p |

* Integration costs included in operating expenses comprise:

| | 2006 £m | 2005 £m |
|-------------------------------|------------|------------|
| Administrative expenses | 118 | 318 |
| Depreciation and amortisation | 16 | 140 |
| | 134 | 458 |

Directors' remuneration

| | 2006 £000 | 2005 £000 |
|---|--------------|--------------|
| Non-executive directors – emoluments | 998 | 924 |
| Chairman and executive directors – emoluments | 19,448 | 8,994 |
| – contributions and allowances in respect of defined contribution pension schemes | 101 | 220 |
| | 20,547 | 10,138 |
| – amounts receivable under long-term incentive plans | 3,997 | 4,778 |
| – gains on exercise of share options | 2 | 11 |
| | 24,546 | 14,927 |

Retirement benefits are accruing to five directors (2005 – four) under defined benefit schemes, two (2005 – two) of whom also accrued benefits under defined contribution schemes.

The comparative figures for directors' remuneration include remuneration of directors who did not serve during the year ended 31 December 2006.

Balance sheet at 31 December 2006

| | 2006 £m | 2005 £m |
|---|----------------|----------------|
| Assets | | |
| Cash and balances at central banks | 6,121 | 4,759 |
| Treasury and other eligible bills | 5,491 | 5,538 |
| Loans and advances to banks | 82,606 | 70,587 |
| Loans and advances to customers | 466,893 | 417,226 |
| Debt securities | 127,251 | 120,965 |
| Equity shares | 13,504 | 9,301 |
| Intangible assets | 18,904 | 19,932 |
| Property, plant and equipment | 18,420 | 18,053 |
| Settlement balances | 7,425 | 6,005 |
| Derivatives | 116,681 | 95,663 |
| Prepayments, accrued income and other assets | 8,136 | 8,798 |
| Total assets | 871,432 | 776,827 |
| Liabilities | | |
| Deposits by banks | 132,143 | 110,407 |
| Customer accounts | 384,222 | 342,867 |
| Debt securities in issue | 85,963 | 90,420 |
| Settlement balances and short positions | 49,476 | 43,988 |
| Derivatives | 118,112 | 96,438 |
| Accruals, deferred income and other liabilities | 15,660 | 14,247 |
| Retirement benefit liabilities | 1,992 | 3,735 |
| Deferred taxation | 3,264 | 1,695 |
| Insurance liabilities | 7,456 | 7,212 |
| Subordinated liabilities | 27,654 | 28,274 |
| Total liabilities | 825,942 | 739,283 |
| Equity | | |
| Minority interests | 5,263 | 2,109 |
| Shareholders' equity | | |
| Called up share capital | 815 | 826 |
| Reserves | 39,412 | 34,609 |
| Total equity | 45,490 | 37,544 |
| Total liabilities and equity | 871,432 | 776,827 |
| Memorandum items | | |
| Contingent liabilities and commitments | 257,834 | 225,197 |

At 31 December 2006, provisions for loan impairment amounted to £3,935 million (2005 – £3,887 million).

The summary financial statement on pages 53 to 57 was approved by the Board of directors on 28 February 2007.

Sir Tom McKillop
Chairman

Sir Fred Goodwin
Group Chief Executive

Guy Whittaker
Group Finance Director

Shareholder information

Analyses of ordinary shareholders at 31 December 2006

| | shareholdings | Number of shares – millions | % of total |
|-----------------------------|----------------|-----------------------------|--------------|
| Individuals | 163,039 | 227.4 | 7.2 |
| Banks and nominee companies | 21,125 | 2,851.2 | 90.4 |
| Investment trusts | 163 | 0.6 | — |
| Insurance companies | 337 | 1.7 | 0.1 |
| Other companies | 2,056 | 42.4 | 1.3 |
| Pension trusts | 46 | 11.2 | 0.4 |
| Other corporate bodies | 87 | 18.3 | 0.6 |
| | 186,853 | 3,152.8 | 100.0 |
| Range of shareholdings: | | | |
| 1–1,000 | 127,139 | 41.9 | 1.3 |
| 1,001–10,000 | 54,993 | 148.6 | 4.7 |
| 10,001–100,000 | 3,433 | 84.6 | 2.7 |
| 100,001–1,000,000 | 914 | 313.3 | 10.0 |
| 1,000,001–10,000,000 | 322 | 934.5 | 29.6 |
| 10,000,001 and over | 52 | 1,629.9 | 51.7 |
| | 186,853 | 3,152.8 | 100.0 |

Financial calendar

Annual General Meeting

25 April 2007 at 2.00 pm
Edinburgh International Conference Centre,
The Exchange, Morrison Street, Edinburgh

Interim results

3 August 2007

Dividends

Payment dates:

| | |
|---|--|
| Ordinary shares (2006 Final) | 8 June 2007 |
| Ordinary shares (2007 Interim) | October 2007 |
| Cumulative preference shares | 31 May and 31 December 2007 |
| Non-cumulative dollar preference shares | 30 March, 29 June, 28 September and 31 December 2007 |

Ex-dividend dates:

| | |
|------------------------------|--------------|
| Ordinary shares (2006 Final) | 7 March 2007 |
| Cumulative preference shares | 2 May 2007 |

Record dates:

| | |
|------------------------------|--------------|
| Ordinary shares (2006 Final) | 9 March 2007 |
| Cumulative preference shares | 4 May 2007 |

Corporate Responsibility Report

If you wish to obtain a copy please contact:

Corporate Responsibility
The Royal Bank of Scotland Group plc
PO Box 1000
Gogarburn
Edinburgh EH12 1HQ

It is also available on our website at www.rbs.com/crreports

Investor Relations

Shareholders can access updated information on RBS via our website (www.rbs.com/ir).

Shareholder enquiries

Shareholdings in the company may be checked by visiting our website (www.rbs.com/shareholder). You will need the shareholder reference number printed on your share certificate or tax voucher to gain access to this information.

Braille and audio Annual Review and Summary Financial Statement

Shareholders requiring a Braille or audio version of the Annual Review and Summary Financial Statement should contact the Registrar on 0870 702 0135.

ShareGift

The company is aware that shareholders who hold a small number of shares may be retaining these shares because dealing costs make it uneconomical to dispose of them. ShareGift, the charity share donation scheme is a free service operated by The Orr Mackintosh Foundation (registered charity 1052686) to enable shareholders to donate shares to charity.

Should you wish to donate your shares to charity in this way you should contact ShareGift for further information:

ShareGift, The Orr Mackintosh Foundation,
46 Grosvenor Street, London W1K 3HN
Telephone: 020 7337 0501
www.sharegift.org

Donating your shares in this way will not give rise to either a gain or a loss for UK capital gains tax purposes and you may be able to reclaim UK income tax on gifted shares. Further information can be obtained from the HM Revenue & Customs.

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 HM Revenue & Customs 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.

Important addresses

Shareholder enquiries

Registrar

Computershare Investor Services PLC
PO Box 82
The Pavilions
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Bristol BS99 7NH
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Facsimile: 0870 703 6009
Email: web.queries@computershare.co.uk

Group Secretariat

The Royal Bank of Scotland Group plc
PO Box 1000
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