

## Highlights of 2006

- Group operating profit up 14% to £9.4 billion
- Profit before tax up 16% to £9.2 billion
- Total dividend for the year of 90.6p per share, up 25%
- Share repurchase of £1 billion completed
- Income up 10% to £28.0 billion
- Cost:income ratio improved from 42.4% to 42.1%
- Adjusted earnings per ordinary share up 14% to 200.0p

## Contents

02	Financial highlights
04	Chairman's statement
06	Group Chief Executive's review
08	Group profile
10	Divisional profile

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### Divisional review

12	Corporate Markets
18	Retail Markets
24	Ulster Bank
26	Citizens
30	RBS Insurance
34	Manufacturing

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### Corporate Responsibility

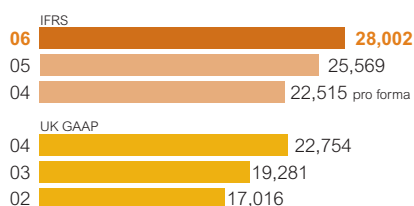
38	Corporate Responsibility
40	Key Achievements
41	Community Investment

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### Directors' report and summary financial statement

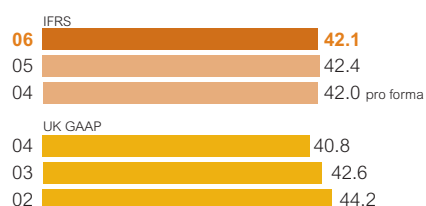
44	Board of directors and secretary
46	Summary remuneration report
53	Financial results
58	Shareholder information

## Income (£m)



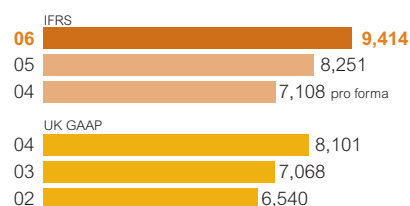
The Group's total income grew by 10% to £28,002 million in 2006.

## Adjusted cost:income ratio (%)



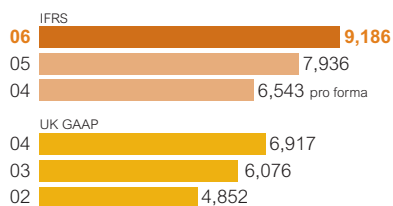
The Group's cost:income ratio was 42.1%. The cost:income ratio is calculated excluding purchased intangibles amortisation, integration costs and net gain on sale of strategic investments and subsidiaries, and after netting operating lease depreciation against rental income.

## Group operating profit – profit before tax, purchased intangibles amortisation, integration costs, and net gain on sale of strategic investments and subsidiaries in 2005 (£m)



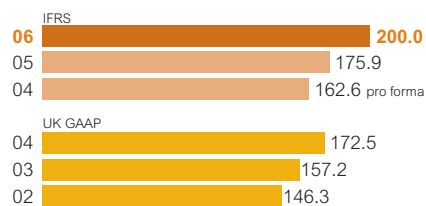
Group operating profit increased by 14% to £9,414 million in 2006.

## Profit before tax (£m)



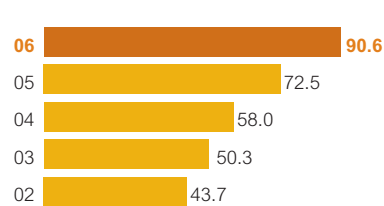
Group profit before tax rose by 16% to £9,186 million in 2006.

## Adjusted earnings per share (pence)



Earnings per share increased by 14% to 200.0p for 2006, adjusted for purchased intangibles amortisation, integration costs, and net gain on sale of strategic investments and subsidiaries in 2005, and in 2002–2003 for the AVS dividend.

## Dividend per ordinary share (pence)

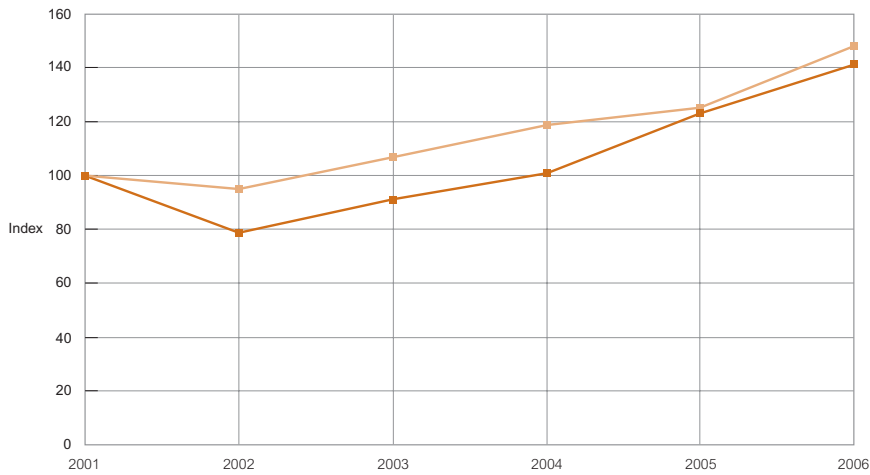


The directors have recommended a final dividend of 66.4p per ordinary share which, when added to the interim dividend of 24.2p, makes a total for 2006 of 90.6p, an increase of 25%.

### Note:

The accounts are prepared in accordance with International Financial Reporting Standards. Certain standards relating to financial instruments were not adopted until January 2005. The Group has provided comparative information on a pro forma basis that includes the estimated effect of these standards for the year ended 31 December 2004.

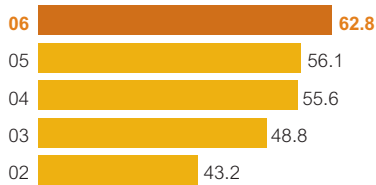
Total shareholder return performance



The 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.

Source: Datastream

Market capitalisation (£bn)



The Group's market capitalisation at 31 December 2006 was £62.8 billion compared with £56.1 billion a year earlier.

Share price performance

	2005	2006	% change
RBS	1755.0	1993.0	+14
FTSE 100	5618.8	6220.3	+11
FTSE 350 Banks	10,240.7	11,263.5	+10