



Full Year Results for the year ended 31st December 2006

1st March 2007

Interview with Sir Fred Goodwin, CEO

Probably leaving aside the quantum of them, probably the shape more than anything else, I think the good positive “jaws”, as it were, that income grew faster than costs, that the bad debt costs remained stable, that our margin remained pretty stable, that the return on equity improved, we continue to generate capital, our balance sheet growth was very measured, I think as you look at the results in-the-round they are just a very good and solid shape.

I think I am also pleased by the fact that they were generated against a backdrop where, while some business units were having favourable market conditions, some were very definitely having some very unfavourable market conditions and yet the Group in-the-round still produced a very strong set of numbers, and a set of numbers which if you looked at the history of our organic performance you would see is very consistent. There’s not a blip!

These are purely organic results, there are no acquisitions in these, there is no change of accounting policies or anything else. This is an organic set of numbers that has been generated, as I said, against a backdrop where some businesses were having a wind at their back and some had a very clear headwind into which they were facing, and yet the results have still come out.

They are a set of results that have demonstrated that our model and our risk appetite has kept us away from some of the landmines, as it were. In unsecured consumer finance, we haven't had some of the shocks there that others have had or the fact we don't get involved in sub-prime lending has been another landmine we have kept away from and I think we have seen evidence in the market that has been a good place not to be. I think those aspects demonstrate that the model we are operating to works and that is always pleasing.

As I look across the businesses, I look across the economies that we're in, I look across the breadth of income streams that we have got, I look across the investment opportunities we have going forward to expand our product range or the geographies that we're in through enhancing products and business lines, I would have to say I feel pretty confident about it.

No-one can predict the future, no-one can give guarantees about the future, but it feels that at the end of 2006 we are in better shape for organic growth than we were at the beginning in every sense, and so that

gives me a lot of comfort and confidence for the future and the sustainability of this organic growth.

It has been a difficult year for Citizens. Citizens would be the business which first and foremost has been sailing into a headwind for the last year because of market conditions, not conditions of Citizens making but just conditions which have affected banks generally.

If you look at Citizens' business or look at all the volume growth there has been and look at the growth in the franchise, the growth in customers, if we could just have had the 2005 margin we would have had a 16 per cent income growth now. We can't have the 2005 margin and, as it was, Citizens had quite a subdued performance but the ongoing, the underlying, performance of the business is very good.

In Greenwich, again not everything in Greenwich went well last year. The asset-backed securitisation business had a more challenged year for market conditions, not because of anything which Greenwich did, but despite that we saw very, very strong growth in New York or the wider corporate banking business in the United States. The capital markets business in the United States grew strongly.

So, all in all, we have seen a very strong performance in the United States and one that as you look at the individual line components which contribute towards the growth we have achieved, points to the opportunity and the much broader opportunity we have in the United States now than just an opportunity defined by Citizens, although Citizens remains by far the lion share of it.

Aside from the ongoing payment of dividend, which we stepped up 25 per cent last year and we have announced we are stepping up again by another 25 per cent this year, we returned £1 billion in the form of a buy-back during last year as we said we would. For the coming year by increasing our dividend by 25 per cent we get to a pay-out ratio of about 45 per cent which feels quite a good place to be.

(Ends)