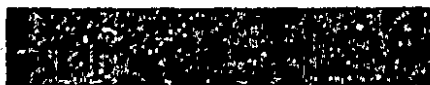
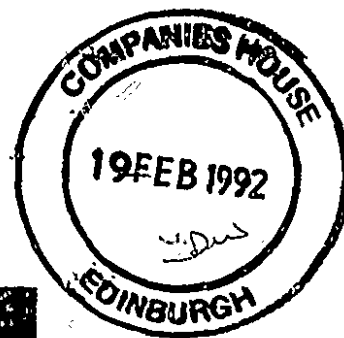


The Royal Bank
of Scotland Group plc

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The Royal Bank of Scotland Group is an independent financial services group, with its headquarters in Edinburgh, operating throughout Great Britain and in certain overseas markets. We regard our reputation for integrity and financial stability earned from over two hundred and fifty years of serving our customers as the foundation upon which we will build our future.

Our overall objective is, through the excellence of our service, to satisfy the needs of our customers, the requirements of our shareholders and the aspirations of our staff.

We will seek to use our skills and capital in markets where we can give special value to our customers through superior service thus achieving higher returns for our shareholders while expanding the Group. We recognise that our most important resource is our people, their skills and their commitment to our customers.

Communication is a priority as is personal development. Our people will participate in success through a system which rewards initiative, effort and performance and which accords with the practice prevailing within their particular business area. We will maintain our commitment to innovation and technology in order that our customers will benefit from new services and lower costs. We are fully aware of our social responsibility to the communities in which we live and work, national and local. At each level we will play our part in creating a good business environment and in participating in the wider aspects of the fabric of community life.

The achievement of these objectives, year on year, will contribute to our Group retaining the independent status which we firmly believe is in the best long-term interests of our customers, shareholders and staff.

for the year ended 30th September 1991

	1990 £m	1990 £m
Profit before provisions	435.4	457.8
Profit before exceptional items	75.9	241.4
Profit before taxation	57.7	262.2
Profit attributable to ordinary shareholders	72.7*	193.6
Retained profit	5.0	130.2
Total assets	32,180.0	30,096.0
Total shareholders' funds	1,601.2	1,508.4
Earnings per 25p ordinary share	10.5p	21.1p
Dividends per 25p ordinary share	8.8p	8.4p
Dividend cover (times)	1.2	2.5

*After exceptional release of £40.0 million from deferred tax.



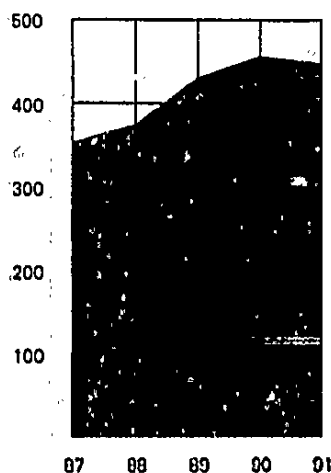
Total assets
(£bn)

The Group's total assets increased by 7 per cent during the course of the year. This expansion of the balance sheet has been achieved whilst maintaining strong capital ratios.



Capital ratios
(Percentage)

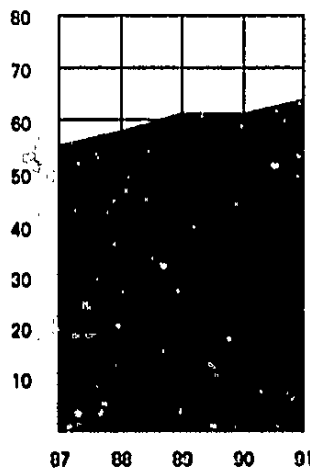
During the year U.S.\$200 million was raised by way of a preference share issue in the U.S.A. and the Bank's capital base remains one of the strongest in the United Kingdom. The BIS risk adjusted capital ratio remains strong at 11.0 per cent, which is well above the required minimum of 8 per cent.



Profit before taxation
(£m)

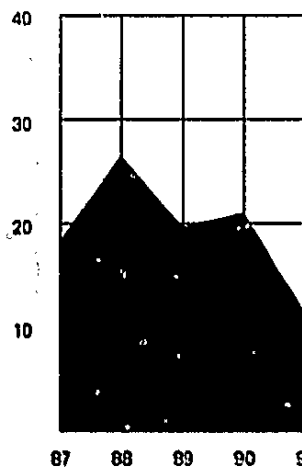
■ Profit before provisions
■ Profit before taxation

The results for the year to 30th September 1991 have been dominated by the effects of the economic downturn. The substantial part of the decrease in profit before taxation was caused by the historically high bad debt charge which reflected the severe impact of the U.K. and U.S. recessions on many of our customers.



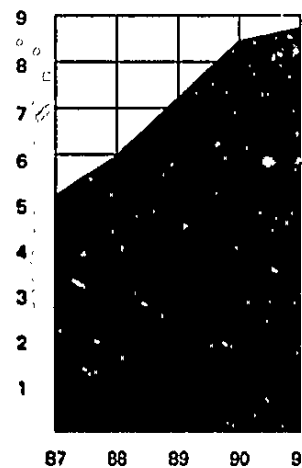
Cost: income ratio
(Percentage)

The deterioration in this ratio in 1991 reflects the fall in profits from associates, the cost of funding non-performing advances, the trend to more expensive retail deposits and the 2.4 per cent fall in average base rate.



Earnings per share
(pence)

The earnings per share figures have been calculated after exceptional items and preference dividends but before extraordinary items. The 1991 earnings per share provided cover of 1.2 times for the ordinary dividend.



Dividends per ordinary share
(pence)

The directors have recommended a final dividend of 8.0p on the ordinary shares which, together with an interim dividend of 2.8p, will give a total for the year of 8.8p (1990-8.4p), an increase of 4.8 per cent. on the previous year. Over the past five years, the ordinary dividend has grown at a compound annual rate of 14.6 per cent., reflecting the strength of the Group and the board's policy that shareholders should continue to benefit from the Group's achievements. Once again, at the annual general meeting, we intend to seek approval to offer new shares in lieu of the cash dividend.



George Younger

The difficult conditions which were commented upon at this time last year have continued into the twelve months under review and an historically high level of provisions for bad debts reflects the problems arising from the poor economic climate. Profit before taxation at £57.7 million has decreased substantially compared with 1990. Nevertheless, your directors have recommended a final dividend of 6.0p per share, reflecting our strong capital base and the board's confidence in our future prospects.

Financial performance

During the year, higher volumes of business have resulted in a 3.7 per cent. increase in the Group's net interest income, offsetting lower average margins compared with the previous financial year. Other operating income has shown a healthy increase of 11.1 per cent., but income from associated companies fell by £21.7 million as a result of the disposal of our investment in Yorkshire Bank, and reduced profits from other associates in the United Kingdom. This, together with diminished net interest income resulting from the substantial increase in non-performing advances, has temporarily hampered our determined efforts to reduce our cost:income ratio.

It was inevitable that the difficult economic environment would lead to a pronounced rise in bad debt provisions, and the increase of £157.3 million in that area proved to be the dominant factor governing the year's results. While these provisions are a deduction from profit, the funding requirements of the relative non-performing loans and advances also

restricted our efforts to improve income flow. Restructuring costs of around £28 million proved to be a further adverse factor, but these costs are non-recurring and will be more than offset in the years ahead by the consequent savings. Earnings per share were 10.5p, representing a 50.2 per cent. decrease from last year. Our balance sheet remains strong, however, and supervisory ratios stay comfortably ahead of minimum requirements.

Dividends

The directors have recommended a final dividend of 6.0p on the ordinary shares which, together with an interim dividend of 2.8p, will give a total for the year of 8.8p (1990—8.4p) an increase of 4.8 per cent. on the previous year. Over the past five years the ordinary dividend has grown at a compound annual rate of 14.6 per cent. The increase in dividend this year reflects our strong balance sheet and the confidence which we have in the future. Once again, at the annual general meeting, we intend to seek approval to offer new shares in lieu of cash dividend.

How resilient has the Royal Bank been?

Economic developments

Recessionary trends have dominated the world economy for much of the past year. High real interest rates, national budgetary problems, and faltering output have been widespread, and have been compounded, especially in the U.S.A. and the United Kingdom by difficulties specific to the financial and property sectors. Of the major economies, probably only Germany has performed well—the result of the initial impetus given by re-unification—but even there recent trends have been less encouraging. There are now somewhat ambiguous signs of a recovery in the U.S.A., although a resumption of sustained growth in continental western Europe may be rather slower.

In the United Kingdom, the scale and the duration of the recession in the past twelve months caught most observers by surprise. Conditions have been extremely difficult for almost every sector of industry and commerce, with particularly severe difficulties persisting in property, housing and retailing. These difficulties have been reflected fully in the provisions which most banks have felt obliged to make against bad and doubtful debts.

At present, it is still not clear whether or not the business cycle in the United Kingdom is on the turn. There is favourable news about inflation, where the major deceleration is underlined by the reduction in wage and salary settlements. In addition, export performance has been gratifyingly strong. Other statistics, however, for retail sales, output volumes, housing turnover, and industrial optimism continue to present a mixed picture. On balance, it is probable that the economy

Statement by the chairman

is moving towards recovery but it is unlikely that the scale of recovery and growth in 1992 will be other than modest.

In Scotland, the recession began later, and has been noticeably less severe than elsewhere in the United Kingdom, due mainly to the lesser impact of high interest rates and the buoyancy imparted by continuing high activity related to the oil industry. The year ahead should see a recovery in Scotland, but compared with the rest of the United Kingdom, the Scottish economy will experience a more modest recovery due, amongst other things, to the effects of reduced defence expenditure on important sectors of industry.

Group developments

The past twelve months have seen far-reaching changes in our organisation. The restructuring exercise which began in the final months of 1990 has altered the Bank's shape. Many of the benefits of these changes have still to come to fruition, but most of the hard work has been done and we are well placed now to go forward on our chosen path.

Our principal attention has been directed at our main business of commercial banking in the United Kingdom and at the complementary insurance and merchant banking businesses. We have been particularly pleased this year by the performance of Royal Scottish Assurance which commenced business on 1st October 1990 and which has already made a significant impact as a new source of income. It recorded a profit in its first year. The performance of Direct Line Insurance has been remarkable in an industry which has recently experienced more than its fair

share of problems. Charterhouse has been affected by the difficult business operating conditions, but its businesses have performed strongly leaving Charterhouse well positioned to take advantage of the expected upturn in the economy.

Citizens Financial Group has completed the acquisition of the Rhode Island network of Bank of New England, Old Colony and through our European alliance with Banco Santander, we have seen further expansion by CC Bank AG

What
gives us
confidence
for the
future?



in Germany and by Banco de Comercio e Industria S.A. in Portugal.

In the period ahead we shall continue to look carefully at opportunities for expansion in England and rationalisation in Scotland, thus enhancing our U.K. wide representation, and we shall give priority to our main business of commercial banking with a view to maximising profits.

Board and executive

My appointment as chairman of the Bank on 1st July 1990 was followed by my appointment as chairman of the Group in succession to Sir Michael Herries following our annual general meeting on 10th January 1991. In a challenging year, I have been grateful for Sir Michael's decision to continue as a director, and for his help and advice in that capacity. Since last January, we have seen the retirement of Bob Maiden and Sir Adam Thomson, whose contributions in their respective roles to the progress of our organisation have been notable.

During the same period, we have welcomed to the Board the complementary talents of John Barclay, Professor Derek Channon, Dr Elizabeth Nelson, Ronald Noel-Paton, David Robinson and Ian Wood, as well as Don Jaime Botin from Banco Santander.

Sir Austin Pearce will retire at this year's annual general meeting. He will step down after many years of valued service, commencing in April 1974, when he joined the board of Williams & Glyn's Bank. He was chairman of Williams & Glyn's Bank between 1983 and 1985 and he has been a vice-chairman of the Group for the last six

years. On behalf of my colleagues on the board and the executive, I take this opportunity to extend to Sir Austin our gratitude for his commitment and wise counsel during his term in office.

Future prospects

The sweeping changes we have been making to our structure and operating practices have enabled us to weather the economic storm. I am pleased that we have emerged from this difficult period with a more streamlined structure that is better suited to the business environment of the 1990's and is characterised by greater individual accountability and speed of response to our customers' requirements.

The reaction of our staff to these challenges has been magnificent, and I welcome this opportunity to express my thanks to them for their considerable efforts during the past 12 months, in what has often been an extremely testing working environment.

The economy is showing signs of turning round and should manifest some growth in 1992, led by a revival in consumer spending. We are realistic enough to recognise, however, that the legacy of an economic downturn will be felt beyond the time when recovery becomes evident. Nevertheless, 1992 holds no fears for us and I look forward to the period ahead with confidence and enthusiasm.

George Ganger.

27th November 1991

Corporate structure

The Royal Bank
of Scotland Group plc

The Royal Bank
of Scotland plc

Branch banking division

This division comprises the U.K. branch network, centralised banking services, international private banking services, the debt factoring business of RoyScot Factors and the hire purchase and instalment finance business of RoyScot Trust. It provides a full range of banking, insurance and other related services to personal and small to medium-sized corporate customers.

Corporate and institutional banking division

This division comprises corporate banking, international banking services, treasury and capital markets, securities services which includes global custody, trustee and share registration, and leasing. It provides a full range of services to larger corporate and institutional customers both domestically and internationally.

Charterhouse

Charterhouse provides a full range of merchant and investment banking services through three subsidiaries. Charterhouse Bank provides corporate finance and a range of specialised lending and treasury services. Equity financing including investment in private companies is offered through Charterhouse Development Capital and securities brokerage services are provided by Charterhouse Tilney, a leading stockbroker.

Financial services division

This division comprises the insurance business of Direct Line Insurance, Royal Bank Insurance Services, Royal Bank Insurance Consultants and Royal Scottish Assurance, the loan and credit card business conducted by RoyScot Financial Services and the investment management business of Capital House Investment Management.

Citizens Financial Group

Citizens Financial Group based in Rhode Island, U.S.A. comprises Citizens Bank, Citizens Trust Company, Citizens Bank of Massachusetts and Gulf States Mortgage Corporation. It offers a wide range of retail and corporate commercial banking services.

Operations division

This division provides the property, personnel and training, information technology processing, electronic banking services, plastic card services, central administration and money transmission requirements of the other divisions, principally, branch banking and corporate and institutional banking. In addition it offers a corporate development and consultancy service to the other divisions.



Charles Winter

The past year has been one of the most demanding for many years as a consequence of the depressed economic environment in our major markets. The main development to report has been the implementation of our new structure which was announced in November 1990. While the benefits of the restructuring are not yet showing in our results, we believe there are encouraging early signs which will produce tangible benefits in the years ahead.

We decided to review our structure as we believed the 1990's would bring significant changes in market needs and increasingly intense competition. From the review we concluded that, while our previous structure had proved effective in broadening the range of financial services which we provided and in widening our geographic spread, we needed to change the focus of our attention. For example, our efforts at cross-selling required to be given increased impetus. There was also duplication of costs and a need to recognise the predominant role of commercial banking and the extent to which our resources should be focused on developing the commercial banking client base.

Our new structure has been built around our main business of commercial banking. It is a divisionalised structure and has involved the creation of new business divisions of the Bank, namely branch banking, corporate and institutional banking, Charterhouse group, financial services, Citizens Financial Group and operations. Fuller details of the new structure are shown on pages 8 and 9 and in the review of operations. The restructuring has

brought together complementary businesses within each division which will enable these businesses to focus specifically on their markets and to maximise the sharing of common resources. Divisions of broadly similar significance have been created to allow appropriate operational autonomy.

A key element of the new divisional structure is that staff at all levels are more accountable for their actions. Managers are able to take the initiative, running their own business units and taking full responsibility for them. To achieve this we have introduced a new flatter, leaner structure which we believe assists all managers in developing their business units and fosters a working environment in which staff can achieve a high level of job satisfaction through increased responsibility. We have taken care to ensure that customer relationships have not been disturbed during the restructuring process as it is important that they enjoy the benefit of the changes as well as the Bank.

Whilst each division has been working hard to implement the new structure the continued recession in the U.K. economy in the past twelve months has

What are the benefits of our new structure?

been one of unexpected length and severity and has had a significant impact on operating profit for the year to 30th September 1991. Profit before exceptional items decreased by 68.6 per cent. to £75.9 million principally as a result of the exceptionally high bad debt charge which reflected the difficulties experienced by a number of our customers. In addition, the extremely poor business environment and the funding costs of non-performing loans severely restricted income growth.

Profit contributions from the divisions were as follows:

	1991 £m	1990 £m
Branch banking	5.7	116.1
Corporate and institutional banking	44.4	40.0
Charterhouse	22.3	48.0
Financial services	14.6	9.0
Citizens Financial Group	11.3	15.2
Operations and central items	(22.4)	13.1
Profit before exceptional items	75.9	241.4

The impact of bad debt provisions this year was felt mostly in branch banking division. It is anticipated that an improvement in the position will lag behind economic recovery and that there will only be a gradual decrease in the bad debts. However, various initiatives to improve performance have already commenced. These include a major rationalisation of the Scottish branch

**Report by the group
chief executive**

network and the targeting of our customer base to whom we hope to sell an increasing number of our products.

Corporate and institutional banking division's profits increased by 11.0 per cent. to £44.4 million. This improvement was due principally to the non-recurrence of significant bad debts of a small number of customers experienced last year. Since then a major aim of the Bank's restructuring, which was to concentrate services required by large corporates in one division, accessed through dedicated relationship managers, has been achieved and is already showing benefits.

In difficult business conditions Charterhouse achieved profits of £22.3 million and has improved market share in all areas of its activities. Charterhouse Tilney continues to be one of the few successful and profitable stockbroking firms in the United Kingdom.

Financial services division increased profits by 62.2 per cent. to £14.6 million. Direct Line Insurance improved its profits and operating ratio despite an industry slump in the United Kingdom. Income on its two main classes of business, motor and home, increased by 55 per cent. and 50 per cent. respectively. Royal Scottish Assurance recorded a small profit in its first year of business and is well placed to make a significant positive contribution in 1992.

Despite the protracted and deep recession in the New England economy, Citizens maintained its profitability although profits were down from U.S.\$25.8 million to U.S.\$21.0 million.

The operations division is remunerated

for its services by the other divisions, principally branch banking and corporate and institutional banking and it has embarked upon a number of initiatives to deliver these services in the most cost effective manner. The £35.5 million change in the contribution was caused mainly by the significant fall in profits from associates and a £5 million increase in the loss from the Bank's card services business.

Although these results are undoubtedly disappointing, we believe that they do not reflect fully what has been achieved during the past year and the steps which have been taken towards building a foundation for strong and profitable growth in the future.

Future aims

Our aim is to be the most profitable financial services organisation within the United Kingdom. To achieve this we shall give priority to our main business of commercial banking in the United Kingdom. We aim to meet an increasing proportion of our customers' banking requirements. We will position Charterhouse as a leading merchant bank and Direct Line Insurance as the market leader in the direct selling of general insurance in the United Kingdom. Royal Scottish Assurance will aim to set new standards in speed and quality of response to customer requirements and emerge as the preferred supplier of life assurance to the Bank's customers.

In Europe, our presence and activities will be directed towards supporting and developing our customer base in the United Kingdom by ensuring that its cross-border requirements are met. IBOS, the cross-border on-line banking

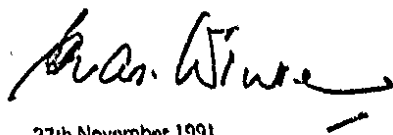


system which we have developed with Banco Santander, has a major part to play in this regard.

In the north-eastern U.S.A. we see Citizens continuing to be a profitable middle market commercial and retailing banking group able to exploit the opportunities available to it in that area.

With our new structure in place we have already begun working towards these aims. Relationship management is being enhanced throughout the branch banking and corporate and institutional banking divisions. This is only part of an improved management culture designed to foster initiative, performance and self-development. We are confident that we have the human and product resources available to achieve these aims in providing the best possible service to our customers, an increase on returns for our shareholders and a challenging and stimulating environment for our staff.

How will
our strategy
achieve
our **aims?**



27th November 1991



The year ended 30th September 1991 has been one of significant change for the Bank. In March of this year, the Bank completed the restructuring which was announced in November 1990. A report on the progress of each of the Bank's new divisions follows:

Branch banking division

Branch banking division comprises the U.K. branch network, the private and offshore banking network, incorporating private trust services, centralised banking services, the debt factoring business of RoyScot Factors and the hire purchase and instalment finance business of RoyScot Trust. The division is responsible for the delivery of full banking, insurance and other related services to the personal sector and to small to medium sized commercial customers.

The U.K. branch network is divided into four geographic regions, namely Scotland, north of England, Midlands and south of England. Following the restructuring within each of these regions, a local director and regional manager network has been established, with full accountability for the branches which come under their control. In Scotland, a major re-organisation of the branch network has taken place which has resulted in groupings being created, each of which comprises a number of branches. In all groupings there is a powerful management team, stronger than any individual branch within the grouping could justify, which can be deployed to meet customer needs at

whichever branch is convenient or at the customer's own premises. Skilled staff remain available in all branches to provide the best possible service to our customers. In England, we have continued with our planned expansion, with the opening of new branches in Ashford, Stafford and High Wycombe with a second branch having been opened in Cambridge in October. The division will continue to seek to identify suitable opportunities for expansion in key locations in England.

Private and offshore banking provides both private trust services and a full range of banking facilities through Child & Company in London and its principal offshore/overseas operating centres. Centralised banking services has continued to provide home purchase and other lending facilities by means of telephone delivery, an area where considerable development is foreseen in the future. RoyScot Factors, which provides factoring and invoice discounting services, and RoyScot Trust, which provides hire purchase and instalment finance, have both continued to develop most satisfactorily and are now aligned appropriately to support the division's initiatives in the commercial market.

Review of operations

The past year, given the economic climate, has provided difficult operating conditions for the division. Much of the division's efforts have been concentrated on the re-organisation of the branch network and the introduction of improved credit control procedures. Nevertheless, the division has continued to design and launch new products for the personal market, while developing and redefining its approach to the commercial market. One of the more recent developments has been the appointment of a director for service quality development who will have responsibility for measuring, monitoring and improving the quality of the division's service to its customers, thereby enhancing our already strong position to one of excellence in the marketplace.

Corporate and institutional banking division

Corporate and institutional banking division is primarily responsible for providing a full range of services to the Bank's major corporate and institutional customers, both domestically and internationally. There are five businesses within the division. These are corporate banking, international banking services, treasury and capital markets, securities services and leasing.

In bringing together these complex businesses, the prime aim has been to concentrate on the provision of sophisticated financial services to the Bank's major corporate clientele.

"We are a leading force in a growth industry with worldwide markets. Has the Royal Bank kept up with our needs?"

The corporate banking area is responsible for building and managing the Bank's relationships with large corporate customers and provides a number of principal products and services including clearing, money transmission, syndicated lending and corporate finance.

International banking services supplies a wide range of products to cater for customer needs in the international markets, including trade finance and international funds transfer services. It also supplies specialist services in correspondent banking and manages the cross-flow of business with Banco Santander, our European alliance partner.

Corporate and institutional banking division is also responsible for the Bank's treasury and capital markets operation, which offers money market, foreign exchange and risk management services. In addition, the securities services area of the division, already recognised as a market leader in its field, offers specialist services which include global custody, corporate trustee and share registration activities.

Leasing supplies tax-based leasing products for large corporate customers to assist them in the financing of assets such as plant, machinery, buildings and other high value equipment.

The division has adopted a relationship management approach. This is central to the division's philosophy of customer service built on the principle of one person co-ordinating the division's day to day dealings with individual customers. It will ensure that the division is able to gain a clearer insight into each customer's business. Also, by determining their banking needs, it can recommend the most appropriate products to satisfy those needs and bring in appropriate expertise as necessary. Small teams have been established in major centres to act as relationship managers.

Overall, the future prospects for the division are promising, primarily through the provision of an enhanced service for existing customers and much improved opportunities for attracting new business. The division will continue to build on its philosophy of relationship

Grandreams Limited

"Grandreams Limited is the foremost mass merchandise publishing company in the United Kingdom. We produce a balanced range of merchandise and literature. Our customers include high street retailers such as F. W. Woolworth and Kwiksave, as well as major wholesalers. From the start, we were impressed by the decisiveness and businesslike approach of the local branch of the Royal Bank. The manager was able to agree to take on the account and meet our needs within 48 hours of the initial meeting. Our relationship with the Bank has gone from strength to strength. Export has always been one of our priorities and the Bank has supported us with excellent advice and first class foreign exchange and international trade services. Having established strong market positions in Australia and the Far East, we are now moving into Eastern Europe."



Peter and Brian Babani, directors of Grandreams Limited at the company's distribution warehouse in Stafford.

*"The Royal Bank totally **understands** our business and has continued to deliver a rapid, highly efficient service."*

Peter Babani
director
Grandreams Limited
customers at Mosley Street office, Manchester

Hydro-Electric plc

"The run up to a flotation is naturally a time of intense pressure and critical decision-making. Charterhouse acted as our advisers throughout the four years leading to privatisation and they made a major contribution to its success. Charterhouse also arranged and is the agent for our syndicated loan facility in which the Royal Bank is the leading lender.

Hydro-Electric works with a number of divisions of the Royal Bank. The Royal Bank understands our operating environment, performance and emerging needs. At an operating level, we make considerable use of the Bank's electronic banking services, whilst the Registrar's department of the Bank provides a quality service. The Royal Bank has provided a responsive, efficient service; we look forward to a continuing good relationship with them."



Joe Birnie, a chargehand (civil), beside Hydro-Electric's dam at Loch Sloy, Inveruglas, near Tarbat, Dunbartonshire.

"The **excellent advice** received from Charterhouse greatly assisted us to meet the challenges of our flotation and we now also make regular use of the Royal Bank's corporate services."

John Gray
finance director
Hydro-Electric plc

Review of operations

throughout western Europe and the developing economies of eastern Europe. Charterhouse's commitment to providing solutions for clients, by means of a high quality of service, ensures that it will be well placed when the economy emerges from the current recession.

Financial services division

The financial services division was established to develop and promote primarily the various insurance businesses within the Group. The division comprises Direct Line Insurance, Royal Bank Insurance Services, Royal Bank Insurance Consultants, Royal Scottish Assurance, RoyScot Financial Services, and Capital House Investment Management.

Direct Line Insurance is the U.K.'s most successful and fastest growing personal lines insurer. This success is owed, at least in part, to the company's use of modern technology and information systems which enable the staff to deal quickly and efficiently with the public directly over the telephone.

The company's headquarters are located in Croydon, as is the southern regional office. Other regional offices are located in Glasgow and Manchester, with each region offering telephone sales and claims servicing.

Over the past twelve months, Direct Line Insurance has achieved the distinction of increasing profits at a time when the insurance industry generally has experienced very heavy losses. Gross

"My life has changed significantly since opening my account with the Royal Bank in 1964—so—why am I still with them?"

written premium increased by some 48 per cent. over the £84 million written last year and at 30th September 1991, 166,000 household policies were in force, together with 411,000 motor policies. For the last six months of the financial year new motor policies were acquired at twice the rate of the same six month period in the previous year.

A Consumers Association Which? magazine survey report in September 1991 recommended Direct Line Insurance's household policy as a "best buy". This is the second time Direct Line Insurance has received favourable comments in a Which? survey—in October 1990 the company was one of only three to achieve top rating for motor claims handling and service.

Given the exceptional growth in both of the company's major products, the increase in profits represents a considerable achievement.

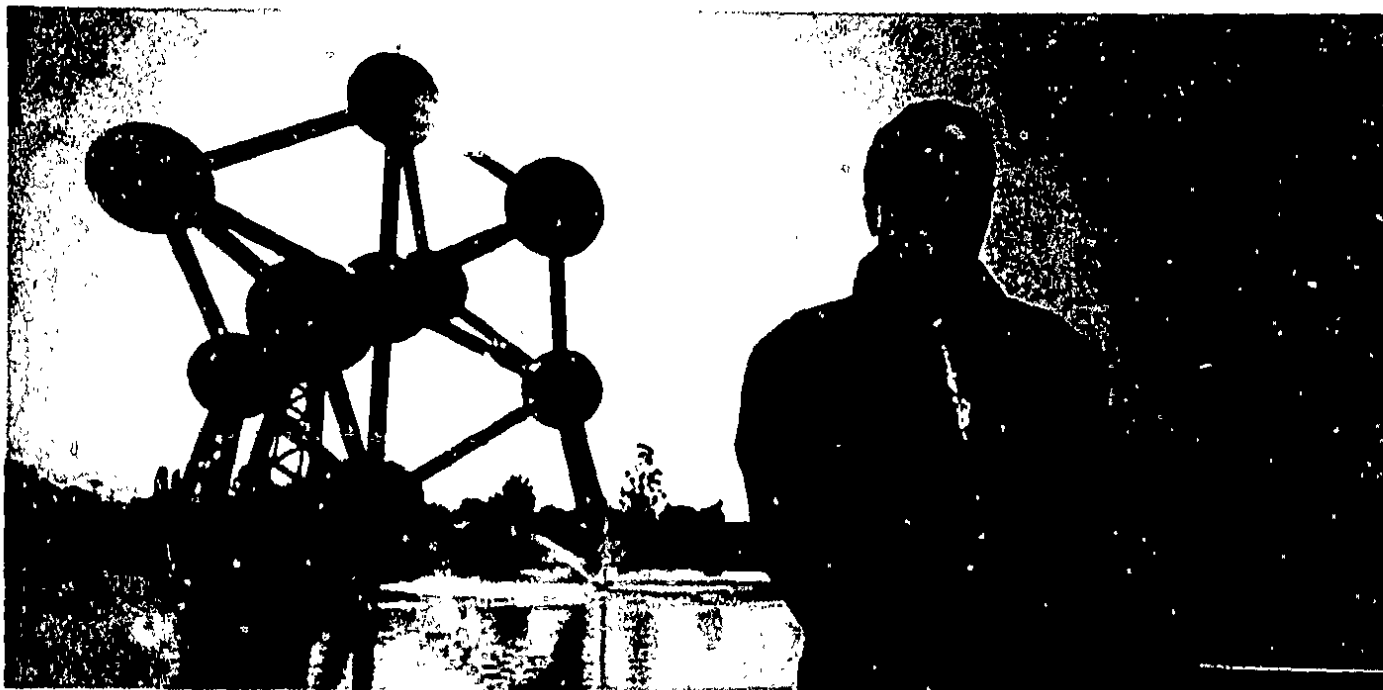
Royal Bank Insurance Services is an independent financial intermediary, which provides independent insurance advice and which specialises in giving advice on a wide range of personal financial products and arranging investment transactions with all leading assurance companies and fund managers. Following a fundamental review of the insurance broking business of the Bank, a new wholly-owned

subsidiary of the Bank, Royal Bank Insurance Consultants, was established on 1st October 1991. It will supply an insurance broking service for non-life insurance business to both individual and corporate clients, permitting Royal Bank Insurance Services to concentrate on life business. The performance of Royal Bank Insurance Services has been satisfactory during the year and it is anticipated that the new, two company structure will operate well within the financial services division.

Royal Scottish Assurance's primary role is to provide customers of the Bank with life assurance products. Although based in Edinburgh, it sells life and pensions products, unit trusts and PEP's, and offers financial "health checks" using laptop computer technology, to Bank customers throughout the U.K. branch network. Since it commenced operations on 1st October 1990, Royal Scottish Assurance has issued over 14,000 policies and has a current sales force of over 100. There is considerable scope for Royal Scottish Assurance to increase its penetration of the Bank's customer base by the continued development of its relationship with the Bank's branches and, together with the expansion of its sales force, it is expected to become a significant contributor to the division.

Dave Thompson

"In the course of my career I have travelled quite extensively and am currently planning to return to the United Kingdom from an assignment with IBM in Brussels. My financial life has become more complex over the years and the Royal Bank has the services I need. It is important to me to be able to rely on their efficiency, advice and helpfulness and in over 25 years they've never let me down. I run a number of accounts—Gold Cheque, Equity Release and Gold 90. The Bank handles my house mortgage and organised my American Express Gold Card. I also own a villa in Tenerife and the Royal Bank's arrangement with Banco Santander recently helped me to resolve some financial issues there. Direct Line Insurance cover my house and their service is both convenient and competitive. The Royal Bank means service plus many services but after 25 years it is being able to rely on their helpful attitude which is important to me."



Dave Thompson, in Brussels where he is currently based.

"They have always been able to meet my changing needs with **courtesy and efficiency** and I feel welcome at the Bank whenever I am home."

Dave Thompson
customer at Sale branch

Review of operations

RoyScot Financial Services operates out of offices in Glasgow and Manchester and the company has invested heavily in the development of "risk management" software, including probability forecasting for credit scoring and provisioning. For the future, RoyScot Financial Services has developed a personal loan package in association with Direct Line Insurance which should become available during 1992. After reporting substantial losses in the prior year, and further losses at the half year to 31st March 1991, the company traded profitably in each of the last seven months of the financial year.

Capital House Investment Management has offices in London, Edinburgh, Manchester, Jersey and Hong Kong and offers a complete range of investment management services to private clients and institutional funds. In the past year, Capital House has launched six new products including two additions to its unit trust range and two new PEP's. The company has had a successful year in the generation of new business, increasing its unit trust sales by over 70 per cent., compared with last year. In 1990, Capital House was once again one of the top ten U.K. institutional fund management companies in terms of investment performance and is building an impressive record of retail fund performance. This, with its increasing profile in the U.K. institutional, retail and private client markets, makes it well placed to increase its new business generation.

"What has Citizens Bank done for our business this year?"

Citizens Financial Group

Citizens Financial Group, Inc., the Bank's U.S. banking subsidiary comprises Citizens Savings Bank and Citizens Trust Company, which operate jointly as Citizens Bank through 49 branch offices in Rhode Island; Citizens Bank of Massachusetts, (formerly Fairhaven Savings Bank) which has four branches in south-eastern Massachusetts; and Gulf States Mortgage Co., Inc., which is a Georgia corporation based in Atlanta with 11 offices in the south-eastern United States.

With total assets of approximately \$4 billion, Citizens is the second largest bank holding company, headquartered in Rhode Island, in terms of both deposits and assets. The bank provides a wide range of retail and corporate banking services including residential and commercial mortgage lending and construction loans. In addition, it engages in a wide variety of commercial loan and leasing activities, consumer lending, credit card services, trust services to businesses and individuals, retail investment services and international banking services.

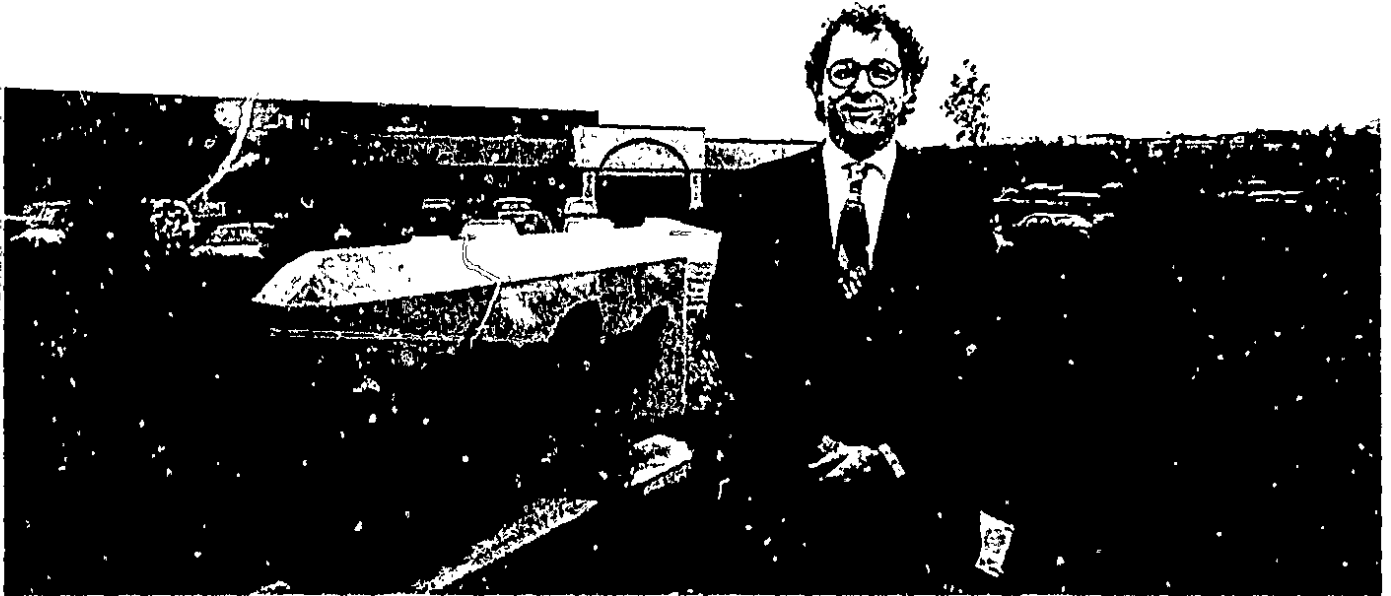
The last year was particularly difficult for the financial community in Rhode Island. On 1st January 1991, the Rhode Island Governor ordered the closure of

45 non-federally insured Rhode Island banks and credit unions following the collapse of the Rhode Island Share and Indemnity Corporation, a private insurance company which insured deposits placed with these banks and credit unions. Citizens Bank, a federally-insured (FDIC) institution, was not affected by this collapse, and came to the assistance of the customers of the closed banks and credit unions by opening its branch offices exclusively for the disbursement of direct deposit funds to their customers. As a result, Citizens received the Social Security Administration's Public Service Award for the effort made by its employees. The closure of the banks and credit unions and the continuing economic recession, have created the most challenging environment for Rhode Island's financial institutions in recent years, from which Citizens has emerged successfully.

In December 1990, Citizens completed its acquisition of selected assets and liabilities of Bank of New England—Old Colony and this, combined with accounts gained as a result of the closure of the banks and credit unions in Rhode Island, has almost doubled the number of Citizens' accounts. As a result, Citizens is now the leading Rhode Island bank for retail savings deposits, mortgages and consumer loans.

Ross-Simons of Warwick Inc.

"Ross-Simons pioneered the concept of selling fine jewellery and branded china, crystal and giftware by mail. We uncovered an opportunity in the marketplace and we haven't yet discovered its limits. Our turnover has increased by an average of 25 per cent. each year for the past decade; we mailed out 28 million glossy catalogues in 1991 and we do more business in a day than many jewellery shops do in a year. This expansion and the maintenance of our high standard of service have required significant and continuing investment. Citizens has supported us all the way with comfortable levels of working capital, including letters of credit for international purchasing and the financing of our 55,000 square foot new warehousing facilities. At a time when some banks are holding their customers back, we are delighted with the service we receive from Citizens."



Darrell Ross, president of Ross-Simons of Warwick Inc. outside the company's premises in Cranston, Rhode Island, U.S.A.

"Citizens has been just the bank we needed: secure, powerful, knowledgeable and **pro-active.**"

Darrell Ross
president
Ross-Simons of Warwick Inc.

Review of operations

Despite the difficult economic environment, Citizens has continued to enhance its commercial lending and mortgage service by establishing four commercial lending teams to ensure responsive and efficient customer service. The treasury and trust services operation has increased its business primarily through its conservative and prudent investment philosophy. Gulf States Mortgage Co., Inc., has also increased its business with its mortgage servicing portfolio growing by more than 30 per cent. to U.S.\$1.8 billion this year.

Citizens' strategy to enhance cross-selling opportunities by marketing package chequing accounts combined with plans to enhance the efficiency of its retail delivery system will ensure that Citizens continues to meet its objectives and provide a high quality service.

Operations division

The operations division is responsible for the property, personnel and training, information technology processing, electronic banking services, plastic card services, business consultancy, central administration and money transmission requirements of the other Bank divisions, principally, branch banking and corporate and institutional banking, on a cost-effective basis. The principal centres of operation are Edinburgh and London, with the credit card business being based in Southend. Following the re-organisation, the division's management implemented a deliberate philosophy of the creation of a market culture for the provision of these internal services.

"What do we expect from our managers of the future?"

The performance of the division's credit card operations has undoubtedly been affected by the recession. However, a number of initiatives have been introduced, particularly in the area of credit assessment and debt collection. It is believed that these will all improve the situation. In August of this year, the Bank announced the introduction of a £10 credit card fee to be implemented in January 1992. Unlike the charges imposed by other banks for credit cards, the system to be introduced by the Bank will not charge a fee for account holders who pay more than a certain level of interest on their accounts.

A number of achievements have been recorded by the division since the re-organisation. A pilot scheme to combat fraud has been launched in which photographs and laser engraved signatures will be used on the Bank's Highline cards. The division continues to develop the Bank's payment services, with Switch being widely recognised as a convenient and accepted payment mechanism. The Inter-Bank On-Line System (IBOS), Europe's only on-line cross-border banking system, is a joint venture with our European alliance partners Banco Santander, and will provide a fast, cheap and efficient Euro-banking service across a network of associate banks in western Europe.

A three-year programme has been

established for significant investment in new software, network systems and hardware. The Bank's new administration centre at Edinburgh, South Gyle is on schedule for completion in the late summer of 1992. The constant review of appraisal, training and promotion processes within the personnel function will ensure that the Bank's staff are armed with the skills appropriate to banking in the 1990's.

As a result of the re-organisation, new training courses have been developed to focus specifically on the needs of staff and the Bank has conducted a staff attitude survey on the new structure, the results of which are being addressed currently by management. In addition, the Bank, by its involvement in Opportunity 2000, is committing itself to establishing new goals for sexual equality to make better use of its female staff and to correct the long-standing under-representation of women at all levels of management.

These initiatives, together with the division's commitment to the provision of cost-effective services will ensure that it meets its objectives and provides a first class service to the Bank's businesses.

Training for our competitive success

"In business there are no guaranteed routes to success, so our investment in our people is not simply a matter of passing on existing knowledge. Our training and development programmes are designed to release the creative thinking and practical problem-solving abilities of our people. The ability to lead and to feel comfortable in a team are indispensable skills in today's business environment. 'Dawn Patrol' is an early morning outdoor activity which never fails to become highly competitive. The Royal Bank believes that its staff *deserve every opportunity* to be successful in their careers. It has established a highly flexible Career Break Scheme which is enabling both men and women to take career breaks of varying types and lengths."



Margaret Hare, a computer-based training designer, who is presently on a part-time Career Break, outside Esdallo, the Royal Bank's training centre in Edinburgh.

"Inspiration, commitment, leadership, clear-thinking . . . a sense of humour. The Royal Bank development programmes bring out **the best** in our people."

John Pettigrew
Head of training and development
training department



From left to right

Peter Wood
managing director
financial services division

Norman McLuskie
managing director
operations division

Tony Schofield
managing director
branch banking division

Victor Blank
chairman and chief executive
Charterhouse

John Barclay
managing director
corporate and institutional
banking division

Unable to attend committee meeting on day photograph was taken



George Graboys
president and
chief executive officer
Citizens Financial Group



David Robinson
director of
external affairs



Charles Winter
group chief executive

George Mathewson
deputy group chief executive

Miller McLean
director
legal and regulatory affairs

Kenneth Thompson
group finance director

Chairman

The Rt. Hon. George Kenneth Hosson Younger, TD, DL, MP (age 60) is a Member of Parliament and Privy Councillor. He was a government minister having held the offices of Secretary of State for Defence and Secretary of State for Scotland. He was appointed chairman in January 1991 and is also a director of Banco de Santander, S.A., Scottish Equitable Life Assurance Society, Siemens Plessey Electronic Systems Limited and four of the Murray Johnstone Investment Trusts. (Chairman of the remuneration committee.)

Vice-chairmen

***Sir Austin Pearco, CBE, DSc** (age 70) is a director of Jaguar PLC, Pearl Group PLC and Smiths Industries plc. He was formerly chairman and chief executive of Esso Petroleum Company Limited and was chairman of British Aerospace PLC until his retirement in 1987. He is also a member of the Panel on Take-overs and Mergers. (Member of the remuneration committee.)

***Alexander Macdonald Hamilton, CBE, JP** (age 66) is a former senior partner in and now a consultant to, the Glasgow firm of solicitors, McGrigor Donald, and is a past president of the Law Society of Scotland. (Member of the audit committee and the remuneration committee.)

*The vice-chairmen are non-executive directors.

Group chief executive

Charles Malino Winter, CBE (age 58) was appointed to this position in October 1985 having previously held the post of deputy group chief executive. He is also a director of Charterhouse plc, Citizens Financial Group, Inc. and Banco de Comercio e Industria S.A.

Deputy group chief executive

Dr George Ross Mathewson, CBE, LLD, FRSE (age 51) was appointed a director in September 1987 and to his current position in June 1990. He is a former chief executive of the Scottish Development Agency and his current directorships include Citizens Financial Group, Inc. and Scottish Financial Enterprise. He is also chairman of Direct Line Insurance plc and Royal Scottish Assurance plc.

Executive directors

John Alistair Barclay (age 57) was appointed a director in January 1991 having been appointed as a director of The Royal Bank of Scotland plc in April 1989. He is managing director of the Bank's corporate and institutional banking division.

Maurice Victor Blank (age 49) was appointed a director in December 1985. He is chairman and chief executive of Charterhouse plc, and also a director of Coats Vycella plc and Business in the Community and a number of other public companies. He is also chairman of the charity, Birthright.

George Graboys (age 59) was appointed a director in February 1989. He is chairman and chief executive officer of Citizens Financial Group, Inc. and also holds a number of directorships at national and local level in the U.S.A.

David Robinson (age 59) was appointed a director in January 1991 having been appointed as a director of The Royal Bank of Scotland plc in December 1986. He is director of external affairs. He also holds a number of directorships including Banco de Comercio e Industria S.A.

Kenneth Thompson (age 58) was appointed finance director in March 1988. He was formerly financial controller of Glaxo Holdings plc. He holds a number of other directorships including Capital House Investment Management Limited.

Non-executive directors

The Rt. Hon. The Earl of Airlie, KT, GCVO, PC, JP (age 65) is Lord Chamberlain of The Queen's Household. He is chairman of General Accident plc and, until 1984, was chairman of Schroders plc, the London merchant banking group. (Member of the remuneration committee.)

Emilio Botin-Sanz Sautuola y Garcia de los Rios (age 57) is chairman of Banco de Santander, S.A. He is also chairman or a director of several Banco Santander Group subsidiaries and a director of a number of Spanish companies.

Jaime Botin-Sanz Sautuola y Garcia de los Rios (age 55) is vice-chairman of Banco de Santander, S.A. He is also chairman of Bankinter.

Professor Derek Franch Channon (age 52) is a professor of strategic management and marketing at Imperial College, London. The recipient of a doctorate in business administration at Harvard Graduate School of Business (U.S.A.), he has acted as a consultant to a large number of banks and financial service institutions in Europe, North America, Africa and the Far East.

Sir Robin Duthie, CBE, LLD (age 63) is a chartered accountant. Until 1990 he was chairman of Britoil plc and he is a former chairman of the Scottish Development Agency. He is a director of a number of other public companies including Charterhouse plc. He is also chairman of Capital House Investment Management Limited and vice-chairman of the Scottish Advisory Board of B.P. (Chairman of the audit committee.)

Ian Faulconer Heathcoat Grant, JP, DL (age 52) is managing director of Glenmoriston Estates Limited and is chairman of Pacific Assets Trust plc. He is a director of a number of British and overseas public and private companies.

Henry Louis Carron Greig, CVO, CBE (age 66) is chairman of Horace Clarkson PLC and a former chairman of the Baltic Exchange in London.

Angus McFarlane McLeod Grossart, CBE, LLD (age 54) is chairman and managing director of Noble Grossart Limited. He is chairman of Scottish Investment Trust PLC and deputy chairman of Edinburgh Fund Managers plc. His other public directorships include Alexander and Alexander (U.S.A.), American Trust plc, Hewden-Stuart plc and Scottish Television plc. (Member of the audit committee.)

John Nigel Courtenay James, CBE, FRICS (age 56) is a trustee of the Grosvenor Estate, London. He is a director of Sun Alliance Insurance Group plc and is a past president of the Royal Institution of Chartered Surveyors.

Dr Elizabeth Hawkins Nelson (age 60) is chairman of the Addison Consultancy Group plc. She is also chairman of Taylor Nelson Group Limited (a market research agency), chairman of the International Research Institute on Social Change (RISC U.K.), president of the World Association of Public Opinion Research, and council member and chairman of the Fellowship Committee, R.S.A.

The Hon. Frederick Randal Noel-Paton (age 53) is managing director of John Menzies plc. Formerly with British Caledonian Airways Limited in Nigeria, and subsequently Hong Kong, he returned to the United Kingdom in 1986. He is also a director of Pacific Assets Trust plc, General Accident plc and Macallan-Glenlivet plc.

Ian Clark Wood, CBE, LLD (age 49) is chairman and managing director of John Wood Group PLC and chairman of J.W. Holdings Limited in Aberdeen. He is chairman of Grampian Enterprise, a member of various Government Oil Industry Advisory Groups, a member of the National Training Task Force and a member of the Scottish Economic Council. (Member of the audit committee.)

Sir Michael Young-Herriges, OBE, MC, JP, LLD, DLitt (age 68) was chairman from 1978 until his retirement in 1991, having joined the board in 1976. He is chairman of the Scottish Mortgage and Trust Company Limited and is a director of a number of public and private companies including Daniel Thwaites PLC and Scottish Widows' Fund and Life Assurance Society. (Member of the remuneration committee.)

Secretary
Kennedy Campbell Foster

Registrars
The Royal Bank of Scotland plc
PO Box 435 Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

Auditors
Coopers & Lybrand Deloitte
Chartered Accountants
Edinburgh and London

Registered office
36 St Andrew Square
Edinburgh EH2 2YB
Telephone: 031-556 8555

The Royal Bank of Scotland Group plc is registered in Scotland No. 45551

The directors have pleasure in presenting their report together with the audited accounts for the year ended 30th September 1991.

Profit and dividends

The profit attributable to the ordinary shareholders of the company amounted to £72.7 million (after preference dividends of £10.7 million—see Note 7 on page 46) as set out in the consolidated profit and loss account on page 37.

An interim dividend of 2.8p per ordinary share was paid on 17th July 1991 at a cost of £21.4 million. The directors now recommend that a final dividend of 6.0p per ordinary share be paid, absorbing £46.3 million. If this recommendation is approved by the shareholders at the annual general meeting, the retained profit for the year will amount to £5.0 million.

Shareholders will be offered the choice of taking ordinary shares in lieu of cash in respect of the final dividend. Details are contained in the letter to shareholders concerning the additional business to be transacted at the annual general meeting.

Activities and business review

The company is a holding company owning the entire issued ordinary share capital of The Royal Bank of Scotland plc ("the Bank"), the direct operating subsidiary of the company. The Bank and its subsidiaries are engaged principally in providing a comprehensive range of banking and other financial services. A review of the business for the year ended 30th September 1991, of recent events, and of likely future developments is contained on pages 4 to 25.

Annual report on Form 20-F

An annual report on Form 20-F is being filed with the Securities and Exchange Commission in the U.S.A. and copies will be available on request to the secretary. Much of the detailed financial information therein is shown in the accounts and subsequent financial analyses.

Corporate structure

Details of the principal subsidiary companies of the company are shown on page 49.

On 22nd November 1990, the company announced a re-organisation involving a number of organisational changes which have resulted in the Bank becoming the only direct operating subsidiary of the company.

As part of this re-organisation, the company sold to the Bank the share capital of each of the subsidiary companies in the company's ownership as at 30th September 1990. The cash consideration received was equivalent to the net asset value of these subsidiary companies.

Ordinary share capital

During the year, the ordinary share capital was increased as follows:—

- (a) 1,515,080 shares under the terms of the company's profit sharing (share ownership) scheme;
- (b) 7,174,938 shares as a result of the exercise of options under the company's executive and savings related share option schemes;
- (c) 6,147,388 shares in lieu of cash dividend; and
- (d) 1,446,288 shares in respect of the deferred consideration payable by Charterhouse plc, in terms of the Agreement dated 28th April 1986 to acquire the stockbroking business of the Firm of Tilney.

Details of the current authorised and issued ordinary share capital are shown on page 53.

At the annual general meeting of the company held on 10th January 1991, resolutions were passed which gave the directors power to allot the unissued shares of the company. Similar resolutions to renew the directors' power for a further year will be proposed at the annual general meeting. The resolutions are contained in the separate letter to shareholders in respect of the additional business to be transacted at the annual general meeting.

Preference share capital

During the year the company issued 8,000,000 Series B non-cumulative dollar preference shares of U.S.\$0.01 each at U.S.\$25.00 per share. The net proceeds from the issue have been used for general corporate purposes and to strengthen further the Group's capital base.

Details of the current authorised and issued non-cumulative preference share capital are shown on page 53.

At the annual general meeting on 16th January 1992, shareholders will be asked to approve the creation of 16,000,000 Category II non-cumulative dollar preference shares of U.S.\$0.01 each and to confer, for a period of five years, authority on the directors to allot the new dollar shares. In addition, a resolution will be proposed to give authority to the directors to allot the non-cumulative sterling preference shares and to make technical amendments to the redemption rights. Details are contained in the separate letter to shareholders regarding additional business at the annual general meeting.

Shareholdings

The company has been notified of the following interests in its shares as at 28th November 1991.

	% held		% held
Ordinary shares:		Preference shares 5½ per cent. cumulative:	
Banco de Santander, S.A.	9.87	Provincial Group PLC	22.83
Scottish Equitable Life Assurance Society	5.22	Guardian Royal Exchange plc	20.25
Preference shares 11 per cent. cumulative:		Bassett-Patrick Securities Limited*	11.56
Guardian Royal Exchange plc	25.97	Mrs Gina Wild	4.95
Commercial Union plc	10.00	Miss Elizabeth Hill	4.03
Prolific Asset Management Limited	7.48		
Great Southern Group Executive Pension Scheme	3.06		

*Notification has been received on behalf of Mr A. W. R. Medlock and Mrs H. M. Medlock that they each have an interest in the holding of 5½ per cent. cumulative preference shares registered in name of Bassett-Patrick Securities Limited noted above and that there are further holdings of 5,000 and 4,875 shares, respectively, of that class registered in each of their names.

Loan capital

Williams & Glyn's (Nederland) B.V., a subsidiary of the Bank, redeemed U.S.\$20 million of its U.S.\$100 million 11 per cent. guaranteed bonds due 1993 in accordance with the relative terms of issue, leaving an outstanding balance of U.S.\$60 million. Details of the outstanding issues of loan capital are shown on page 52.

Premises

During the year, independent professional valuers valued the freehold and long leasehold (more than fifty years unexpired) premises. The new values for these premises have been incorporated in the accounts and the net deficit in revaluation has been taken to reserves. The directors do not believe that the net deficit in revaluation represents a permanent diminution in the value of the premises.

Turnover

For details of turnover attributable to non-banking business, see Note 2 on the accounts on page 43.

Directors

The present members of the board of directors are named on pages 28 and 29.

On 10th January 1991, The Rt. Hon. G. K. H. Younger was appointed chairman of the company in succession to Sir Michael Young-Herries who continues as a director of the company.

Mr P. E. G. Balfour and Mr C. F. E. Shakerley retired from the board of directors at the annual general meeting of the company on 10th January 1991 and Mr R. M. Maiden and Sir Adam Thomson retired on 31st March 1991 and 7th July 1991 respectively.

Mr J. A. Barclay, Don Jaime Botin, Prof D. F. Channon, Dr E. H. Nelson, The Hon. F. R. Noel-Paton, Mr D. Robinson and Mr I. C. Wood were appointed directors of the company on 23rd January 1991. In accordance with the articles of association, they will retire at the annual general meeting. Sir Austin Pearce, Mr I. F. H. Grant, Mr H. L. C. Greig, Mr A. M. M. Grossart and Mr J. N. C. James retire by rotation at the annual general meeting. All the directors retiring at the annual general meeting, with the exception of Sir Austin Pearce, offer themselves for re-appointment.

Directors' interests

The interests of the directors at 30th September 1991 in the shares of the company are shown on page 33.

None of the directors held an interest in the loan capital of the company or its subsidiaries, or in the shares of any of the subsidiaries of the company, during the period between 1st October 1990 and 28th November 1991.

Audit committee

The audit committee comprises Sir Robin Duthie (chairman), Mr A. M. Grossart, Mr A. M. Hamilton and Mr I. C. Wood, all of whom are non-executive directors of the company.

Remuneration committee

The remuneration committee comprises the Rt. Hon. G. K. H. Younger (chairman), Lord Airlie, Mr A. M. Hamilton, Sir Austin Pearce and Sir Michael Herries.

Directors' and officers' liability insurance policy

During the year, the company has maintained cover for its directors and officers and those of a number of its subsidiary companies, under a directors' and officers' liability insurance policy, as permitted by section 137 of the Companies Act 1989.

Staff

The weekly average number of persons employed by the company and its subsidiaries in the United Kingdom was 23,896 and their aggregate remuneration for the year amounted to £374.2 million. The number of persons employed in the United Kingdom at 30th September 1991 was 22,500.

Staff involvement

The company and its subsidiaries encourage staff involvement by a process of communication and consultation. This takes the form of the provision of information through normal management channels, internal publications and regular dialogue with staff representatives.

Profit sharing schemes have existed since 1980 which have included the opportunity to acquire shares in the company. Share option schemes were introduced in 1986.

Share option schemes

On 7th June 1991, options were granted over 440,500 ordinary shares, at a price of 189.0p per share, under the company's executive share option scheme.

On 7th June 1991, options were granted over 7,837,329 ordinary shares, at a price of 152.0p per share, under the company's savings-related share option scheme.

Equal opportunities

The company and its subsidiaries' employment practices follow the best practice of each country in which it operates. In the recruitment of staff and their subsequent career development, individuals are considered having regard to their aptitudes and abilities, irrespective of sex, marital status, race or disability. For serving employees who become disabled, every help is given to ensure their continued employment and to arrange rehabilitative training.

Environment

The company and its subsidiaries recognise that high priority must be given to the protection of the environment. To enhance its commitment to the environment a policy steering group has been established to monitor the impact of the company's and its subsidiaries' activities on the environment, both directly and indirectly, through its relationships with customers.

Charitable and other contributions

The total amount given for charitable purposes by the company and its subsidiaries during the year was £1,059,644. Additionally, contributions amounting to £407,079 were made by the Bank's community fund to support organisations which improve the quality of life for individuals within the community, enhance or conserve the environment, or preserve the national heritage.

Close company provisions

The close company provisions of the Income and Corporation Taxes Act 1988, as amended, do not apply to the company and there has been no change in this respect since 30th September 1991.

Auditors

The auditors, Coopers & Lybrand Deloitte have indicated their willingness to continue in office. Resolutions to re-appoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board.

Secretary
Edinburgh
28th November 1991

Ordinary shares

	30th September 1991		1st October 1990 or date of appointment if later	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
The Rt. Hon. The Earl of Airlie	3,173	—	3,125	—
J. A. Barclay	22,120	—	21,130	—
M. V. Blank	44,461	566,854*	38,700	563,658*
Sir Robin Duthie	6,522	—	6,522	—
G. Graboys	21,864	—	20,811	—
I. F. H. Grant	3,536	—	3,366	—
H. L. C. Greig	3,125	—	3,125	—
A. M. Hamilton	12,500	—	12,500	—
J. N. C. Jones	544	—	519	—
Sir Austin Pearce	3,618	—	3,445	—
D. Robinson	32,068	—	27,604	—
K. Thompson	12,500	—	12,500	—
C. M. Winter	38,782	—	33,237	—
The Rt. Hon. G. K. H. Younger	5,155	—	5,155	—
Sir Michael Young-Herries	15,624	10,636	15,624	10,636

Options to subscribe for ordinary shares of 25p each in The Royal Bank of Scotland Group plc granted to and exercised by directors during the year to 30th September 1991 are included in the table below:

	1st October 1990 or date of appointment if later	Options granted		Options exercised		30th September 1991
		Number	Price £	Number	Price £	
J. A. Barclay	146,377	—	—	37,500 3,750	1.300 1.288	105,127
M. V. Blank	220,000	—	—	—	—	220,000
Dr G. R. Mathewson	220,532	—	—	—	—	220,532
D. Robinson	153,687	3,108	1.520	3,155	1.172	153,640
K. Thompson	212,500	—	—	—	—	212,500
C. M. Winter	280,000	—	—	—	—	280,000
Sir Michael Young-Herries	25,000	—	—	—	—	25,000

*Mr M. V. Blank's non-beneficial interest relates to his acting as a co-trustee of the staff profit sharing share schemes of Charterhouse Bank Limited, Charterhouse Development Capital Limited and Charterhouse Tilney. No other director had an interest in the ordinary shares during the year.

Preference shares

Mr A. M. Hamilton held a beneficial interest in 180 11 per cent. cumulative preference shares of the company at 30th September 1991 and at 1st October 1990. Mr G. Graboys held a beneficial interest in 2,000 Series A non-cumulative dollar preference shares of U.S.\$0.01 each of the company at 30th September 1991 and at 1st October 1990. No other director had an interest in the preference shares during the year.

There has been no change in the directors' interests in the shares of the company shown above between 30th September 1991 and 28th November 1991.

	1987 £m	1988 £m	1989 £m	1990 £m	1991 £m
Profit before provisions	357.2	371.9	427.1	457.8	435.4
Provisions	(83.0)	(62.7)	(90.6)	(216.4)	(359.5)
Profit before exceptional items	274.2	309.2	336.5	241.4	75.9
Exceptional items	(77.0)	—	(108.3)	20.8	(18.2)
Profit before taxation	197.2	309.2	228.2	262.2	57.7
Taxation†	(68.1)	(115.1)	(80.7)	(92.6)	33.1
Profit after taxation	129.1	194.1	147.5	169.6	90.8
Earnings per 25p ordinary share*					
before exceptional items	25.3p	26.8p	29.4p	19.3p	6.1p
after exceptional items	18.0p	26.8p	19.9p	21.1p	10.5p
Dividends per 25p ordinary share*	5.1p	6.0p	7.2p	8.4p	8.8p
Dividend cover (times)	3.5	4.5	2.8	2.5	1.2
	£m	£m	£m	£m	£m
Issued share capital	72.1	72.9	188.9	189.8	193.9
Reserves	979.2	1,196.8	1,221.8	1,318.6	1,407.3
Shareholders' funds	1,051.3	1,269.7	1,410.7	1,508.4	1,601.2
Minority interests	5.4	7.7	7.8	7.8	15.5
Dated loan capital	345.1	637.2	785.8	720.1	726.3
Undated loan capital	215.1	207.4	462.3	400.0	427.7
Capital resources	1,616.9	2,122.0	2,666.6	2,636.3	2,770.7
	£bn	£bn	£bn	£bn	£bn
Deposits and customers' current accounts	16.6	18.4	23.2	25.7	27.8
Advances to customers and other accounts	12.6	13.7	19.1	21.0	22.5
Total assets	19.1	21.7	27.4	30.1	32.2
Bank branches	856	857	905	908	902
Other branches	61	342	394	111	119
Number of employees at 30th September	19,557	23,174	26,530	25,359	24,616
Average base rate	10.2%	9.3%	13.2%	15.0%	12.6%

†The 1991 figure includes an exceptional release of £40.0 million from deferred tax.

*For the years 1987 and 1988, earnings and dividends per 25p ordinary share have been adjusted to show the effects of the capitalisation issue in September 1989.

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

The consolidated accounts are prepared in accordance with Part VII, Chapters I and II of, and Schedule 4A as modified by Schedule 9 to, the Companies Act 1985. The accounts of the company are prepared in accordance with section 226 of, and Schedule 4 to, the Companies Act 1985. As provided by section 230(3) of the Companies Act 1985, no profit and loss account is presented for the company.

1 Accounting convention and bases of consolidation

The accounts are prepared under the historical cost convention modified by the periodic valuations of premises and certain investments. The consolidated accounts deal with the accounts of the company, its subsidiaries and associates (the "Group") made up to 30th September with the exception of certain subsidiary companies where accounts are made up to 30th June to avoid undue delay in publication of the Group's accounts. Unaudited management accounts are used, with the permission of the Department of Trade and Industry, for certain subsidiary companies.

The Group accounts for subsidiaries by consolidating fully their assets, liabilities and results for the year and by showing separately the interests of minority shareholders therein. All inter-company balances and transactions are eliminated from the consolidated statements.

Investments in associated companies are accounted for by the equity method and are stated in the consolidated balance sheet at the investing company's share of their net tangible assets. The investing company's share of the results of associated companies is included in the consolidated profit and loss account. For this purpose, the latest available audited accounts are used together with available unaudited interim accounts.

2 Goodwill

Goodwill arising on acquisitions of subsidiaries and associates, being the excess of cost over fair value of the Group's share of net tangible assets acquired, is charged against reserves in the year of acquisition and written back in the year of disposal.

3 Rates of exchange

The balance sheets of overseas branches and subsidiaries are translated into sterling at the rates of exchange ruling at 30th September and their profit and loss accounts are translated at the average rates of exchange for the year to 30th September.

Exchange differences relating to trading are dealt with in the profit and loss account; those arising from the application of closing rates of exchange to the opening net assets of overseas subsidiaries are taken to reserves.

At 30th September 1991, the principal rate of exchange for foreign currency translations was U.S.\$1.7535=£1 (1990—U.S.\$1.8750=£1). The principal average rate of exchange for foreign currency translations for the year to 30th September 1991 was U.S.\$1.8360=£1 (1990—U.S.\$1.6950=£1).

4 Pension costs

In arriving at the operating profit, the costs of providing pensions are assessed and charged on a regular basis in accordance with the advice of independent professionally qualified actuaries.

5 Lease income recoverable

Income after taxation from finance leases is recognised over the primary period of the lease in proportion to the net funds invested. It is allocated to profit before and after taxation by applying the prevailing rate of corporation tax to the net income.

Income from operating leases is credited to profit and loss account on a straight-line basis over the period of each lease.

6 Taxation

Provision is made for taxation at current rates on the taxable profits and relief for overseas taxation is taken where appropriate. Certain items of income and expenditure are accounted for in different periods for financial reporting purposes and for taxation purposes.

Deferred taxation is provided on the liability method in respect of timing differences to the extent that they are likely to crystallise in the foreseeable future.

7 Provisions for bad and doubtful debts

Specific provisions are made against advances when, as a result of a detailed appraisal of the advances portfolio, it is considered that recovery is doubtful. A general provision is made against advances to cover bad and doubtful debts which have not been separately identified but are known from experience to be present in any portfolio of bank advances. The specific and general provisions are deducted from advances. Provisions made during the year (less amounts released and recoveries of amounts written off in previous years) are charged against profits. Where interest on doubtful advances is credited to the profit and loss account, provision is made as appropriate. Advances classified as bad debts are written off in part or in whole when the extent of the loss incurred has been confirmed.

8 Trade investments

Trade investments are included in the consolidated balance sheet at cost less amounts written off and provision is made against the book value where in aggregate this exceeds current valuation and where there has been a permanent diminution in value. Income is recognised when dividends are received.

9 Investments (other than trade investments)

Premiums and discounts on the acquisition of dated stocks which are not held as dealing investments are amortised over the period from date of purchase to date of maturity and an appropriate proportion thereof is included in the profit and loss account. Such stocks are shown in the consolidated balance sheet at amortised cost. Dated stocks which are held as dealing investments are included at market value.

Investments, other than dated stocks and those held for dealing purposes, are included in the consolidated balance sheet at the lower of cost and market value and, in the case of unlisted investments, at the lower of cost and directors' valuation. Investments held for dealing purposes are included in the consolidated balance sheet at market value.

Investments in subsidiaries and in associated companies are included in the balance sheets at the investing company's share of the net tangible assets.

Profits and losses on sales of investments are dealt with in the profit and loss account as they arise.

10 Premises and equipment

Freehold and long leasehold buildings are maintained to the highest possible standard by regular expenditure charged against operating profit, and accordingly are not depreciated. Short leasehold premises are amortised by equal annual instalments over the unexpired term of the lease. Full professional valuations of premises are made periodically and any increase or deficit on revaluation is reflected in fixed assets and reserves at that time. Any profit from the sale of revalued premises is calculated by deducting the revalued amount from the net proceeds.

Computers are depreciated on a straight-line basis over five years and other equipment over periods between four and fifteen years.

11 Off-balance sheet items

Off-balance sheet items such as forward rate agreements, interest rate swaps, currency swaps, interest rate options, foreign currency options and financial futures are segregated into hedging transactions and trading transactions.

Generally, hedging transactions are valued on the same basis as the assets, liabilities or positions which are the subject of the hedge. Any profit or loss is recognised at the same time as any profit or loss arising from the transactions which are the subject of the hedge. In respect of trading transactions, fees and amounts receivable and payable under contracts, together with gains and losses on any associated hedging instruments, are included in the profit and loss account at their net present value. This is calculated by reference to all anticipated future cash flows, valued at year-end interest and exchange rates, net of cash paid or received, discounted back to net present value. The net movement in net present value during the period is taken to the profit and loss account as other operating income, less provision for credit and market risk. All associated costs of dealing are recognised when incurred.

Forward foreign exchange contracts are valued at the forward market rates ruling at the balance sheet date and the difference between those values and the contract prices are taken to the profit and loss account as operating income. However, where contracts are entered into in conjunction with loans and deposits, the resultant gains or losses are apportioned over the period of the contracts.

Report of the auditors

To the members of The Royal Bank of Scotland Group plc

We have audited the accounts on pages 35 to 55 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the Group at 30th September 1991 and of the profit and cash flow of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants

Edinburgh

28th November 1991

Consolidated profit and loss account
for the year ended 30th September 1991

	Note	£m	1990 £m
Operating profit			
The company and its subsidiaries	3	69.2	213.0
Share of profits of associated companies		6.7	28.4
Profit before exceptional items		75.9	241.4
Exceptional items	4	(18.2)	20.8
Profit before taxation		57.7	262.2
Taxation	5	33.1	(92.6)
Profit after taxation		90.8	169.6
Minority interests		0.1	(0.2)
Profit before extraordinary items		90.9	169.4
Extraordinary items	6	(7.5)	34.6
Profit after extraordinary items		83.4	204.0
Preference dividends	7	10.7	10.4
Profit attributable to ordinary shareholders		72.7	193.6
Ordinary dividends	9	67.7	63.4
Retained profit	26	5.0	130.2
Earnings per 25p ordinary share	10		
before exceptional items		6.1p	19.3p
after exceptional items		10.5p	21.1p

Consolidated balance sheet
at 30th September 1991

	Note	£m	1990 £m
Assets employed:			
Cash and short-term funds		7,501.8	7,060.4
Collections on other banks		580.4	420.8
Investments	11	766.9	741.8
Advances to customers and other accounts	12	22,460.6	21,022.7
Trade investments	13	59.2	67.9
Investments in associated companies	14	131.4	111.6
Premises and equipment	18	679.7	670.8
		32,180.0	30,096.0
Financed by:			
Deposits and customers' current accounts	20	27,781.9	25,729.6
Other liabilities	21	1,627.4	1,730.1
Dated loan capital	23	726.3	720.1
Undated loan capital	24	427.7	400.0
Minority interests		15.5	7.8
Issued share capital	25	193.9	189.8
Reserves	26	1,407.3	1,318.6
		32,180.0	30,096.0

Chairman

Vice-chairman

Group chief executive

Group Manager

Chief

Mr. Sturges

	Note	£m	1990 £m
Fixed assets			
Investments:			
Shares in subsidiaries	15	1,588.2	1,741.6
Loans to subsidiaries	17	677.7	618.3
Trade investments		—	2.4
		2,265.9	2,362.3
Current assets			
Debtors:			
Due by subsidiaries		84.9	13.8
Debtors and other accounts		1.9	1.6
		86.8	15.4
Creditors			
Amounts falling due within one year:			
Creditors		12.1	13.5
Due to subsidiaries		—	16.1
Current taxation		15.4	14.1
Proposed final dividends	9	46.3	42.3
		73.8	86.0
Not current assets/(liabilities)		13.0	(70.6)
Fixed assets less not current liabilities		2,278.9	2,291.7
Amounts falling due after more than one year			
Due to subsidiaries		—	133.3
		2,278.9	2,158.4
Dated loan capital	23	250.0	250.0
Undated loan capital	24	427.7	400.0
Capital and reserves			
Called up share capital	25	193.9	189.8
Share premium account	26	387.7	251.7
Revaluation reserve	26	875.3	877.0
Profit and loss account	26	144.3	189.9
		1,601.2	1,508.4
		2,278.9	2,158.4

Chairman

Vice-chairman

Group chief executive

Cyril Gwyer

Alan Wynn

	£m	£m	£m	1990 £m
Net cash inflow from operating activities				
Returns on investments and servicing of finance		306.8		1,069.3
Dividends received from associated companies	4.8		28.9	
Ordinary dividends paid	(63.7)		(57.2)	
Preference dividends paid	(10.7)		(10.4)	
Dividends paid to minority shareholders	(0.2)		(0.1)	
Net cash outflow from returns on investments and servicing of finance		(69.8)		(38.8)
Taxation				
Corporation tax paid	(59.8)		(61.7)	
Overseas tax paid	(11.9)		(14.2)	
Net cash outflow from taxation		(71.7)		(75.9)
Investing activities				
Acquisition of Old Colony branch network	171.0		—	
Sale of subsidiary	—		19.4	
Purchase of trade investments	(6.6)		(14.7)	
Sale of trade investments	19.2		6.9	
Investment in associated company	(5.6)		(70.3)	
Sale of investment in associated company	1.7		71.2	
Purchase of premises and equipment	(133.8)		(121.4)	
Sales of premises and equipment	49.6		40.1	
Net cash inflow/(outflow) from investing activities		95.5		(68.8)
Net cash inflow before financing		260.8		885.8
Financing				
Issue of ordinary share capital	23.2		6.3	
Issue of preference share capital	114.8		—	
Repayments of loan capital	(16.5)		(12.3)	
Net cash inflow/(outflow) from financing		121.5		(6.0)
Increase in cash and cash equivalents		382.3		879.8

Notes on the cash flow statement

(a) Analysis of changes in cash and cash equivalents during the year

	£m	1990 £m
Balance at 1st October	7,060.4	6,322.9
Net cash inflow before adjustments for the effect of foreign exchange rate changes	382.3	879.8
Effect of foreign exchange rate changes	59.1	(142.3)
Balance at 30th September	7,501.8	7,060.4

(b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	£m	1990 £m	Change in year £m
Coin, bank notes and balances with the Bank of England	850.3	912.5	(62.2)
Money at call and short notice	5,594.3	5,322.4	271.9
Marketable bills of exchange	570.9	562.5	8.4
Certificates of deposit	486.3	263.0	223.3
	7,501.8	7,060.4	441.4

The Group is required to maintain balances with the Bank of England which, at 30th September 1991, amounted to £56.6 million (1990—£54.0 million).

Certain subsidiary companies of the Group are required by law to maintain average reserve balances with the Federal Reserve Bank in the U.S.A. Such reserve balances amounted to U.S.\$64.7 million at 30th September 1991 (1990—U.S.\$30.4 million).

(c) Analysis of changes in financing during the year

	£m	Share capital (including premium) 1990 £m	£m	Loan capital 1990 £m
Balance at 1st October	441.5	451.9	1,120.1	1,248.1
Effect of foreign exchange differences	2.2	(16.6)	50.4	(115.7)
Cash inflow/(outflow) from financing	142.4	6.3	(16.5)	(12.3)
Other movements	(4.5)	(0.1)	—	—
Balance at 30th September	581.6	441.5	1,154.0	1,120.1

(d) Reconciliation of operating profit to net cash inflow from operating activities

	£m	1990 £m
Operating profit—the company and its subsidiaries	69.2	213.0
Decrease/(increase) in interest receivable and prepaid expenses	57.9	(161.2)
(Decrease)/increase in interest payable and accrued expenses	(37.2)	118.1
Release of provisions against rescheduling country debt	—	20.8
Increase/(decrease) in provisions for bad and doubtful debts	33.9	(50.7)
Depreciation	45.5	53.2
Profit on sale of premises and equipment	(0.3)	(0.9)
Restructuring costs	(28.5)	—
Provision for contribution to Deposit Protection Fund	(4.9)	—
Provision for loss on disposal of assets of RoyScot Contracts Limited	(7.5)	—
Profit on sale of trade investments	(4.4)	—
Net cash flow from trading activities	123.7	192.3
Net increase in deposits and commercial paper	1,583.1	2,534.7
Net increase in loans to customers	(1,745.3)	(1,419.1)
Net change in finance lease balances receivable	(135.3)	(241.2)
Decrease in securities held (other than those treated as investment activities)	(23.2)	39.9
Increase in collections on other banks	(159.6)	(18.7)
Net increase in placements with banks (repayable beyond 1 month)	633.4	(18.6)
Net cash inflow from operating activities	306.8	1,069.3

1 Segmental analysis

In the tables below, the analyses of net assets are included in compliance with Statement of Standard Accounting Practice No. 25 "Segmental Reporting". The fungible nature of liabilities within the banking industry and the divisional restructuring into these segments during the year inevitably results in allocations of liabilities which, in some cases, are necessarily subjective. The directors believe that it is more meaningful to analyse total assets and the result of this analysis is therefore also included in the tables.

(a) Classes of business

1991	Branch Banking £m	Corporate and Institutional Banking £m	Charterhouse £m	Financial Services £m	Citizens £m	Operations and central items £m	Group Total £m
<i>Result before taxation</i>							
Profit before provisions	238.8	113.5	38.5	26.5	27.7	(16.3)	428.7
Charges for provisions	(233.1)	(69.1)	(18.6)	(11.9)	(16.4)	(10.4)	(359.5)
Segment result	5.7	44.4	19.9	14.6	11.3	(26.7)	69.2
Exceptional items	—	—	—	—	—	(18.2)	(18.2)
Share of results of associated companies	—	—	2.4	—	—	4.3	6.7
Group result before taxation	5.7	44.4	22.3*	14.6	11.3*	(40.6)	57.7
<i>Total assets</i>							
Segment total assets	14,503.0	12,295.0	1,473.5	364.5	2,187.9	1,224.7	32,048.6
Carrying value of associated companies	—	—	26.4	—	—	105.0	131.4
Total assets	14,503.0	12,295.0	1,499.9	364.5	2,187.9	1,329.7	32,180.0
Net assets	706.5	373.8	176.8	103.7	158.6	81.8	1,601.2
1990							
<i>Result before taxation</i>							
Profit before provisions	218.2	116.0	58.7	21.4	29.9	(14.8)	429.4
Charges for provisions	(102.1)	(76.0)	(15.0)	(12.4)	(14.7)	3.8	(216.4)
Segment result	116.1	40.0	43.7	9.0	15.2	(11.0)	213.0
Exceptional items	—	—	—	—	—	20.8	20.8
Share of results of associated companies	—	—	4.3	—	—	24.1	28.4
Group result before taxation	116.1	40.0	48.0*	9.0	15.2*	33.9	262.2
<i>Total assets</i>							
Segment total assets	12,525.8	12,358.6	1,926.0	337.0	1,641.9	1,195.1	29,984.4
Carrying value of associated companies	—	—	24.9	—	—	86.7	111.6
Total assets	12,525.8	12,358.6	1,950.9	337.0	1,641.9	1,281.8	30,096.0
Net assets	607.2	307.2	176.5	57.5	166.7	193.3	1,508.4

*Note: the figures for Charterhouse are stated before any transfer to inner reserves and after making consolidation adjustments. The figures for Citizens are stated in accordance with U.K. generally accepted accounting principles (U.K. GAAP).

Segmental analysis continued

The geographical analyses in the tables below have been compiled on the basis of location of office.

(b) Geographical segments

1991	U.K. £m	Europe £m	U.S.A. £m	Rest of the World £m	Group Total £m
<i>Result before taxation</i>					
Profit before provisions	394.5	5.4	27.7	1.1	428.7
Charges for provisions	(341.1)	(1.5)	(16.4)	(0.5)	(359.5)
Segment result	53.4	3.9	11.3	0.6	69.2
Exceptional items	(18.2)	—	—	—	(18.2)
Share of results of associated companies	1.8	4.9	—	—	6.7
Group result before taxation	37.0	8.8	11.3	0.6	57.7
<i>Total assets</i>					
Segment total assets	28,290.8	207.2	2,187.9	1,362.7	32,048.6
Carrying value of associated companies	58.1	73.3	—	—	131.4
Total assets	28,348.9	280.5	2,187.9	1,362.7	32,180.0
Net assets	1,403.2	18.6	158.6	20.8	1,601.2
1990					
<i>Result before taxation</i>					
Profit before provisions	394.0	6.0	29.9	(0.5)	429.4
Charges for provisions	(199.7)	(1.4)	(14.7)	(0.6)	(216.4)
Segment result	194.3	4.6	15.2	(1.1)	213.0
Exceptional items	20.8	—	—	—	20.8
Share of results of associated companies	23.0	5.4	—	—	28.4
Group result before taxation	238.1	10.0	15.2	(1.1)	262.2
<i>Total assets</i>					
Segment total assets	27,250.6	211.4	1,641.9	880.5	29,984.4
Carrying value of associated companies	59.2	52.4	—	—	111.6
Total assets	27,309.8	263.8	1,641.9	880.5	30,096.0
Net assets	1,301.3	21.0	166.7	19.4	1,508.4

2 Turnover

Turnover attributable to the business of banking is not shown. Non-banking turnover of subsidiary companies was:

	£m	1990 £m
Capital cost of assets financed	815.4	776.4
Insurance	140.2	98.2
Credit card business	23.8	24.5
Other non-banking activities	83.9	56.9
	1,063.3	956.0

3 Operating profit

The operating profit of the company and its subsidiaries is stated after taking account of the following:

	£m	1990 £m
Income		
Income from investments (other than trade investments) including the amortisation of dated stocks:		
Listed investments	62.4	63.5
Unlisted investments	12.7	14.5
Income from trade investments:		
Listed investments	1.8	1.2
Unlisted investments	1.8	2.1
Profit on sales of investments	23.7	23.4
Charges		
Interest on deposits and other accounts	2,557.9	2,666.6
Interest on loan capital	104.9	120.0
Hire of equipment	14.8	13.9
Operating lease rentals of premises	26.9	19.6
Operating lease rentals of computers and other equipment	7.8	3.2
Finance charges on leased assets	2.3	0.3
Pension funds' charges (see below)	23.6	18.8
Staff profit sharing schemes	6.3	16.1
Auditors' remuneration [the company £32,500 (1990—£49,800)]	1.0	1.1
Depreciation:		
Short leasehold buildings	2.8	1.6
Computers and other equipment	42.7	51.6

Pension funds' charges

The principal pension scheme in the Group is that of The Royal Bank of Scotland plc. It is a funded defined benefit scheme and is set up under trust. Using the projected unit method, the regular cost of pensions is spread over employees' expected working lives and is based on a formal actuarial valuation which was completed as at 30th June 1991, at which date the market value of the scheme's assets was £860 million. The principal assumptions used were that the annual rate of return on investments would be 2.5 per cent, higher than the annual increase in salaries, 4.5 per cent, higher than the annual increase in present and future pensions and 4.0 per cent, higher than the annual increase in equity dividends. The valuation referred to above disclosed that the actuarial value of the assets was sufficient to cover 115 per cent. of the benefits that had accrued to members after allowing for expected future increases in earnings. The pension charge has been reduced for the effects of the surplus and this variation from the regular cost has been calculated by amortising the surplus over the employees' expected working service lives. The surplus is being corrected by a suspension of contributions which is expected to apply until 1st July 1993.

The pension schemes operated within Charterhouse and Direct Line Insurance are similarly constituted and are fully funded. The principal overseas scheme, which is sponsored by Citizens Savings Bank, is a defined benefit plan and is funded on a current basis in compliance with the requirements of the Employee Retirement Income Security Act in the U.S.A.

4 Exceptional items

	£m	1990 £m
Restructuring costs	(28.5)	—
Provision for contribution to Deposit Protection Fund	(4.9)	—
Share of release of provisions by associated company	15.2	—
Release of exceptional rescheduling country debt provisions made in 1987 and 1989	—	20.8
	(18.2)	20.8

Note 5 below gives details of the exceptional deferred tax release of £40.0 million.

5 Taxation

The company and its subsidiaries:

	£m	1990 £m
Based on the profit for the year:		
U.K. corporation tax at 33.5 per cent. (1990—35 per cent.)	4.5	30.1
Relief for overseas taxation	(0.6)	(1.0)
Deferred taxation	(6.2)	35.8
	(2.3)	64.9
Overseas taxation	11.9	14.2
	9.6	79.1
Exceptional release of deferred tax	(40.0)	—
Prior year items	(4.2)	1.4
	(34.6)	80.5
Share of associated companies	1.5	12.1
	(33.1)	92.6

The current year's rate of taxation is lower than the expected U.K. tax rate of 33.5 per cent. mainly as a result of the exceptional release of provisions by an associated company not being subject to taxation and an exceptional release of £40.0 million from deferred tax previously provided in respect of capital allowances on finance lease receivables which the directors consider will not be payable in the foreseeable future.

6 Extraordinary items

	£m	1990 £m
Profit on sale of investment in Yorkshire Bank PLC (after taxation of £13.8 million)	—	35.8
Loss on sale of investment in A. T. Mays Group PLC	—	(1.2)
Provision for loss on sale of assets of RoyScot Contracts Limited (after a taxation credit of £3.1 million)	(7.5)	—
	—	34.6

7 Preference dividends

	£m	1990 £m
On cumulative preference shares of £1 each*	0.1	0.1
On Series A non-cumulative dollar preference shares of 1 cent each	9.5	10.3
On Series B non-cumulative dollar preference shares of 1 cent each	1.1	—
	10.7	10.4

*The cumulative preference shares of £1 each consist of £0.5 million 11 per cent. (now 7.7 per cent. plus tax credit) and £0.4 million 5½ per cent. (now 3.85 per cent. plus tax credit).

A half-yearly dividend on the cumulative preference shares was paid on 31st May 1991 at a cost of £27,000. The directors have declared the dividend for the half-year ended 30th September 1991 on the cumulative preference shares which will cost £27,000. Dividends were paid on the Series A non-cumulative dollar preference shares at a rate of U.S.\$0.703125 per share (subject to deduction of tax) on 31st December 1990, 28th March, 28th June and 30th September 1991 totalling U.S.\$16.9 million. A dividend was paid on the Series B non-cumulative dollar preference shares at a rate of U.S.\$0.303333 per share (subject to deduction of tax) on 30th September 1991.

8 Profit dealt with in the accounts of the company

Of the profit attributable to ordinary shareholders, £75.8 million (1990—£233.0 million) has been dealt with in the accounts of the company.

9 Ordinary dividends

	p per share	1990 p per share	£m	1990 £m
Interim	2.8	2.8	21.4	21.1
Proposed final	6.0	5.0	46.3	42.3
	8.8	8.4	67.7	63.4

10 Earnings per ordinary share

Earnings per ordinary share have been calculated by reference to the weighted average of 762.4 million (1990—753.3 million) ordinary shares in issue during the year, profit of £46.7 million (1990—£145.5 million) before the exceptional items, net of taxation relating thereto, and profit of £80.2 million (1990—£159.0 million) after the exceptional items (detailed in notes 4 and 5) but before the extraordinary items. Fully diluted earnings per share are not given as the dilution arising from options granted is not material.

11 Investments

	Book value £m	Valuation £m	1990 Book value £m	1990 Valuation £m
Listed investments:				
British Government securities	57.6	57.6	149.2	142.4
Other investments listed in Great Britain	96.1	113.2	95.6	109.2
Investments listed elsewhere	464.7	469.8	369.3	381.3
	618.4	640.6	614.1	632.9
Unlisted investments	148.5	172.8	127.7	130.9
	766.9	813.4	741.8	763.8

No provision has been made for the potential taxation liability which might arise in the event of any of the above investments being realised at either their book value or their valuation.

12 Advances to customers and other accounts

	£m	1990 £m
Advances to customers	18,566.9	16,464.2
Amounts receivable under finance leases	1,542.2	1,450.3
	20,109.1	17,914.5
Placings with banks over one month	2,336.0	2,999.4
Debtors and other accounts	562.0	615.0
Provisions for bad and doubtful debts (see below)	(546.5)	(506.2)
	22,460.6	21,022.7

The cost of assets acquired during the year for the purpose of letting under finance leases and hire purchase agreements was £815.4 million (1990—£776.4 million).

Provisions for bad and doubtful debts and movements thereon in the year were:

	Specific £m	General £m	1990 Specific £m	General £m
At 1st October	434.4	71.8	502.2	67.7
Currency translation adjustment	5.0	1.4	(11.3)	(1.7)
Amounts written off	(328.7)	—	(227.6)	—
Additions on acquisition of Old Colony branch network	4.0	3.1	—	—
Recoveries of amounts written off in previous years	4.4	—	3.9	—
Transfer to specific provision	1.7	(1.7)	—	—
Charge to profit and loss account	351.2	(0.1)	188.0	5.8
Exceptional item (see note 4)	—	—	(20.8)	—
At 30th September	472.0	74.5	434.4	71.8
	546.5		506.2	

13 Trade investments

	Book value £m	Valuation £m	1990 Book value £m	Valuation £m
Investments listed other than in Great Britain	48.1	49.8	48.3	37.4
Unlisted investments	11.1	18.4	19.6	26.4
	59.2	68.2	67.9	63.8

No provision has been made for the potential taxation liability which might arise in the event of any of the above investments being realised at either their book value or their valuation.

14 Investments in associated companies

The associated companies are:

	Total issued share and loan capital at 30th September 1991	% held	Share of results based on accounts made up to	Nature of business
Banco de Comercio e Industria, S.A. (incorporated in Portugal)	19.1m ordinary shares of Escudos 1,000	15.7	30th September*	Banking
CC-Bank AG (incorporated in Germany)	42,500 ordinary bearer shares of DM 1,000 DM 14.7m loan capital	50.0 16.0	30th September*	Banking
CC-Banque Belgique, S.A. (incorporated in Belgium)	5.7m registered shares of no par value	50.0	30th September*	Banking
Charterhouse Development Capital Fund Limited	7.9m £1 ordinary shares	47.6	30th September	Development capital
ICCH Limited	15.0m £1 ordinary shares	10.0	31st July*	Clearing house holding company
3i Group plc	235.6m £1 shares £804.2m loan capital	7.4 1.3	30th June*	Investment financing
The Scottish Agricultural Securities Corporation p.l.c.	2.0m £1 shares £8.5m loan stock	33.3 Nil	31st March	Agricultural lending
Travellers Cheque Associates Limited	0.5m £1 ordinary shares	10.0	30th June*	Issuing sterling travellers' cheques

*Incorporating unaudited interim accounts.

Banco de Comercio e Industria, S.A. operates in Portugal. CC-Bank AG operates in Germany and CC-Banque Belgique, S.A. operates in Belgium. The United Kingdom is the principal area of operation for the other associated companies. Dividends receivable from the associated companies (excluding related tax credits) totalled £4.8 million (1990—£28.9 million).

15 Shares in subsidiaries

Movements during the year:

	£m
At 1st October 1990	1,741.6
Currency translation adjustment	2.2
Additions	558.3
Disposals	(660.9)
Net decrease in net tangible assets of subsidiaries	(53.0)
At 30th September 1991	1,588.2

The additions in the year relate to the subscription for 300 million ordinary shares of £1 each and U.S.\$400 million preference shares issued by The Royal Bank of Scotland plc.

As noted in the report of the directors, the company sold to The Royal Bank of Scotland plc the share capital of each of the subsidiary companies in the company's ownership as at 30th September 1990, resulting in The Royal Bank of Scotland plc becoming the only direct operating subsidiary of the company. The cash consideration received was equivalent to the net asset value of these subsidiary companies of £660.9 million.

16 Principal subsidiary companies

The principal subsidiary companies at 30th September 1991, all of which are wholly-owned except where otherwise indicated and the capital of which consists solely of ordinary shares, are shown below. The companies marked with an asterisk operate in the country of incorporation or registration; the others operate mainly in the United Kingdom.

	Nature of business	Country of incorporation or registration
Owned by the company:		
The Royal Bank of Scotland plc	Banking	Scotland
Owned by The Royal Bank of Scotland plc:		
*Associated Merchant Bank Pte Limited (64 per cent.)	Merchant banking	Singapore
Capital House Investment Management Limited	Investment portfolio and fund managers	England
Charterhouse plc	Holding company	England
*Citizens Financial Group, Inc.	Bank holding company	U.S.A.
Direct Line Insurance plc	Insurance	England
RBSG (Europe) Limited	Holding company	Scotland
RBS Trade Services Limited	Confirming house	England
Royal Bank Insurance Services Limited	Insurance broking	Scotland
Royal Bank Leasing Limited	Leasing and hire purchase	Scotland
Royal Scottish Assurance plc (51 per cent.)	Life assurance	Scotland
*RoyScot International Finance B.V.	Finance raising company	The Netherlands
RoyScot Factors Limited	Factoring and invoice discounting	England
RoyScot Financial Services Limited	Holding company	England
RoyScot Trust plc	Installment financing and leasing	England
*The Royal Bank of Scotland AG	Banking	Switzerland
*The Royal Bank of Scotland (Gibraltar) Limited (5 per cent.)	Banking	Gibraltar
*The Royal Bank of Scotland (Guernsey) Limited	Banking	Guernsey
*The Royal Bank of Scotland (I.O.M.) Limited	Banking	Isle of Man
*The Royal Bank of Scotland (Jersey) Limited	Banking	Jersey
*The Royal Bank of Scotland (Nassau) Limited	Banking	Bahamas
*Williams & Glyn's (Nederland) B.V.	Finance raising company	The Netherlands
Owned by Charterhouse plc:		
Charterhouse Bank Limited	Merchant banking	England
Charterhouse Development Capital Holdings Limited	Provision of development capital	England
Charterhouse Securities Limited	Holding company	England
Owned by Charterhouse Development Capital Holdings Limited:		
Charterhouse Business Expansion Fund Management Limited	Business expansion fund managers	England
*Charterhouse S.A.	Provision of development capital	France
Owned by Charterhouse Securities Limited:		
Charterhouse Tilney	Stockbroking	England
Owned by Citizens Financial Group, Inc.:		
*Citizens Savings Bank	Banking	U.S.A.
*Citizens Trust Company	Banking	U.S.A.
*Citizens Bank of Massachusetts (formerly Fairhaven Savings Bank)	Banking	U.S.A.
*Gulf States Mortgage Co., Inc.	Mortgage banking	U.S.A.
Owned by RoyScot Financial Services Limited:		
Style Financial Services Limited	Credit card company	Scotland

17 Loans to subsidiaries

Movements during the year:	£m
At 1st October 1990	618.3
Currency translation adjustment	25.3
Additions	34.1
At 30th September 1991	677.7

18 Premises and equipment

	Freehold premises £m	Long leasehold premises £m	Short leasehold premises £m	Computers and other equipment £m	Total £m
At 1st October 1990	380.5	50.9	46.3	412.4	890.1
Currency translation adjustment	2.1	0.7	0.4	1.2	4.4
Reclassifications	(0.6)	0.3	(0.1)	0.4	—
Additions	50.4	0.1	9.4	73.9	133.8
Disposals	(1.9)	(0.1)	(0.7)	(77.7)	(80.4)
Revaluation adjustment	(18.0)	(14.6)	—	—	(32.6)
At 30th September 1991	412.5	37.3	55.3	410.2	915.3
Consisting of:					
At 1991 valuation	412.5	37.3	—	—	449.8
At cost	—	—	55.3	410.2	465.5
	412.5	37.3	55.3	410.2	915.3
Accumulated depreciation	—	—	12.7	222.9	235.6
Net book value at 30th September 1991	412.5	37.3	42.6	187.3	679.7
1990	380.5	50.9	36.3	203.1	670.8

Freehold and long leasehold premises have been valued during the year principally on the basis of open market value for existing use or, for buildings in course of construction, on the basis of costs incurred to 30th September 1991. The valuations were carried out by independent professional valuers who are members of The Royal Institution of Chartered Surveyors.

Interest amounting to £3.5 million (1990—£0.9 million) has been capitalised during the year and is included in freehold premises.

19 Future expenditure

	£m	1990 £m
Contracts not provided for in the accounts	40.4	47.1
Authorised by the directors but not contracted for	29.8	53.3
	70.2	100.4

20 Deposits and customers' current accounts

	£m	1990 £m
Sterling current accounts	2,888.0	2,665.1
Sterling retail deposits	6,786.3	5,621.4
Sterling wholesale deposits	10,853.0	10,425.9
Foreign currency deposits and other accounts	7,254.6	7,017.2
	27,781.9	25,729.6

21 Other liabilities

	£m	1990 £m
Notes in circulation	608.6	570.7
Creditors and accrued expenses	692.0	747.2
Pension scheme provision	51.5	33.5
Taxation—current	73.1	149.4
—deferred (see note 22)	155.9	187.0
Proposed final dividends	46.3	42.3
	1,627.4	1,730.1

22 Deferred taxation

Provision has been made in the consolidated accounts for the amounts of deferred taxation shown below:

	£m	1990 £m
Short-term timing differences	(25.1)	(25.8)
Capital allowances on computers and other equipment	16.9	16.9
Capital allowances on finance lease receivables	200.8	228.8
Advance corporation tax recoverable	(36.7)	(32.9)
	155.9	187.0

Movements during the year:

	£m
At 1st October 1990	187.0
Charge/(credit) to profit and loss accounts:	
current year	(6.2)
exceptional release of deferred tax	(40.0)
prior year	17.6
Other movements	(2.5)
At 30th September 1991	155.9

No provision has been made for the following potential amounts of deferred taxation:

	£m	1990 £m
Capital allowances on computers and other equipment	0.1	0.3
Capital allowances on finance lease receivables	51.1	10.9
	51.2	11.2

During the year, an exceptional release of £40.0 million has been made from deferred tax previously provided in respect of capital allowances on finance lease receivables and which the directors consider will not be payable in the foreseeable future.

No provision has been made for the potential taxation liability which might arise in the event of any of the investments in subsidiaries and associated companies, or of freehold and long leasehold premises being realised at their balance sheet values, as it is intended that most of the investments and premises will be retained on a long-term basis; it is also expected that tax on any chargeable gain which might arise on sales of premises will be covered by roll-over relief.

23 Dated loan capital

	£m	1990 £m
The company		
£200 million floating rate (minimum 5¼ per cent.) notes 2005	200.0	200.0
£50 million 8¼ per cent. notes 1994 with warrants to procure the subscription of 17.7 million ordinary shares of the company	50.0	50.0
The Royal Bank of Scotland plc		
£125 million 10¼ per cent. subordinated bonds 1998*	125.0	125.0
Royscot International Finance B.V.		
U.S.\$74.2 million 11½ per cent. guaranteed bonds 1993*	42.3	39.6
U.S.\$200 million guaranteed floating rate notes 1994/1998*	114.1	106.7
RBSG Capital Corporation		
U.S.\$250 million 10¼ per cent. guaranteed capital notes 2004*	142.6	133.3
Williams & Glyn's (Nederland) B.V.		
U.S.\$60 million (1990—U.S.\$80 million) 11 per cent. guaranteed bonds 1993*	34.2	42.6
Charterhouse plc		
10 per cent. unsecured loan notes 1987/1991	0.7	2.6
Citizens Financial Group, Inc.		
U.S.\$30.4 million (1990—U.S.\$38.0 million) 9.4 per cent. senior notes 1995	17.4	20.3
	726.3	720.1
	£m	1990 £m
Repayable within one year or less, or on demand	17.8	12.9
Repayable between one and two years	17.1	16.0
Repayable between two and five years	178.0	168.8
Repayable in five years or more	513.4	522.4
	726.3	720.1

*Loans unconditionally guaranteed by the company.

Interest on loan capital wholly repayable within five years was £15.4 million (1990—£14.5 million).

24 Undated loan capital

	£m	1990 £m
The company		
U.S.\$350 million undated primary capital floating rate (minimum 5 per cent.) notes	199.6	186.7
U.S.\$400 million undated floating rate primary capital notes	228.1	213.3
	427.7	400.0

25 Share capital	Ordinary shares of 25p each £m	Cumulative preference shares of £1 each £m	Non-cumulative dollar preference shares of 1 cent each £m	Non-cumulative sterling preference shares of £1 each £m	Total £m
Authorised	260.0	0.9	0.1	200.0	461.0
Allotted, called up and fully paid:					
At 1st October 1990	188.8	0.9	0.1	—	189.8
Issued during the year	4.1	—	—	—	4.1
At 30th September 1991	192.9	0.9	0.1	—	193.9

During the year to 30th September 1991, the following ordinary shares were issued:—

- (a) 7,174,938 ordinary shares were allotted following exercises of options under the company's savings-related and executive share option schemes;
- (b) 1,515,080 ordinary shares were issued under the staff profit sharing (share ownership) scheme;
- (c) 1,446,388 ordinary shares were issued following exercises of options under an agreement concerning the acquisition of a subsidiary company; and
- (d) 6,147,388 ordinary shares were allotted in lieu of cash in respect of the final dividend for the year ended 30th September 1990 and the interim dividend paid on 17th July 1991.

Also, during the year to 30th September 1991, 8,277,829 options were granted under the company's executive share option scheme, and under the company's savings-related share option scheme. At 30th September 1991, options under the schemes exercisable between 1991 and 2001 at prices ranging from 116p to 187p per share were outstanding in respect of 29,112,776 ordinary shares. On or after 15th September 1994, the 8.0 million Series A non-cumulative dollar preference shares of U.S.\$0.01 each are redeemable, at the option of the company, in whole or in part from time to time, at the redemption prices set forth below plus an amount equal to dividends otherwise payable for the then current quarterly dividend period accrued to the date fixed for redemption.

Redemption date	Redemption price
15th September 1994 to 14th September 1995, inclusive	U.S.\$26.41
15th September 1995 to 14th September 1996, inclusive	U.S.\$26.12
15th September 1996 to 14th September 1997, inclusive	U.S.\$25.84
15th September 1997 to 14th September 1998, inclusive	U.S.\$25.56
15th September 1998 to 14th September 1999, inclusive	U.S.\$25.28
On or after 15th September 1999	U.S.\$25.00

All of the Series A non-cumulative dollar preference shares are held by Citibank, NA, 111 Wall Street, New York, New York 10043, U.S.A., as depository, and the registrar and paying agent is The Royal Bank of Scotland plc, PO Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR.

On 22nd August 1991, 8.0 million Series B non-cumulative dollar preference shares of U.S.\$0.01 each were issued at U.S.\$25.00 per share.

On or after 23rd August 1996, the 8.0 million Series B non-cumulative dollar preference shares of U.S.\$0.01 each are redeemable, at the option of the company, in whole or in part from time to time, at the redemption prices set forth below plus an amount equal to dividends otherwise payable for the then current quarterly dividend period accrued to the date fixed for redemption.

Redemption date	Redemption price
23rd August 1996 to 22nd August 1997, inclusive	U.S.\$26.40
23rd August 1997 to 22nd August 1998, inclusive	U.S.\$26.12
23rd August 1998 to 22nd August 1999, inclusive	U.S.\$25.84
23rd August 1999 to 22nd August 2000, inclusive	U.S.\$25.56
23rd August 2000 to 22nd August 2001, inclusive	U.S.\$25.28
On or after 23rd August 2001	U.S.\$25.00

All of the Series B non-cumulative dollar preference shares are held by The Bank of New York, 48 Wall Street, New York, New York 10286, U.S.A., as depository, and the registrar and paying agent is The Royal Bank of Scotland plc, PO Box 435, Owen House, 8 Bankhead Crossway North, Edinburgh EH11 4BR.

26 Reserves

	The Group £m	The company £m	Associated companies £m
At 1st October 1990	1,318.6	1,318.6	39.9
Currency translation adjustment on share premium account	2.2	2.2	—
Premium arising on issues of shares (after expenses of £4.6 million)	133.8	133.8	—
Elimination of goodwill on acquisition of Old Colony branch network	(22.2)	—	—
Deficit on revaluation of premises	(32.6)	—	—
Net decrease in net tangible assets of subsidiaries	—	(53.0)	—
Retained profit for the year	5.0	8.1	15.6
Other movements	2.5	(2.4)	2.0
At 30th September 1991	1,407.3	1,407.3	57.5

The reserves of the Group include share premium of £387.7 million (1990—£251.7 million), surplus on revaluation of premises of £27.3 million (1990—£60.9 million), and other non-distributable reserves of £1.0 million (1990—£2.5 million). The reserves of the Group and of the company include reserves of associated companies of £57.5 million (1990—£39.9 million). The reserves of the company include share premium of £387.7 million (1990—£251.7 million) and surplus on revaluation of subsidiaries and associated companies of £875.3 million (1990—£877.0 million).

The cumulative goodwill arising on acquisitions of subsidiaries and associates which are still part of the Group and charged against reserves of the Group amounted to £201.1 million at 30th September 1991 (1990—£178.9 million).

27 Contingent liabilities

Acceptances, guarantees and other obligations entered into on account of customers, for which there are corresponding liabilities of customers, are not included in the consolidated balance sheet.

These comprised:

	£m	1990 £m
Acceptances	476.6	577.9
Guarantees and other obligations	1,313.4	1,263.4
	1,790.0	1,841.3

In addition, there are outstanding contracts for the purchase and sale of foreign currencies, financial futures contracts, option contracts and various other arrangements with customers which are not reflected in the consolidated balance sheet. It is not envisaged that any material irrecoverable liability will arise from these transactions. The company has unconditionally guaranteed certain dated loan capital issues by subsidiary companies (see note 23).

28 Lease commitments

At 30th September, the annual rental commitments under non-cancellable operating leases were:

	Premises £m	Equipment £m	Premises £m	Equipment £m
			1990	
Expiring within one year	0.5	1.9	0.4	1.5
Expiring between one and five years	2.0	3.0	1.9	2.1
Expiring after five years	23.0	—	16.9	—
	25.5	4.9	19.2	3.6

29 Directors' emoluments

	£000	1990 £000
Fees as directors	346	250
Other emoluments including pension contributions	2,007	1,969
Compensation for loss of office	298	—
Total directors' emoluments	2,651	2,219

29 Directors' emoluments continued

The emoluments of the chairman in the period 1st October 1990 to 9th January 1991 were £40,120 and in the period 10th January 1991 to 30th September 1991 were £68,607 (1990—£155,028). The emoluments of the group chief executive were £251,471 (1990—£223,075) and the emoluments of the highest paid U.K. director were £491,057 (1990—£484,034).

The numbers of all U.K. directors whose emoluments, excluding pension contributions, fell into the following categories, were:

£	1990		£	1990		£	1990	
0—5,000	1	2	50,001—55,000	1	—	170,001—175,000	—	1
5,001—10,000	—	1	80,001—85,000	—	1	190,001—195,000	1	—
10,001—15,000	1	1	100,001—105,000	2	—	220,001—225,000	—	1
15,001—20,000	6	6	115,001—120,000	1	—	250,001—255,000	1	—
20,001—25,000	2	1	125,001—130,000	1	—	480,001—485,000	—	1
30,001—35,000	2	2	135,001—140,000	—	1	490,001—495,000	1	—
35,001—40,000	3	—	145,001—150,000	—	1			
45,001—50,000	—	1	155,001—160,000	1	2			

Fees amounting to £156,886 (1990—£104,176) have been waived by ten (1990—eight) directors.

30 Transactions with directors, officers and others

- (a) At 30th September 1991, the amounts outstanding in relation to transactions, arrangements and agreements entered into by authorised institutions in the Group were £1,385,577 in respect of loans to 26 persons who were directors of the company (or persons connected with them) at any time during the financial year and £333,106 to five persons who were officers of the company at any time during the financial year. As at the same date, there were in existence three guarantees totalling £50,000 in respect of certain obligations of one director.
- (b) Dr G. R. Mathewson, a director of the company and its subsidiary The Royal Bank of Scotland plc (the "Bank"), has a right to repurchase from the Bank his former dwellinghouse which the Bank purchased from him and his wife in May 1988 at a price of £125,000. The right will become exercisable (1) in the event that Dr Mathewson ceases to be an executive director of the company or its subsidiaries; or (2) on 31st May 2008 in the event that he remains an executive director at that date; or (3) on such earlier date as the directors of the company may allow. Any repurchase is to be at the higher of the purchase price paid by the Bank or a price determined by independent professional valuation at the time of repurchase. The dwellinghouse is at present let by the Bank on a commercial basis, with any rental payments being received wholly by the Bank.
- (c) There were no contracts of significance to the business of the company and its subsidiaries which subsisted during or at the end of the company's financial year to 30th September 1991 in which any director of the company had a material interest.
- (d) On 28th December 1990, Caledonian Tours Limited sold the entire issued share capital of its subsidiary, ATM Motors Limited, an Ayrshire based garage business, to Mr J. H. Moffat and others. At that time Mr Moffat was a director of RoyScot Finance Group plc. The aggregate value of the consideration was £300,000 and was satisfied wholly in cash. The net profits of ATM Motors Limited for the financial year ended 30th September 1990 were £50,407.
- On 5th June 1991, six heritable properties situated in Scotland were sold for a total consideration of £410,000 by Caledonian Tours Limited to Mr Moffat and another. At the time of the transaction Mr Moffat was a director of RoyScot Trust plc. The consideration was satisfied wholly in cash.
- Prior to completion of both transactions by Caledonian Tours Limited, the company's auditors confirmed that the terms of the transactions were fair and reasonable from the viewpoint of the company's shareholders. A *de minimis* waiver of the normal Class IV requirements of the London Stock Exchange was obtained in respect of each transaction.
- (e) On 5th October 1990, Campbell Neill & Company Limited, owned by Charterhouse Tilney, sold the entire issued share capital of its subsidiary, Campbell Thomson (Insurance Services) Limited, to Mr R. Thomson, a director of Campbell Neill & Company Limited. The consideration of £10,000 was satisfied in cash. The net profits of Campbell Thomson (Insurance Services) Limited for the financial year ended 30th September 1990 were £37,595.
- The company's auditors confirmed that the terms of the transaction were fair and reasonable from the viewpoint of the company's shareholders. A *de minimis* waiver of the normal Class IV requirements of the London Stock Exchange was obtained in respect of the transaction.

Approval of accounts

The accounts were approved by the board of directors on 28th November 1991.

Detailed profit and loss account

	£m	1990 £m
Interest and investment income receivable	3,443.4	3,539.5
Interest payable including interest on loan capital	2,662.8	2,786.6
Net interest income	780.6	752.9
Commissions and fees	318.7	284.9
Foreign exchange and arbitrage	61.7	58.5
Profit on sales of investments	23.7	23.4
Other income	21.8	16.6
Other operating income	425.9	383.4
Share of profits of associated companies	6.7	28.4
Total income	1,213.2	1,164.7
Staff expenses	442.0	412.2
Premises and equipment expenses including depreciation	152.7	127.4
Other expenses	183.1	167.3
Total expenses	777.8	706.9
Profit before provisions	435.4	457.8
Provisions for depreciation of investments	8.4	22.6
Provisions for bad and doubtful debts	351.1	193.8
Total provisions	359.5	216.4
Profit before exceptional items	75.9	241.4
Exceptional items	(18.2)	20.8
Profit before taxation	57.7	262.2

Average balance sheet and related interest

				1990		
	Average Balance* £m	Rate %	Interest £m	Average Balance* £m	Rate %	Interest £m
Assets						
Short-term funds						
domestic	5,528.7	11.3	623.7	5,433.9	12.8	697.8
foreign†	3,391.6	11.0	371.8	3,311.9	12.6	418.6
Investments						
domestic	325.1	10.7	34.9	378.7	9.6	36.4
foreign	513.2	7.3	37.4	480.1	8.4	40.4
Advances to customers						
domestic	13,013.0	14.1	1,831.1	11,516.5	15.6	1,799.4
foreign	2,475.2	11.1	275.5	2,516.6	12.2	306.4
Lease and H.P. receivables						
domestic	2,033.8	12.9	263.1	1,710.1	13.8	236.5
foreign	76.5	7.7	5.9	51.6	7.8	4.0
Interest earning assets	27,357.1	12.6	3,443.4	25,399.4	13.9	3,539.5
Non-interest earning assets	2,015.7	—	—	1,767.4	—	—
Total average assets	29,372.8	11.7	3,443.4	27,166.8	13.0	3,539.5
Liabilities						
Commercial paper						
domestic	—	—	—	—	—	—
foreign	21.0	8.6	1.8	24.4	8.6	2.1
Short-term borrowings						
domestic	4,242.4	11.6	492.2	4,259.5	12.7	542.8
foreign	1,341.0	9.8	132.1	1,382.3	10.8	149.2
Demand and savings deposits						
domestic	14,385.4	10.6	1,518.3	12,511.0	12.1	1,514.4
foreign	4,094.4	10.1	413.5	3,871.3	11.8	458.3
Loan capital	1,137.1	9.2	104.9	1,184.8	10.1	119.8
Interest bearing liabilities	25,221.3	10.6	2,662.8	23,233.3	12.0	2,786.6
Interest free liabilities						
demand deposits	1,393.7	—	—	1,425.6	—	—
other liabilities	1,187.9	—	—	1,036.6	—	—
Shareholders' funds	1,569.9	—	—	1,471.3	—	—
Total average liabilities	29,372.8	9.1	2,662.8	27,166.8	10.3	2,786.6

*Average balances have been calculated on a daily basis using customers' cleared balances, netted where interest set-off arrangements exist.

†In addition to customers' balances held at subsidiaries and branches located overseas, the term "foreign" includes overseas residents' balances held at domestic offices.

Interest rates, yields, spreads and margins

	Average rate %	1990 Average rate %
United Kingdom		
The Royal Bank of Scotland plc base rate	12.6	15.0
The Royal Bank of Scotland plc home mortgage rate	13.8	15.2
London inter-bank offered rate		
three month sterling	12.4	15.1
three month eurodollar	6.7	8.3
United States		
Prime rate	9.1	10.1
Yields, spreads and margins:		
Gross yield ¹		
total	12.6	13.9
domestic	13.2	14.5
foreign	10.7	12.1
Interest spread ²		
total	2.0	1.9
domestic	2.5	2.4
foreign	0.8	0.6
Interest margin ³		
total	2.9	3.0
domestic	3.0	3.1
foreign	2.3	2.5

¹ Gross yield is the average interest rate earned on interest earning assets.

² Interest spread is the difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest bearing liabilities.

³ Interest margin is net interest income as a percentage of average interest earning assets.

Gross border outstandings in excess of 1 per cent. of total assets

The following table identifies countries to which the Group's cross border outstandings exceeded 1 per cent. of total assets at 30th September 1991.

	Commercial, industrial and other private sector £m	Governments and official institutions £m	Banks and other financial institutions £m	Total £m	As % of total assets*
France	4.0	8.0	449.0	461.0	1.4
Japan	29.0	—	1,485.0	1,514.0	4.6
United States	399.0	—	166.0	565.0	1.7

*Assets comprise total assets employed as reported in the consolidated balance sheet and acceptances as reported in the notes on the accounts, which together totalled £2,636.6 million at 30th September 1991.

Gross border outstandings between ¼ per cent. and 1 per cent. of total assets

At 30th September 1991, cross border outstandings to borrowers in countries in which such outstandings amounted to between ¼ per cent. and 1 per cent. of total assets totalled £299.0 million in aggregate. The country concerned was Italy.

Analysis of advances

The following table analyses, for domestic and foreign activities, advances to customers (before provisions) and amounts receivable under finance leases by type of customer and geographical area.

At 30th September	1987 £m	1988 £m	1989 £m	1990 £m	1991 £m
Domestic					
Loans guaranteed by exports credit guarantee department	321.7	255.1	213.1	147.4	116.4
Central and local government and government owned corporations	37.2	68.6	52.6	103.0	74.8
Manufacturing	1,035.8	1,150.0	1,447.9	1,378.4	1,511.2
Construction	374.9	428.3	521.9	709.9	679.1
Finance	1,046.8	628.3	768.5	645.2	744.9
Service industries	930.2	1,109.5	1,718.5	2,428.4	2,914.1
Agriculture, forestry and fishing	540.2	552.6	588.0	556.4	568.3
Property	621.0	706.4	880.2	994.8	1,049.9
Business and other services	1,148.8	1,225.3	1,620.5	2,017.2	2,175.4
Persons:					
home mortgages	1,282.8	1,807.5	2,163.2	2,455.3	3,051.3
other	1,253.7	1,560.3	1,891.8	2,263.0	2,538.1
Other loans	46.6	68.1	19.6	17.0	5.2
Instalment credit	357.2	425.8	452.2	519.0	556.8
Finance leases	856.7	1,009.9	1,246.7	1,441.3	1,538.8
Total domestic advances	9,853.6	10,995.7	13,584.7	15,676.3	17,524.3
Foreign					
Foreign-U.K. based*	645.3	695.2	722.2	546.4	542.1
Europe other than the United Kingdom	112.7	108.0	127.4	120.2	124.6
United States	157.1	194.1	1,466.3	1,260.0	1,528.5
Rest of the World	99.6	132.8	333.4	311.6	389.6
Total foreign advances	1,014.7	1,130.1	2,649.3	2,238.2	2,584.8
Total advances	10,868.3	12,125.8	16,234.0	17,914.5	20,109.1

*The term "Foreign-U.K. based" refers to advances by offices in the United Kingdom made to customers domiciled outside the United Kingdom.

Analysis of deposits

The following table shows the distribution of the Group's deposits by type and geographic area.

At 30th September

	1987 £m	1988 £m	1989 £m	1990 £m	1991 £m
Domestic					
Demand deposits:					
Interest-free	2,432.2	2,780.6	2,728.1	2,643.9	2,736.8
Interest bearing	4,011.3	5,223.8	6,971.4	8,586.1	8,934.3
Time deposits:					
Savings	934.6	863.7	769.6	666.5	911.7
Other	4,626.1	5,032.5	5,642.2	6,766.7	7,101.3
Certificates of deposit	1,431.6	1,206.9	1,395.8	1,175.3	1,555.0
Total domestic	13,435.8	15,107.5	17,507.1	19,838.5	21,239.1
Foreign					
Demand deposits:					
Interest-free	63.3	69.6	243.1	198.0	413.9
Interest bearing	418.5	355.6	1,082.4	1,428.6	1,587.6
Time deposits:					
Savings	70.0	81.9	771.5	564.5	890.2
Other	2,401.4	2,649.4	3,233.8	3,442.4	3,584.5
Certificates of deposit	—	—	351.7	236.7	64.9
Commercial paper	104.4	68.5	29.8	20.9	1.7
Total foreign (see below)	3,057.6	3,225.0	5,712.3	5,891.1	6,542.8
Total deposits	16,493.4	18,332.5	23,219.4	25,729.6	27,781.9
Foreign-U.K. based*	2,262.9	2,233.6	2,888.3	3,304.9	2,968.6
Europe other than the United Kingdom	57.0	97.6	230.9	245.5	241.5
United States	413.7	499.7	1,800.7	1,512.5	2,167.2
Rest of the World	324.0	394.1	792.4	828.2	1,165.5
	3,057.6	3,225.0	5,712.3	5,891.1	6,542.8

*The term "Foreign-U.K. based" refers to deposits held by offices in the United Kingdom in the name of customers domiciled outside the United Kingdom.

Financial instruments with off-balance sheet risk

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk to meet the financing needs of customers, to reduce its own exposure to fluctuations in exchange and interest rates and as an integral part of the Group's trading activities. These instruments involve, to varying degrees, elements of credit and market risk which are not reflected in the consolidated balance sheet.

The amounts shown in the table below are intended only to provide an indication of the volume of off-balance sheet business outstanding at 30th September 1991.

Although the Group is exposed to credit risk in the event of non-performance of the obligations undertaken by customers, the amounts shown do not and are not intended to provide any indication of the Group's expectation of future losses. In the case of exchange and interest rate derivative instrument contracts, the amount at risk has been quantified as the total replacement cost at 30th September 1991, obtained by marking to market all contracts with a positive value, together with a calculation of potential exposure calculated in accordance with Bank of England guidelines. Since the amount at risk is calculated by reference to market rates, possible future changes in market prices may make these contracts less valuable, or more onerous, with a consequent impact on the Group's results in the event that a counterparty may fail to perform according to the terms of a contract.

For exchange and interest rate contracts, the majority of the counterparties are banks and other financial institutions.

	Contract or underlying principal amount £m
Guarantees, acceptances and other direct credit substitutes	1,166.7
Performance bonds, standby letters of credit and other transaction-related contingencies	422.6
Documentary credits and other short-term trade-related contingencies	200.7
Note issuing and revolving underwriting facilities	75.4
Formal standby facilities, credit lines and other commitments to lend:	
1 year and over	1,423.1
Less than 1 year*	6,223.4
Exchange rate contracts (amount at risk £760.8 million)	20,796.7
Interest rate contracts (amount at risk £236.9 million)	43,843.7

*Included in this category are facilities of £3,774.2 million which are cancellable unconditionally at the discretion of The Royal Bank of Scotland.

In addition, at 30th September 1991, the Group had entered into financial futures contracts with an outstanding nominal amount of £7,295.0 million. Such contracts are used wholly for hedging other financial instruments and carry no credit risk.

The Group uses the same credit control and risk management policies in undertaking off-balance sheet commitments as it does for on-balance sheet lending and it controls the credit risk of its exchange and interest rate contracts through counterparty credit approvals, limits and monitoring procedures.

Since some of the commitments are expected to expire without being drawn, the total commitment amounts do not necessarily represent future cash requirements. The Group does not normally require collateral or other security in respect of transactions with banks and financial institutions.

For a description of the Group's accounting policy on the recognition of income from certain off-balance items, see accounting policies item 11 on page 36. The calculation of income under this policy involves the use of valuation techniques which are different from those used in the calculation of the amounts at risk for exchange and interest rate contracts included in the above table.

Pursuant to securities legislation in the United States, the company has a reporting obligation under the Securities Exchange Act of 1934. This arises in respect of the issues of Series A and Series B non-cumulative dollar preference shares by the company and the issue of 10¼ per cent. guaranteed capital notes 2004 by RBSG Capital Corporation, all of which issues were made in the United States. An annual report on Form 20-F is being filed with the U.S. Securities and Exchange Commission (the "S.E.C.") and, although much of the detailed financial analyses therein is also shown in this report and accounts, the additional disclosures on this and the following two pages have been extracted from the Form 20-F as they contain important information which may be of interest to shareholders of the company, particularly those resident in the United States.

Significant differences between U.K. and U.S. generally accepted accounting principles

The Group's consolidated financial statements are prepared in accordance with U.K. generally accepted accounting principles (U.K. GAAP). These differ in certain significant respects from generally accepted accounting principles followed in the United States (U.S. GAAP) and, in the case of the Group, these differences are summarised as follows:

- (a) The Group's premises are carried in the accounts at original cost or subsequent valuation. Revaluation reserves are reflected in the consolidated balance sheet. Under U.S. GAAP, revaluations of property are not permitted to be reflected in the financial statements.
- (b) Freehold and long leasehold buildings are maintained to a high standard by regular expenditure charged on operating expenses. Based on an assessment of useful life and estimated residual value, no depreciation is charged. U.S. GAAP requires that such properties be depreciated. The Group applies depreciation for U.S. GAAP purposes at a rate of 2 per cent. per annum on original cost.
- (c) Acceptances outstanding and the matching customers' liabilities are not reflected in the consolidated balance sheet, but are disclosed in the notes on the accounts. Under U.S. GAAP, acceptances outstanding and the matching customers' liabilities are reflected in the consolidated balance sheet.
- (d) Deferred tax is provided on the liability method in respect of timing differences which are expected to result in a taxation liability in the foreseeable future. Under the liability method, deferred tax is calculated at the rate of tax that it is estimated will be applicable when the temporary differences crystallize. Under U.S. GAAP, provision for deferred tax under the liability method is required in full for all timing differences.
- (e) Goodwill arising on acquisition of subsidiaries and associates is charged against reserves in the year of acquisition. Under U.S. GAAP, goodwill is capitalised and amortised through the profit and loss account over the period estimated to benefit which, in the Group's case, is 25 years.
- (f) The Group charges any discount on the issue of loan capital and the expenses thereof directly to reserves. U.S. GAAP requires such items to be capitalised in the balance sheet as a deferred charge and to be amortised to expenses on a straight-line basis over the life of the loan capital.
- (g) Under U.K. GAAP, dividends declared after the year-end are recorded in the period to which they relate, whereas U.S. practice is to record dividends in the period in which they are declared.
- (h) Loan origination fees in the Group are recognised immediately as income whereas under U.S. GAAP, fee income from originating a loan is spread over the life of the loan.
- (i) In arriving at operating profit, the Group assesses and charges the cost of providing pensions on a regular basis in accordance with the advice of independent professionally qualified actuaries. Contributions to U.K. pension funds are made at a rate calculated by the actuaries to provide, over the average future service of eligible employees, for all retirement benefits related to projected final salaries. For the purposes of U.S. GAAP, the Group complies with U.S. FASB Statement No. 87, "Employers' Accounting for Pensions", which prescribes the method of actuarial valuation and also requires pension fund assets to be assessed at fair value and the assessment of liabilities to be based on current interest rates.

Selected figures in accordance with U.S. generally accepted accounting principles

The following tables summarise the significant adjustments to profit attributable to ordinary shareholders (net income), shareholders' funds and total assets which would result from the application of U.S. GAAP instead of U.K. GAAP.

	£m	1990 £m
Net income as reported under U.K. GAAP		
Property depreciation	72.7	193.6
Deferred tax	(0.4)	(0.1)
Amortisation of goodwill	(40.0)	0.4
Amortisation of debt issue expenses	(8.0)	(7.2)
Loan origination fees	(1.9)	(1.8)
Pension costs	(7.8)	(5.9)
	(1.5)	3.2
Approximate net income under U.S. GAAP	13.1	182.2

	£m	1990 £m
Shareholders' funds as reported under U.K. GAAP		
Revaluation of property less depreciation	1,601.2	1,508.4
Deferred tax	(186.8)	(220.6)
Goodwill	(51.2)	(11.2)
Debt issue expenses	172.9	158.7
Loan origination fees	20.7	18.1
Proposed dividend	(32.8)	(25.0)
Pension costs	46.3	42.3
	(13.3)	(11.8)
Approximate shareholders' funds under U.S. GAAP	1,557.0	1,458.9

	£m	1990 £m
Total assets as reported under U.K. GAAP		
Revaluation of property less depreciation	32,180.0	30,096.0
Goodwill	(186.8)	(220.6)
Debt issue expenses	172.9	158.7
Acceptances	20.7	18.1
	476.6	577.9
Approximate total assets under U.S. GAAP	32,663.4	30,630.1

Risk elements in lending

The Group's provisioning policy for bad and doubtful debts is described under accounting policies on page 35. There are differences between the provisioning policies of banks in the United Kingdom and the United States. In common with other U.K. banking groups, the Group may continue to accrue interest on doubtful loans and to make a specific provision against such interest as appropriate. Loans and related accrued interest are charged-off only when, as a matter of banking judgement, the extent of the loss is confirmed. When management determines that a charge-off is appropriate, the principal amount and accrued interest on the obligation are written down to estimated net realisable value. In contrast, banks in the United States typically stop accruing interest when loans become overdue by 90 days or more, or recovery is doubtful, and charge-off loans more rapidly. The cumulative effect of these policies is to increase the relative size of the Group's gross loan portfolio and the specific provision for bad and doubtful debts, compared with those of U.S. banks. This also has the effect of increasing the Group's bad debt provisioning ratios compared with those which result from the adoption of U.S. bank accounting practices. Generally, the Group's advances control and review procedures do not include the classification of loans as non-accrual, accruing past due, restructured and potential problem loans, as defined by the S.E.C. The following table shows the estimated amount of loans which would be reported using the S.E.C.'s classifications.

At 30th September

	1987 £m	1988 £m	1989 £m	1990 £m	1991 £m
Loans accounted for on a non-accrual basis (including loans where interest is accrued but provisions have been made against it):					
Domestic	266.8	281.9	336.1	331.5	731.0
Foreign	97.9	84.3	31.9	30.5	63.0
Accruing loans which are contractually overdue 90 days or more as to principal or interest*:					
Domestic	14.8	17.0	57.0	96.5	175.4
Foreign	3.7	3.5	12.8	38.5	20.4
Loans not included above which are classified as "troubled debt restructurings" by the S.E.C.:					
Domestic	58.7	56.1	60.0	107.1	62.9
Foreign	40.1	39.5	33.0	13.4	9.0

*Generally, lending by way of overdraft has no fixed repayment schedule and consequently is not included in this category.

Loans that are current as to payment of principal and interest and not reflected in the above table, but as to which the Group has serious doubts as to the ability of the borrower to comply with loan repayment terms, totalled approximately £135.6 million at 30th September 1991. In accordance with the Group's provisioning policy for bad and doubtful debts, it is considered that adequate provisions for the above risk elements in lending have been made in the accounts. Gross interest income not recognised but which would have been recognised in the year ended 30th September 1991 under the original terms of non-accrual and restructured loans amounted to £60.7 million from domestic loans and £7.6 million from foreign loans. Interest on non-accrual and restructured loans included in the profit and loss account in the year ended 30th September 1991, totalled £15.2 million from domestic loans and £2.6 million from foreign loans.

Highly leveraged transactions

The Group is a participant in, and an originator of, loans in connection with highly leveraged corporate transactions, principally through The Royal Bank of Scotland, Charterhouse and Citizens Savings Bank. In monitoring this category of lending, the Group classifies an exposure as a highly leveraged transaction when facilities are extended to, or an investment is made in, a business for the purpose of financing, in whole or in part, a management buy-out, management buy-in, acquisition or capital reconstruction and the transaction: (i) results in a leverage ratio higher than 75 per cent.; or (ii) at least doubles the subject company's liabilities and results in a leverage ratio higher than 50 per cent.; or (iii) the transaction is designated as a highly leveraged transaction by a syndication agent or lead bank. Where the total original finance package of the whole transaction exceeds U.S. \$20 million (sterling equivalent at 30th September 1991 £11.4 million), such lending is generally classified by U.S. bank regulatory agencies as a highly leveraged transaction. Using that definition, at 30th September 1991, the Group had equity investments and loans and commitments to extend credit outstanding in respect of 61 highly leveraged transactions in an aggregate principal amount of £208.9 million. Actual avancement of facilities amounted to £160.3 million. In total, the Group's exposure in respect of highly leveraged transactions represented approximately 0.6 per cent. of total assets at 30th September 1991. Specific provisions made for highly leveraged transactions amounted to £18.5 million at 30th September 1991, or 8.8 per cent. of the Group's exposure compared to 1.6 per cent. for the Group's other lending activities. A complete cessation of lending in connection with highly leveraged corporate transactions would not have a material impact on the Group's income.

The company

Head office

42 St Andrew Square Edinburgh EH2 2YE

London office

67 Lombard Street London EC3P 3DL

The Royal Bank of Scotland plc

Head office

42 St Andrew Square Edinburgh EH2 2YE

Branch banking division

UK Regional Offices

9 Rubislaw Terrace Aberdeen AB9 8YQ

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Talbot Square Blackpool FY1 1LE

46/48 Deansgate Bolton BL1 1BH

Bank House 1 Palace Place Brighton BN1 1EF

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1 Albert Square Dundee DD1 1DD

52/54 East Port Dunfermline KY12 7HB

36 St Andrew Square Edinburgh EH2 2YB

Dale House 21 West George Street Glasgow G2 1EW

27 Huntly Street Inverness IV3 5PR

10 Princes Street Ipswich IP1 1QT

27 Park Row Leeds LS1 5QB

22 Horsefair Street Leicester LE1 5BN

1 Exchange Flags Liverpool L2 3XN

Sidlaw House Almondvale North Livingston EH54 6QA

Drummonds 49 Charing Cross London SW1A 2DX

Regent's House 42 Islington High Street London N1 8XL

62/63 Threadneedle Street London EC2R 8LA

56 Chestergate Macclesfield SK11 6DA

45 Mosley Street Manchester M60 2BE

8 South Parade Nottingham NG1 2JS

8A St Mirren Street Paisley PA1 1UE

Charnley House 13 Winekley Square Preston PR1 3JJ

Building 26 Exchange Quay Salford M5 3EQ

5 Church Street Sheffield S1 1HF

79 Wellington Road Stockport SK1 3RU

3/4 Syer House Stafford Court Stafford Park 1 Telford TF3 3BD

19/21 Clarendon Road Watford WD1 1HD

32 Wallgate Wigan WN1 1LA

UK Subsidiaries

RoyScot Factors Limited

Exchange Court 3 Bedford Park Croydon CR0 2AQ

RoyScot Trust plc

RoyScot House The Promenade Cheltenham GL50 1PL

Private & Offshore Banking

Regional Offices and Offshore/Overseas Subsidiaries

Estate House 130 Jermyn Street London SW1Y 4UP

Child & Co 1 Fleet Street London EC4Y 1BD

Private Trust & Taxation 5/10 Gt Tower Street London EC3P 3HX

The Royal Bank of Scotland AG

82 Talstrasse 8001 Zürich Switzerland

The Royal Bank of Scotland (Gibraltar) Limited

1 Corral Road Gibraltar

The Royal Bank of Scotland (Guernsey) Limited

La Tour Gaud House

Pollet St Peter Port Guernsey Channel Islands

The Royal Bank of Scotland Trust Company (Guernsey) Limited

Sarnia House Le Truchot

St Peter Port Guernsey Channel Islands

The Royal Bank of Scotland (I.O.M.) Limited

Victory House Prospect Hill Douglas Isle of Man

The Royal Bank of Scotland (Jersey) Limited

22 Hill Street St Helier Jersey Channel Islands

The Royal Bank of Scotland Trust Company (Jersey) Limited

International Private Banking Centre

Capital House Building Bath Street St Helier Jersey Channel Islands

The Royal Bank of Scotland (Nassau) Limited

50 Shirley Street Nassau Bahamas

Corporate and institutional banking division

Principal UK Offices

67 Lombard Street London EC3P 3DL

57 Calthorpe Road Edgbaston Birmingham B15 1TT

31 St Andrew Square Edinburgh EH2 2PS

42 St Andrew Square Edinburgh EH2 2YE

Owen House 8 Bankhead Crossway North Edinburgh E11 4BR

Dale House 21 West George Street Glasgow G2 1EW

Monterieff House 69 West Nile Street Glasgow G1 2LT

1 Alie Street London E1 8DY

Birchin Court 19/25 Birchin Lane London EC3V 9DJ

5/10 Great Tower Street London EC3P 3HX

22 St Mary Axe London EC3A 8DD

Regent's House 42 Islington High Street London N1 8XL

38 Mosley Street Manchester M60 2BE

45 Mosley Street Manchester M60 2BE

Royal Bank Leasing Limited

RoyScot House The Promenade Cheltenham GL50 1PL

1 Alie Street London E1 8DY

Edward House 289 West Campbell Street Glasgow G2 4UG

Bridgewater House 60 Whitworth Street Manchester M1 6LT

Corporate and institutional banking division continued
Europe

Piraeus branch:

61 Akti Miaouli GR-185 10 Piraeus Greece

Far East and Australasia

Hong Kong branch:

701/704 Two Exchange Square

8 Connaught Place Central Hong Kong

Singapore branch:

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New York Branch

63 Wall Street New York NY 10005 U.S.A.

San Francisco agency:

The Pyramid 600 Montgomery Street

San Francisco California 94111 U.S.A.

The Royal Bank of Scotland plc is represented in Spain through a joint venture with Banco Santander:

Royal Santander Financial Services SA

Banco Santander Paseo de la Castellana 20 28046 Madrid Spain

Royal Santander Financial Services SA

also has offices in Mijas

The Royal Bank of Scotland plc also operates in the Far East through a subsidiary company:

Associated Merchant Bank Pte Limited

9 Battery Road 08-03 Straits Trading Building Singapore 0104

Financial services division

Direct Line Insurance plc

Direct Line House 3 Edridge Road Croydon CR9 1AG

1 Edridge Road Croydon CR9 1AF

Direct Line House 139 West Regent Street Glasgow G2 2BQ

Direct Line House 44 Peter Street Manchester M2 5GQ

Royal Scottish Assurance plc

31 St Andrew Square Edinburgh EH2 2AG

RoyScot Financial Services Limited

George House 36 North Hanover Street Glasgow G1 2NY

Bridgewater House 60 Whitworth Street Manchester M1 6LT

Capital House Investment Management Limited

24 Chiswell Street London EC1Y 4SP

2 Festival Square Edinburgh EH3 9SU

Carrington Business Park Carrington Urmiston

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198 West George Street Glasgow G2 2NR

Capital House International Investment Management Limited

701/704 Two Exchange Square

8 Connaught Place Central Hong Kong

Capital House Bath Street St Helier Jersey Channel Islands

Citizens Financial Group

Citizens Financial Group, Inc.

One Citizens Plaza Providence Rhode Island 02903 U.S.A.

Subsidiaries:

Citizens Savings Bank

Citizens Trust Company

Citizens Leasing Corporation

Citizens Financial Services Corporation

One Citizens Plaza Providence Rhode Island 02903 U.S.A.

Citizens Bank of Massachusetts

215 Washington Street Fairhaven Massachusetts 02719 U.S.A.

Gulf States Mortgage Co., Inc.

900 Circle 75 Parkway Atlanta Georgia 30339 U.S.A.

Charterhouse

Charterhouse plc

Head office

1 Paternoster Row St Paul's London EC4M 7DH

Charterhouse Bank Limited

1 Paternoster Row St Paul's London EC4M 7DH

26 St Andrew Square Edinburgh EH2 1AF

Charterhouse Development Capital Limited

7 Ludgate Broadway London EC4V 6DX

26 St Andrew Square Edinburgh EH2 1AF

55 Spring Gardens Manchester M2 2BY

Dale House 21 West George Street Glasgow G2 1EW

Charterhouse Tilney

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Institutional sales and research department:

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Charterhouse Associates S.A.

47 Avenue George V 75008 Paris France

Charterhouse Inc.

55 East 59th Street 13th Floor New York NY 10022 U.S.A.

	Number of shareholdings	Number in millions	% of total
Female	17,485	75.6	9.8
Male	17,020	64.2	8.3
Trustee and joint accounts	1,180	6.1	0.8
Banks and nominee companies	3,507	472.1	61.2
Investment companies	77	4.8	0.6
Insurance companies	183	65.0	8.4
Other companies	611	47.1	6.1
Pension funds	26	12.6	1.6
Universities, schools and others	229	24.5	3.2
	40,318	772.0	100.0

Range of shareholdings:			
1- 500	5,005	0.9	0.1
501- 1,000	4,723	3.7	0.5
1,001- 5,000	21,213	54.7	7.1
5,001- 10,000	5,699	40.0	5.2
10,001- 25,000	2,491	37.3	4.8
25,001- 50,000	447	15.4	2.0
50,001-100,000	231	16.8	2.2
100,001 and over	509	603.2	78.1
	40,318	772.0	100.0

Financial calendar

If approved, the final dividend on the ordinary shares for the year ended 30th September 1991 will be paid on 26th February 1992 to those shareholders registered on 27th December 1991. If the necessary approval is obtained from shareholders at the annual general meeting on 16th January 1992, as an alternative to cash, a scrip dividend election is to be offered and shareholders will receive details of this by letter after that date.

The interim dividend on the ordinary shares is normally paid in July.

Dividends on the cumulative preference shares are payable on 31st May and 31st December each year.

Dividends on the Series A and Series B non-cumulative dollar preference shares are payable on 31st March, 30th June, 30th September and 31st December each year.

Half-year results Announced on 1st May 1991

Full year results Announced on 28th November 1991

Report and accounts Posted to shareholders on 12th December 1991

Annual general meeting To be held in Edinburgh on 16th January 1992