



The Royal Bank of Scotland Group

Make it happen

strength

diversity

flexibility



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2005 Results

28 February 2006



Sir George Mathewson
Chairman



Guy Whittaker
Group Finance Director

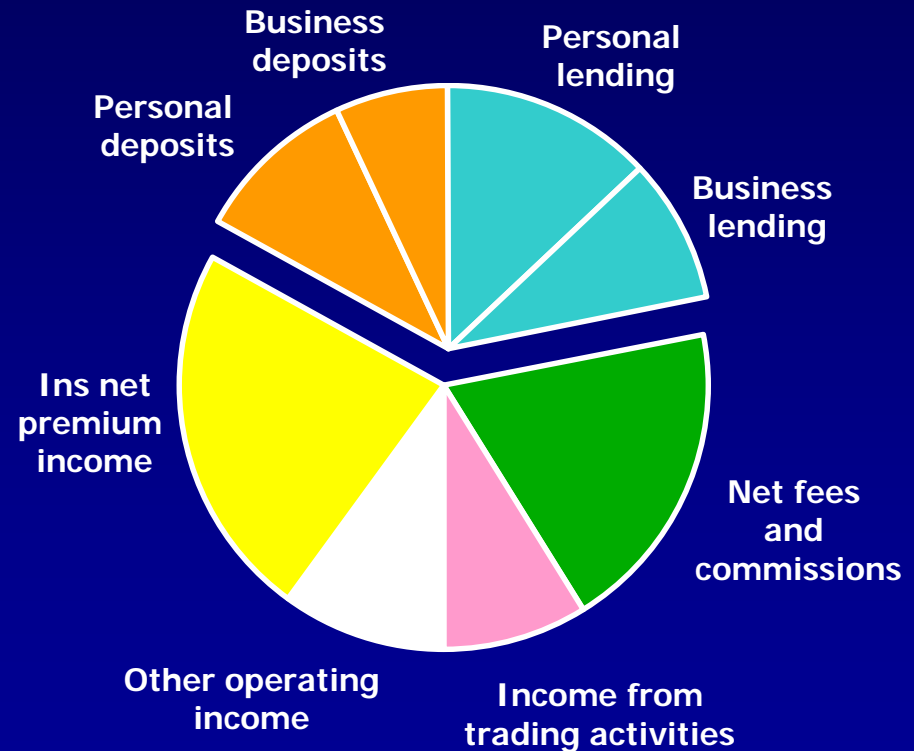
2005 Results

	<i>£m</i>	<i>%</i>
Total income	25,569	+14
Group operating profit	8,251	+16
Attributable profit	5,392	+17
Basic earnings per share	169.4p	+13
Adjusted earnings per share	175.9p	+8
Tier 1 capital	7.6%	
Return on equity	18.2%	

Diversified Income

<i>Income</i>	<i>£m</i>	<i>%</i>
Corporate Markets	8,815	+17
Retail Markets	8,213	+7
Ulster Bank	858	+15
Citizens	3,264	+43
RBS Insurance	5,489	+8

Net Interest Income 39%



Non-Interest Income 61%

Net Interest Margin

	<i>2H05</i>	<i>1H05</i>	<i>2H04</i>
Net interest margin	2.50	2.60	2.80
<i>Change</i>			
Product mix	(0.05)	(0.13)	
Product margins	(0.01)	(0.03)	
US yield curve	(0.04)	(0.04)	
Total	(0.10)	(0.20)	

Operating Efficiency

<i>Cost:Income Ratio</i>	<i>2005</i>	<i>2004</i>
Reported	42.4	42.0
Acquisitions	0.6	0.2
Group excluding acquisitions	41.8	41.8

Credit Quality

	<i>2005</i>	<i>Change %</i>
Gross loans and advances	£372bn	+16
Impairment losses	£1,707m	+7
	<i>2005</i>	<i>2004</i>
REILs and PPLs as % of gross loans and advances	1.60	1.84
Impairment losses as % of gross loans and advances	0.46	0.47
Closing impairment provisions as % of REILs and PPLs	65	70

Group Operating Profit

	<i>2005</i> <i>£m</i>	<i>Change</i> <i>%</i>
Total income	25,569	+14
Operating expenses	11,298	+14
Net insurance claims	4,313	+9
Impairment losses	1,707	+7
Group operating profit	8,251	+16

Group Operating Profit

	<i>2005 £m</i>	<i>Change %</i>
Corporate Markets	5,224	+24
Retail Markets	4,207	+4
Ulster Bank	530	+15
Citizens	1,575	+47
RBS Insurance	926	+5
Manufacturing	(2,743)	-7
Central items	(1,468)	-45
Group operating profit	8,251	+16

Corporate Markets

	<i>2005</i> <i>£m</i>	<i>Change</i> <i>%</i>
Total income	8,815	+17
Direct expenses	3,256	+14
Impairment losses	335	-30
Contribution	5,224	+24
	<i>£bn</i>	
Loans & advances	170.5	+16
Customer deposits	111.1	+10
RWAs	202.6	+14

- Positive credit environment
- Growth in loans and deposits
- Strong underwriting volume
- Strong distribution volume
- Balance sheet efficiency
- International growth
- Total income/RWAs stable
- Group trading VaR £13m

Retail Markets

	<i>2005</i>	<i>Change</i>
	<i>£m</i>	<i>%</i>
Total income	8,213	+7
Direct expenses	2,335	+1
Net insurance claims	486	+22
Impairment losses	1,185	+29
Contribution	4,207	+4
	<i>£bn</i>	
Loans & advances	112.4	+10
Customer deposits	105.9	+9
RWAs	80.6	+5

- Leading service quality
- Positive net switching
- Leveraging branch distribution
- 8% share of mortgage lending
- Good deposit growth
- Strict credit criteria
- Product margins v product mix

Ulster Bank

	<i>2005</i> <i>£m</i>	<i>Change</i> <i>%</i>
Total income	858	+15
Direct expenses	270	+11
Impairment losses	58	+29
Contribution	530	+15
	<i>£bn</i>	
Loans & advances	28.2	+23
Customer deposits	15.9	+17
RWAs	22.4	+20

- Good customer recruitment
- 31% growth in mortgages
- 14% growth in business loans
- Enhanced current accounts
- First Active on track

Citizens

	<i>2005</i>	<i>Change</i>
	<i>£m</i>	<i>%</i>
Total income	3,264	+43
Direct expenses	1,558	+43
Impairment losses	131	+12
Contribution	1,575	+47
	<i>\$bn</i>	
Loans & advances	104.6	+14
Customer deposits	106.3	+7
RWAs	106.4	+14

- Ex acqns, contribution up 10%
- Charter One integration on plan
- Good progress in cards
- Good underlying volume growth
- Yield curve pressure
- Sound credit quality

RBS Insurance

	<i>2005 £m</i>	<i>Change %</i>
Total income	5,489	+8
Direct expenses	736	+13
Net claims	3,827	+8
Contribution	926	+5
 <i>In-force policies</i>		
	<i>000s</i>	
Motor		
– UK	8,687	+4
– Continental Europe	1,862	+14
Non-motor		
– UK	10,898	+4

- Growth in UK motor
- Claims inflation
- European growth
- Churchill integration complete
- UK combined ratio 93.6%
- NIG commercial up 10%
- Underlying expenses up 4%

Manufacturing

	<i>2005 £m</i>	<i>Change %</i>
Group Technology	945	+11
Group Purchasing and Property	1,013	+9
Customer Support	785	+2
Total costs	2,743	+7

- Underlying technology costs up 2%
- Ongoing property upgrades
- Increased efficiency offset higher volumes
- Underlying costs up 4%

Central Items

	<i>2005</i> <i>£m</i>	<i>Change</i> <i>%</i>
Net costs	1,468	+45

- Full year Charter One
- IFRS volatility
- Higher pension costs

Balance Sheet Discipline

	<i>2005</i>	<i>2004</i>
Total assets (£bn)	776.8	696.5
RWAs (£bn)	371.0	324.8
Tier 1 capital (%)	7.6	6.7
Total capital (%)	11.7	11.6
Return on equity (%)	18.2	18.5
ROE (constant capital) (%)	18.7	18.5

2005 Results

Summary

- Operating profit up 16%
- Diversified income up 14%
- Capital strength and efficiency
- Stable credit metrics
- Well positioned for 2006



Sir Fred Goodwin
Group Chief Executive



Capital

Capital

2003 Interim Results
August 2003

Tier 1 Capital Ratio %

Buy-back



Strategy

What is our goal?

- Grow income
- Improve efficiency
- Maintain stable credit quality
- Generate appropriate returns on capital

Growth and Return

<i>% Growth</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>
Total income	+18%	+16%	+14%	+18%	+14%
Operating profit	+32%	+12%	+11%	+15%	+16%
<i>Excluding acquisitions and at constant exchange rates</i>					
Total income	+17%	+12%	+10%	+11%	+10%
Operating profit	+30%	+9%	+10%	+14%	+12%
<i>Return on equity</i>					
– UK GAAP	16.8%	18.3%	20.1%	20.1%	
– IFRS				18.5%	18.2%
– IFRS constant capital					18.7%

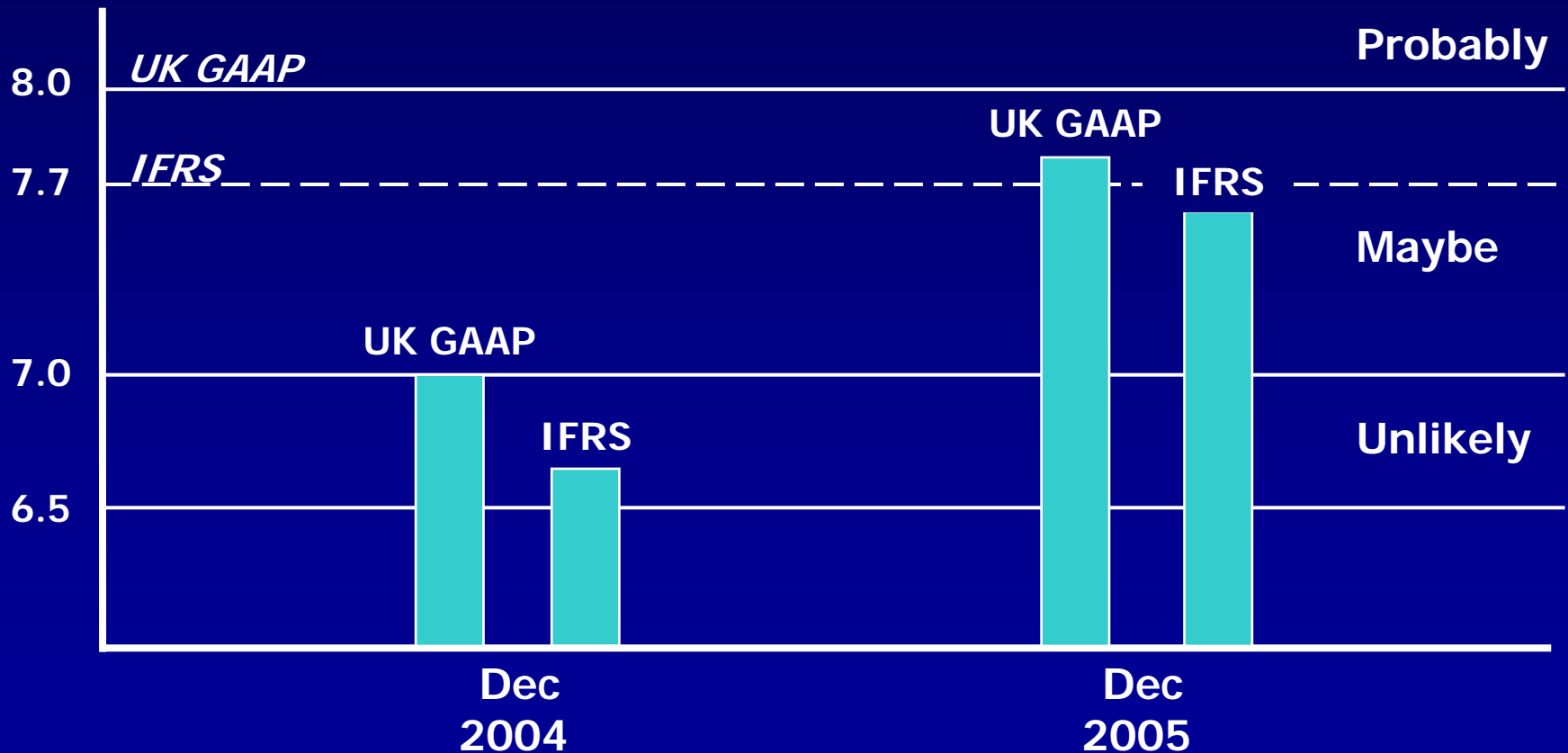
Capital

<i>£bn</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>IFRS</i> <i>2004</i>	<i>IFRS</i> <i>2005</i>
Gross capital generated	3.5	4.2	4.7	5.0	5.6
Capital to support growth in RWAs at 5.0%	(1.7)	(1.2)	(1.5)	(3.0)	(2.3)
Ordinary dividends	(1.1)	(1.3)	(1.5)	(1.6)	(1.9)
Capital available for other purposes	0.7	1.7	1.7	0.4	1.4
AVSs	✓	✓	✓	–	–
Acquisitions	✓	✓	✓	✓	–

Capital Ratios

Tier 1 Capital Ratio %

Buy-back



Capital Outlook

- Expect continuation of strong capital generation
- No plans for large acquisitions
- See many opportunities to generate profitable growth, not all capital intensive
 - Over 60% of our income is non-interest
 - We have greater capacity to distribute loans
 - Will continue to evaluate opportunities
 - Maintain strict investment criteria
- Expect to fund growth from own resources

Capital Outlook

- Remain committed to capital efficiency
- Returning surplus capital to shareholders is integral to strategy
- Propose 29% increase in final dividend for 2005, making 25% for year, payout ratio 41%
- Intend to repurchase up to £1 billion of our shares over next 12 months
- Maintain capital ratios at or around current levels



China

China

RBS/Bank of China Partnership

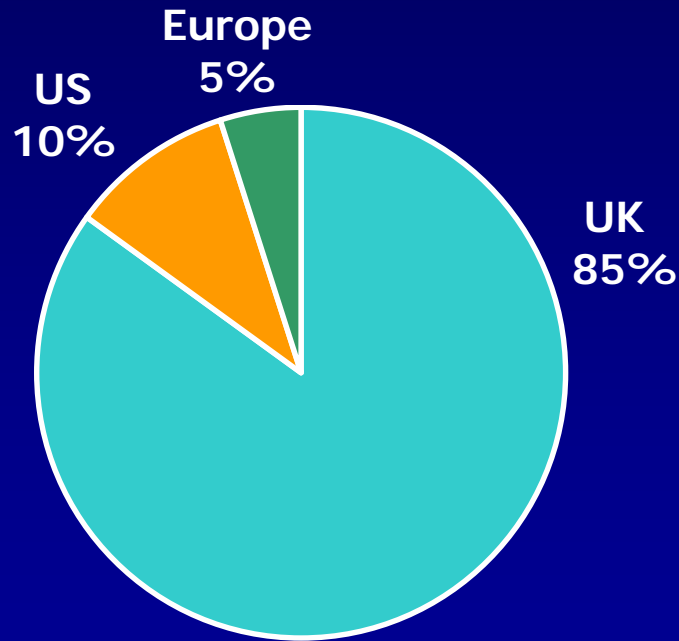
- RBS led an investment of 10% in Bank of China, RBS itself bought 5% for £0.9 billion
- Appropriate warranties and protections
- Transaction completed in December 2005
- RBS investment financed by sale of SCH shares
- No plan to increase RBS investment in BOC
- Developing business co-operation: cards, corporate banking, wealth management
- BOC IPO planned for 2006



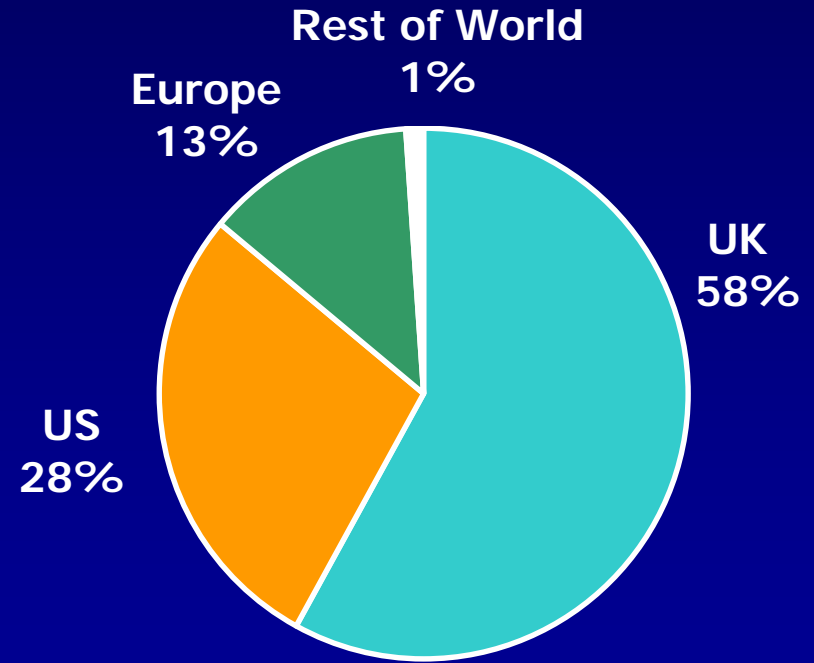
Outlook

Profit by Geography

*1999 Operating Profit
Pro forma*



2005 Operating Profit



Economic Background

- Economies coped well with challenges of 2005
- US achieved trend growth, despite hurricanes
- UK slowest growth since 1992, but still 1.8%
- Eurozone showed signs of life

United Kingdom

- UK troughed in Q1 2005, back to trend in Q4 2005
- Housing market stabilising, retail sales recovering, but small rise in unemployment
- Consumer transition continuing
- Still cautious on UK unsecured consumer lending, corporate credit remains benign
- Economic outlook: expect growth 2% to 2.5% in 2006, higher than 2005

United States

- Economy near capacity, stock levels low, unemployment below 5%
- Transition in economy from consumer spending to business investment
- Credit quality benign
- Yield curve may remain flat
- Good growth – expect between 3% and 4% in 2006

Europe

- Low growth, but some improvement during 2005
- RBS activity mainly Ireland and large corporates
- Irish economy continues to outperform Eurozone
- Strong growth in credit demand from large corporates across Europe

Outlook

Summary

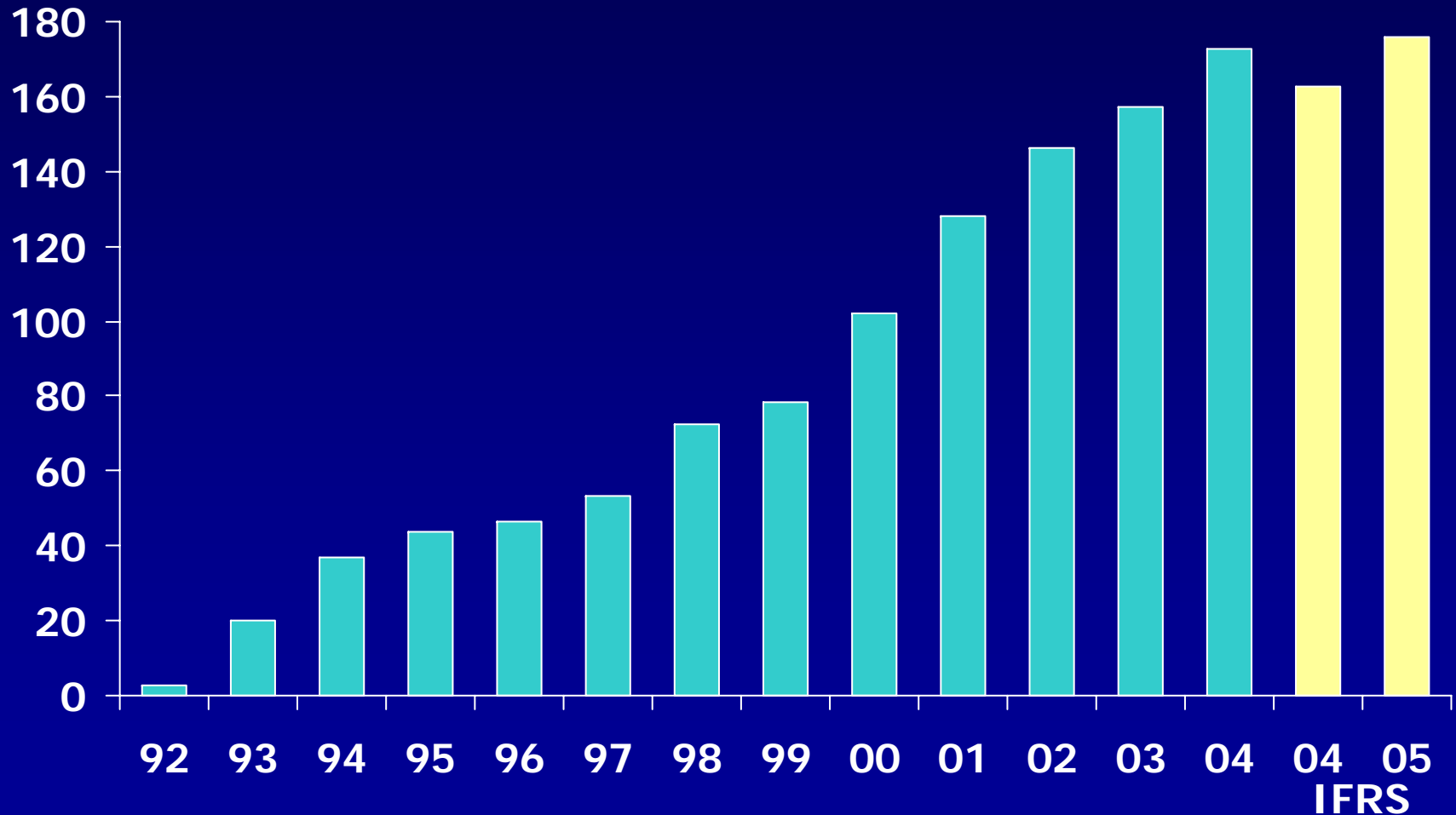
- Economic backdrop will provide ongoing opportunities
- Our platform allows us to access them
 - Scale
 - Strength
 - Diversity
- Diversity also enables flexible response to opportunities and threats
- We face 2006 with confidence



Sir George Mathewson

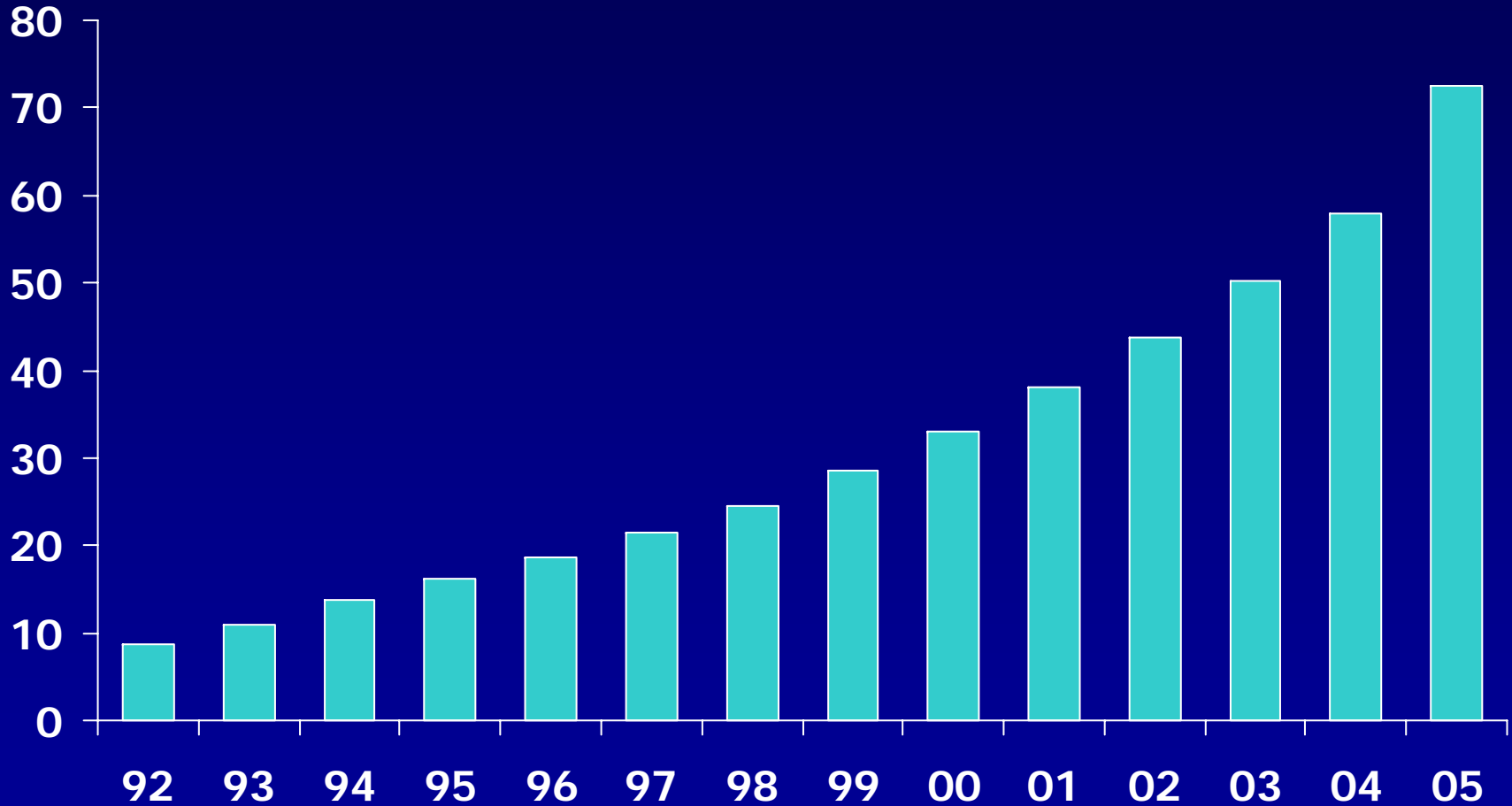
Adjusted Earnings Per Share

pence



Dividends Per Share

pence





The Royal Bank of Scotland Group

Make it happen

strength

diversity

flexibility



The Royal Bank of Scotland Group

Notes

The definitions in the slides are as stated in the 2005 Company Announcement and previous announcements and as stated below:

- *All 2005 data has been prepared in accordance with IFRS with proforma comparatives for 2004. All year-on-year percentage changes are calculated using 2004 pro forma data*
- *Loans and advances data is shown gross and, where relevant, excludes reverse repos*
- *The calculation of impairment losses as a % of gross loans and advances excludes losses on available for sale securities and amounts written off on fixed asset investments*
- *Where relevant, customer deposits exclude repos*
- *Total assets and risk weighted assets data is shown on a spot basis. To aid comparison under IFRS, 1 January 2005 balance sheet data has been provided in place of UK GAAP 31 December 2004 balance sheet data*
- *Growth in income and operating profit for 2001, 2002 and 2003 is excluding acquisitions only*
- *Gross capital generated is calculated before goodwill amortisation for UK GAAP results 2001 to 2003 and before intangibles amortisation for IFRS 2004 and 2005. Gross capital generated is also calculated before deducting integration costs and excludes the 2005 net gain on sale of strategic investments and subsidiaries*
- *IFRS constant capital RoE and December 2005 UK GAAP Tier 1 capital ratio are estimates*
- *For 2005, geographic operating profit is determined by location of customer*