



The Royal Bank of Scotland Group

Make it happen

strength

diversity

flexibility

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2006 Interim Results

4 August 2006



Sir Tom McKillop
Chairman

2006 Interim Results

<i>£m</i>	<i>1H05</i>	<i>1H06</i>	<i>Change</i> <i>%</i>
Total income	12,454	13,642	+10%
Group operating profit	4,000	4,603	+15%
Adjusted EPS	86.5p	95.2p	+10%

- Interim dividend 24.2p,
one third of total dividend for 2005
- £200 million shares repurchased so far,
out of planned £1 billion



Guy Whittaker
Group Finance Director

2006 Interim Results

	<i>£m</i>	<i>%</i>
Income	13,642	+10
Operating profit	4,603	+15
Attributable profit	2,978	+18
Basic EPS	93.1p	+17
Adjusted EPS	95.2p	+10
Tier 1 capital	7.6%	
Return on equity	18.5%	

Income Growth

<i>Total Income</i>	<i>£m</i>	<i>%</i>
Corporate Markets	4,961	+16
Retail Markets	4,221	+6
Ulster Bank	471	+15
Citizens	1,686	+8
RBS Insurance	2,761	+3
Group		+10

- UK +7%
- International +17%
- NII up £408m
- NIM 2.45%
- Non-II up £780m
- NII 38% : Non-II 62%

Operating Efficiency

	<i>£m</i>	<i>%</i>
Income growth	1,188	+10
Cost growth	463	+8
Direct expenses		+10
Manufacturing		+3

- 2% jaws
- Scalable platform
- Investing in service
- Investing in infrastructure
- Increasing productivity

Cost:income ratio reduced from 42.2% to 41.9%

Credit Quality

	£	%
Loans & advances	352bn	+17
Impairment losses	887m	+5
REIL + PPL	1.64%	
Provision coverage	63%	
Impairment losses:		
– Corporate Markets	97m	-48
– Retail Markets	680m	+19

- Strong credit metrics
- Benign corporate environment
- Prime US portfolios
- UK unsecured levelling

UK Unsecured

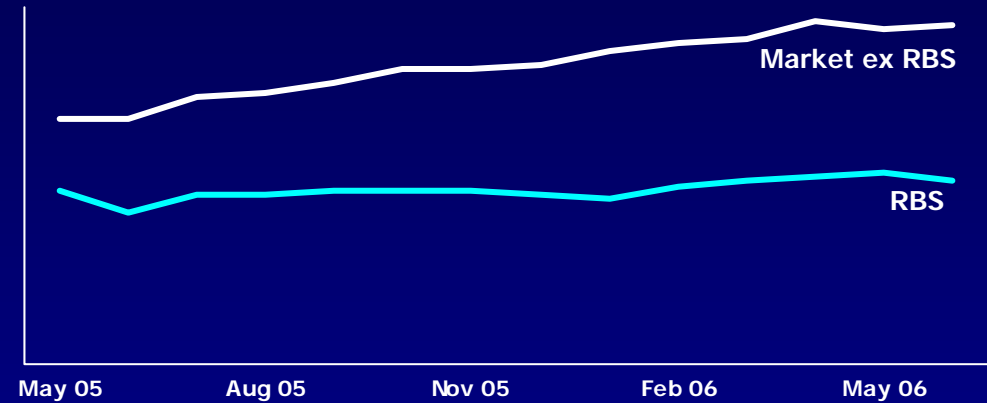
Impairment Growth

	%
1H06	+20
2H05	+47
1H05	+43

- Cards stabilising
- Personal loans moderating

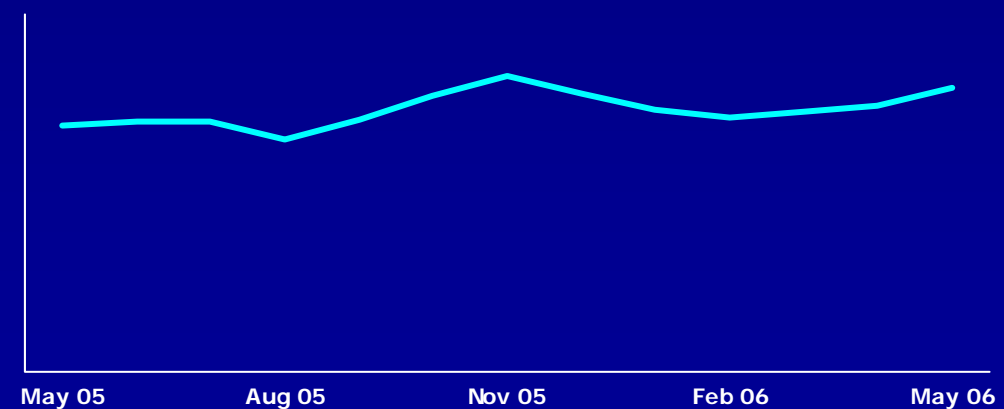
Credit Cards

3 Month Arrears as a % Active Balances



Personal Loans

Impaired Loans as a % Total (lagged 18 months)



Group Operating Profit

	<i>£m</i>	<i>%</i>
Corporate Markets	2,719	+21
Retail Markets	1,262	+6
Ulster Bank	182	+20
Citizens	812	+8
RBS Insurance	349	+4
Central items	(721)	-5
Group	4,603	+15

- Franchise growth
- Operating leverage
- Positive credit
- Diversified
- 43% international

Corporate Markets

	<i>£m</i>	<i>%</i>
Total income	4,961	+16
Direct expenses	1,867	+18
Impairment losses	97	-48
Manufacturing	278	+3
Operating profit	2,719	+21

- GBM op profit +24%
- European income +40%
- Fees +36%
- Stable VaR £13m
- Franchise leadership

	<i>£bn</i>	<i>%</i>
Loans & advances	183.6	+11
Customer deposits	122.7	+14
RWAs	215.7	+7

- UKCB op profit +14%
- Ave loans +19%
- Ave deposits +22%

Retail Markets

	<i>£m</i>	<i>%</i>
Total income	4,221	+6
Direct expenses	1,205	+2
Net insurance claims	242	+7
Impairment losses	680	+19
Manufacturing	832	+3
Operating profit	1,262	+6

£bn

Loans & advances	114.3	+5
Customer deposits	109.6	+9
RWAs	79.9	-2

- Ave deposits +9%
- Ave lending +8%
- Impairment rise abating
- Investing in service
- Bancassurance APE +88%
- Wealth op profit +27%

	<i>£m</i>	<i>%</i>
Total income	471	+15
Direct expenses	148	+18
Impairment losses	37	+23
Manufacturing	104	+3
Operating profit	182	+20

£bn

Loans & advances	32.5	+31
Customer deposits	17.6	+26
RWAs	26.3	+30

- Ave mortgages +30%
- Ave business loans +23%
- Ave deposits +21%
- Expanding distribution
- Integration on plan

Citizens

	<i>\$m</i>	<i>%</i>
Total income	3,018	+4
Direct expenses	1,436	+3
Impairment losses	128	+11
Operating profit	1,454	+4
	<i>\$bn</i>	
Loans & advances	109.2	+10
Customer deposits	111.8	+10
RWAs	111.5	+8

- Ave personal lending +11%
- Ave business lending +14%
- Ave deposits +5%
- Margin compression
- FICO 700+
- Business customers up 5%
- RBS Lynk merchants +17%

RBS Insurance

	<i>£m</i>	<i>%</i>
Total income	2,761	+3
Direct expenses	346	0
Net claims	1,962	+3
Manufacturing	104	+3
Operating profit	349	+4

- Disciplined pricing
- Motor claims inflation +5%
- Claims frequency lower
- Combined op ratio 93.8%
- SME policies +11%
- European policies +14%

Manufacturing

	<i>£m</i>	<i>%</i>
Group Technology	465	+1
Group Purchasing and Property	443	+11
Customer Support	481	0
Total costs	1,389	+3

- Leveraging technology
- Service and scale
- Property portfolio upgrades
- >1 billion BACS payments
- Deposit accounts +11%

Capital Strength

30 Jun 06

Total assets (£bn)	839.3
RWAs (£bn)	385.5
Tier 1 capital (%)	7.6
Total capital (%)	11.9
Return on equity (%)	18.5

- RWAs +5%
- Balance sheet discipline
- Stable ratios
- £200m repurchase in 1H
- £800m repurchase in 2H



The Royal Bank of Scotland Group

Sir Fred Goodwin
Group Chief Executive

Strategic Direction

Slide 2

Strategic Direction

Position in 2005

- No change in strategic direction
- Some evolution of strategic priorities
- Platform has been built
- Main priority is to leverage it
- No plans for large acquisitions

No Change

Manufacturing

Unlocking Benefits of Scale

- Costs up 3%, flat excluding property
- Supporting higher business volumes, 10% income growth

Allocation of Costs

- Do not allocate costs in managing business
- Reasonable allocation based on high level judgement:

	<i>Retail</i>	<i>Corporate</i>	<i>Ulster</i>	<i>RBS Ins</i>	<i>Centre</i>
2006	60%	20%	7.5%	7.5%	5%
2005	60%	20%	7.5%	7.5%	5%

RBS/Bank of China Partnership

BOC IPO

- Successful listings in Hong Kong and Shanghai
- Market capitalisation now US\$108 billion

Business Co-operation

- Credit Cards Joint business unit management team in place
451,000 net new card accounts in 2006 to date
- Corporate Banking Joint transactions in shipping and aviation sectors
Good progress in trade finance and asset finance
- Wealth Management Letter of Intent signed. Setting up pilot private
banking sites in Beijing and Shanghai
- RBS Insurance Evaluating opportunities in personal lines and SMEs

Infrastructure Co-operation

- Risk Management, HR, IT: RBS secondees, training, technical support



Economic Outlook

Economic Outlook

<i>Real GDP Growth</i>	<i>2005</i>	<i>2006 Forecast</i>	<i>2007 Forecast</i>
United Kingdom	1.9%	2.4%	2.5%
Eurozone	1.3%	2.2%	1.8%
United States	3.2%	3.5%	2.8%
Asia-Pacific	4.8%	5.0%	4.4%
World	3.3%	3.6%	3.1%

Economic Outlook

Risks

- Energy prices may prompt inflationary spiral
- Rate tightening may go too far
- Housing market may weaken

But ...

- These are not new risks
- Our economies have been resilient
- Policy makers generally have good track record



RBS Outlook

Strong Growth – All Organic

<i>% Growth</i>	<i>1H06</i>
Total income	+10%
Operating profit	+15%
Adjusted EPS	+10%

Consistent Growth

<i>% Growth</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>1H06</i>
Total income	+16%	+14%	+18%	+14%	+10%
Operating profit	+12%	+11%	+15%	+16%	+15%
Adjusted EPS	+13%	+11%	+10%	+8%	+10%

Excluding Acquisitions

Total income	+12%	+10%	+11%	+10%	+10%
Operating profit	+9%	+10%	+14%	+12%	+15%

Diversified Growth

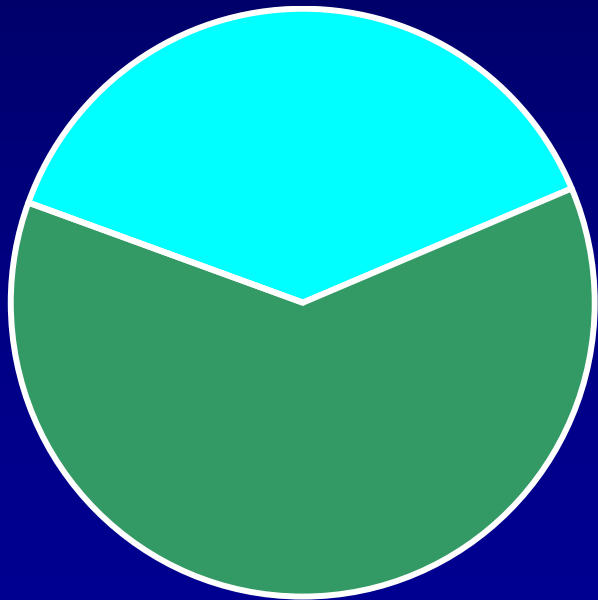
Rate of Contribution Growth Excluding Acquisitions

	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>1H06</i>
Group	+9%	+10%	+14%	+12%	+15%
Corporate Markets	+6%	+11%	+18%	+24%	+19%
Retail Markets	+9%	+6%	+6%	+4%	+5%
Ulster Bank	+7%	+12%	+12%	+15%	+13%
Citizens (\$)	+14%	+16%	+13%	+10%	+4%
RBS Insurance	+43%	+26%	+13%	+4%	+4%

Diversified by Income Type

1H06 Total Income £13,642m

Net Interest Income 38%



Non-Interest Income 62%

% Total Income

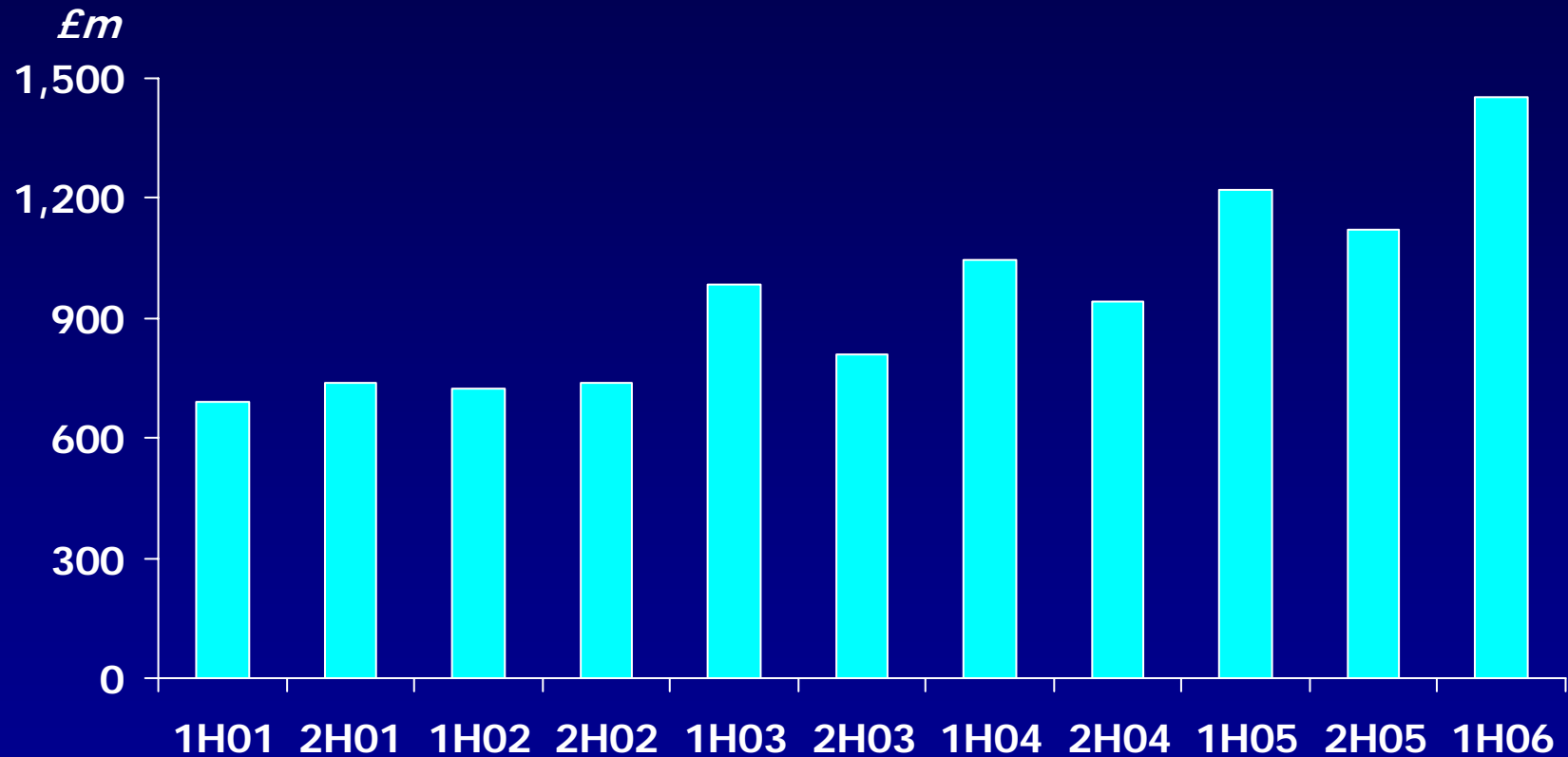
Net interest income

- Personal lending 12%
- Business lending 11%
- Personal deposits 9%
- Business deposits 6%

Non-interest income

- General insurance premium income 22%
- Net fees and commissions 19%
- Income from trading activities 11%
- Other operating income 10%

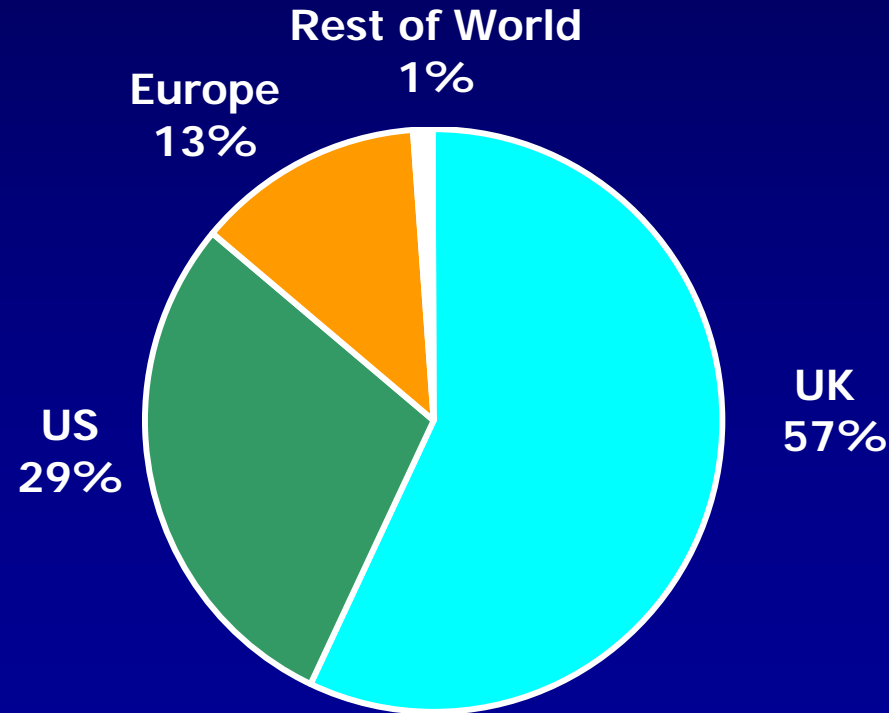
Income from Trading Activities



	1H01	2H01	1H02	2H02	1H03	2H03	1H04	2H04	1H05	2H05	1H06
IFTA % of total income	10.1	9.5	8.8	8.5	10.8	8.0	9.6	8.0	9.8	8.3	10.7
Period end VaR at 95% (£m)	12.1	8.2	9.7	8.4	11.5	7.4	13.1	10.9	13.8	12.8	14.5

Diversified by Geography

1H06 Group Operating Profit £4,603m



Diversified by Geography

<i>Total Income</i>	<i>1H05 £m</i>	<i>1H06 £m</i>	<i>Change %</i>
United Kingdom	9,178	9,821	+7%
United States	2,227	2,526	+13%
Europe	937	1,164	+24%
Asia-Pacific	112	131	+17%
Total	12,454	13,642	+10%

United States

<i>Total Income</i>	<i>1H05</i>	<i>1H06</i>	<i>Change</i>
	<i>\$m</i>	<i>\$m</i>	<i>%</i>
Citizens	2,915	3,018	+4%
Corporate Markets	1,295	1,514	+17%
Total (\$m)	4,173	4,521	+8%
Total (£m)	2,227	2,526	+13%

Europe

<i>Total Income</i>	<i>1H05</i>	<i>1H06</i>	<i>Change</i>
	<i>€m</i>	<i>€m</i>	<i>%</i>
Corporate Markets	469	658	+40%
Ulster Bank ROI	408	480	+18%
RBS Insurance	236	277	+17%
Retail Markets	245	272	+11%
Total (€m)	1,366	1,695	+24%
Total (£m)	937	1,164	+24%

Asia-Pacific

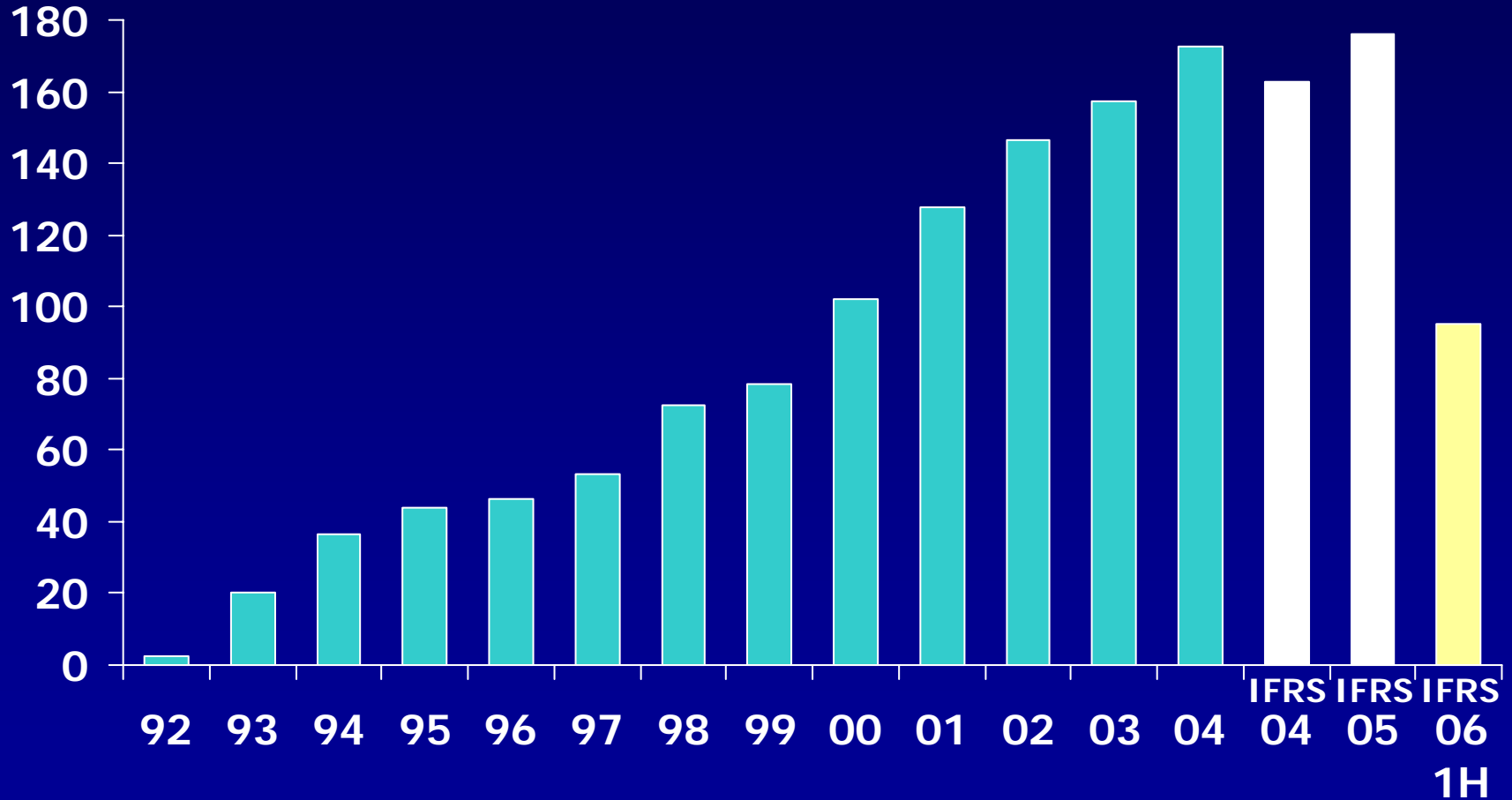
<i>Total Income</i>	<i>1H05</i>	<i>1H06</i>	<i>Change</i>
	<i>\$m</i>	<i>\$m</i>	<i>%</i>
Corporate Markets	148	157	+6%
Retail Markets	62	75	+21%
Total (\$m)	210	234	+11%
Total (£m)	112	131	+17%



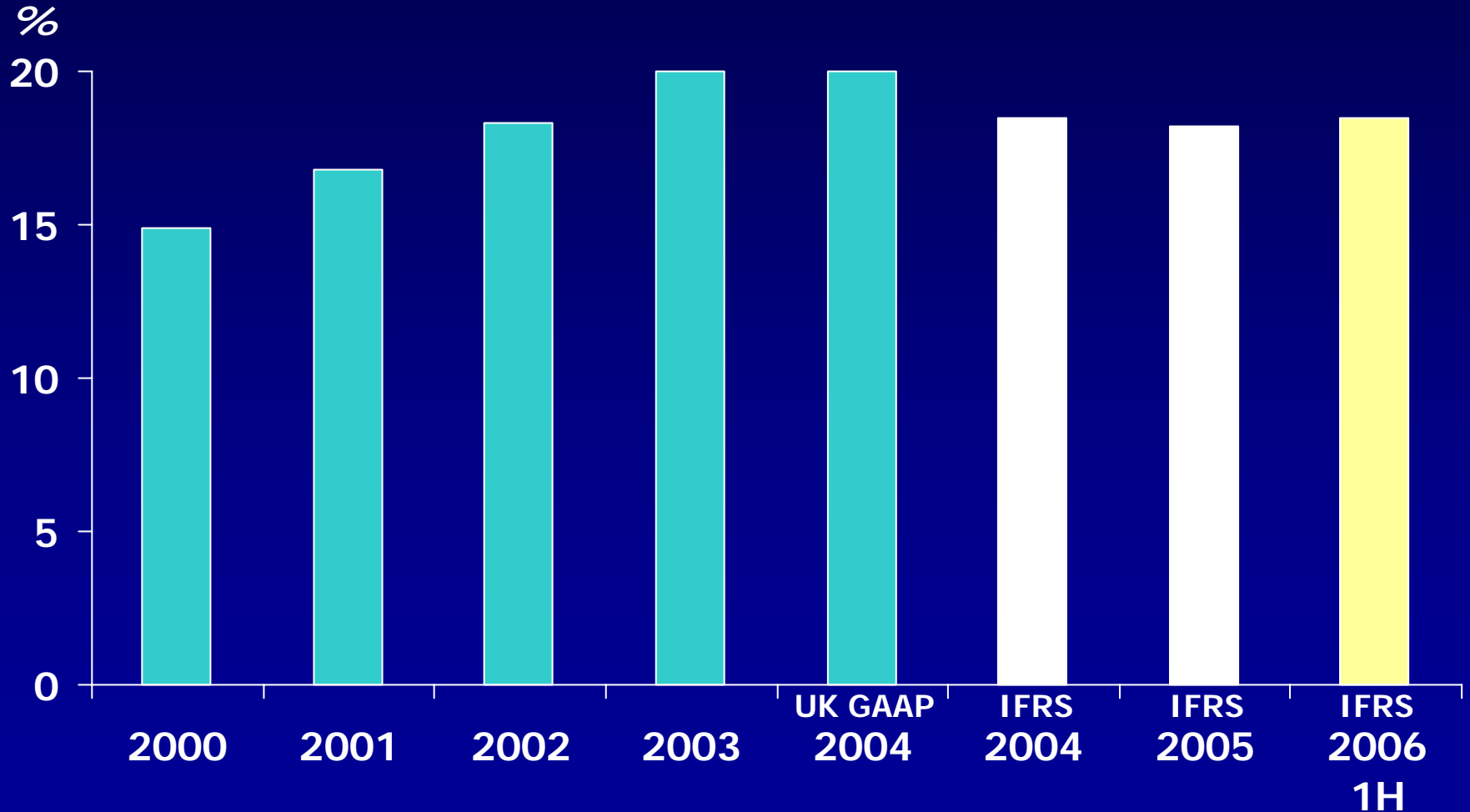
Summary

Adjusted Earnings Per Share

pence



Return on Equity



Outlook

- Economic environment (net) positive
- We have scale
- We have momentum
- We have diversified income streams
- We have high quality income streams

We have options for growth and are well positioned to pursue them



The Royal Bank of Scotland Group

Sir Fred Goodwin
Group Chief Executive