



The Royal Bank of Scotland Group plc - Pre-Close Trading Up-date - 11 June

11 June 2003

The Royal Bank of Scotland Group ("RBS") will be holding discussions with analysts ahead of its close period for the half year ending 30 June 2003. This statement details the information that will be covered in those discussions.

RBS has continued to make good progress in the first half of 2003. Key features of its interim results, which will be released on 5 August, are expected to include continued strong growth in income, a further improvement in efficiency, and provisions in line with guidance given at the results presentation in February. Consequently, profits are anticipated to be in line with expectations.

Income and Margins

RBS continues to achieve strong income growth, with Direct Line and Retail Direct achieving particularly rapid growth. Wealth Management continues to be affected by lower stock markets but is showing overall resilience.

As predicted at the results presentation in February, interest margins have been slightly lower than in 2002. Income growth has, however, been sustained by good growth in deposit and loan volumes, and by strong growth in non-interest income, especially in areas such as general insurance and credit cards.

Expenses

The Group remains focused on improving its efficiency, and whilst expenses have increased to support higher business volumes, a further improvement in the cost:income ratio is expected to be achieved.

Credit Quality and Provisions

Credit quality remains strong, with no material change to the distribution by grade of our risk assets compared with the position disclosed in the results presentation in February.

The charge for bad debts continues at a level consistent with that reported in 2002 and the growth in the loan book.

Our view of credit quality remains essentially unchanged from that discussed in February with credit metrics, if anything, pointing towards an improving outlook.

Acquisitions

Citizens completed the acquisition of Commonwealth Bancorp in January 2003 and had fully integrated its systems, back offices and branches by the end of March. In April, Citizens announced the acquisition of Port Financial, which is expected to be completed in the third quarter. In May, RBS announced the sale of the Miami-based operations of Coutts and the purchase of the credit card and personal loan businesses of Frankfurt-based Santander Direkt AG: both these transactions are expected to be completed in the third quarter.

The acquisition of Churchill Insurance Group plc has been announced today: this acquisition is subject to regulatory approval.

Capital

Capital ratios remain strong at levels within our target ranges and are forecast to remain so after the completion of all the acquisitions and disposals mentioned previously.

Fred Goodwin, Group Chief Executive, commented;

"It is pleasing to see continuation of the performance dynamics which have been evident in the Group's results for some time: superior income growth, continuing efficiency improvement, and stable credit quality. At the same time we have continued to develop our stated strategy, with accretive acquisitions in the United Kingdom, Continental Europe and the United States.

We believe that the interim results will clearly portray a positive picture of the Group's continuing progress."

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