



The Royal Bank of Scotland Group plc Pre-close Trading Up-date

09 June 2004

The Royal Bank of Scotland Group (RBS) will be holding discussions with analysts and investors ahead of its close period for the half year ending 30 June 2004. This statement sets out the information that will be covered in those discussions.

Summary

RBS has continued to make good progress in the first half of 2004. Key features of its interim results, which will be released on Tuesday 3 August 2004, are expected to include strong income growth, a further improvement in efficiency and stable credit metrics. Consequently, profits are anticipated to be in line with expectations.

Income and Margins

RBS has maintained strong momentum in its income growth in the first half of 2004. All divisions have achieved good organic growth in local currencies, although Citizens' results in sterling have been impacted by the strength of sterling against the US dollar.

RBS has continued to achieve good growth in assets, particularly small and mid-corporate lending and retail assets. Large corporate lending has remained relatively subdued. The Group has also continued to achieve good growth in deposits.

As previously indicated, the Group net interest margin is expected to be a few basis points lower than last year due to the inclusion of First Active, and the business mix impact of particularly strong growth in mortgages and rental assets. Excluding this, margins have remained stable.

Non-interest income has continued to reflect strong growth across general insurance, credit cards and money transmission income. We continue to see good underlying momentum in the customer-facing activities that generate dealing profits.

Expenses

The Group remains focused on improving its efficiency. Expenses have increased to support higher business volumes, and the Group continues to invest in initiatives that will improve its efficiency further in the future. The rate of income growth is expected to exceed the growth in expenses, leading to a further improvement in the Group cost:income ratio.

Credit Quality and Provisions

Credit quality remains strong. The credit environment is positive overall, continuing to improve in corporate lending and remaining stable in small business lending and the personal sector.

As predicted at the 2003 results presentation, the growth of the personal loan portfolio over recent years has contributed to an increase in consumer lending provisions, although the Group charge for bad debts as a percentage of book is expected to continue the improving trend reported in 2003.

Acquisitions

The integration of each of the acquisitions announced in 2003 is fully on track, with good underlying performance of the acquired businesses.

On 3 February 2004, RBS announced the acquisition of the credit card business of People's Bank of Connecticut; this acquisition was completed on 5 March 2004.

On 4 May 2004, RBS announced the acquisition of Charter One Financial Inc for approximately \$10.5 billion. This transaction is subject to the approval of Charter One shareholders and the relevant regulatory authorities, and is expected to be completed in the fourth quarter of 2004.

Capital

Capital ratios remain strong, and are currently at levels above our target ranges, given the funding that has taken place in connection with the acquisition of Charter One. Allowing for completion of the acquisition of Charter One, RBS's tier 1 ratio is expected to be close to 7% at the end of 2004.

Fred Goodwin, Group Chief Executive, commented:

"Good momentum continues across each of our businesses and we are on track to deliver strong organic growth in income whilst continuing to improve efficiency."

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