



Royal Bank of Scotland Group PLC - Trading Statement

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THE ROYAL BANK OF SCOTLAND GROUP PLC

Pre-close Trading Update

13 June 2006

Introduction

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 2006. This statement sets out the information that will be covered in those discussions.

Summary

RBS has performed well in the first half of 2006 and our interim results, which will be released on 4 August, are anticipated to be in line with expectations. Highlights of our interim results for 2006 are expected to include good organic growth in income, disciplined expense control and a small improvement in overall credit metrics.

Income and Margins

Income: The Group has continued to achieve good growth in income, with strong performances in Corporate Markets, particularly Global Banking & Markets, and Ulster Bank. Retail Markets' income growth reflects the continuing transition in UK customer behaviour away from unsecured lending towards savings and investment products, with Wealth Management performing particularly well. RBS Insurance has continued to increase its income in competitive conditions. Citizens has achieved good growth in its business activities but the increase in its income in US dollars has been constrained by the continuing impact of the flatter yield curve. Group non-interest income is in line to account for over 60% of total income.

Margins: The Group's net interest margin is expected to be lower, in line with guidance given at our results presentation in February, mainly as a result of changes in the product mix and the continuing impact of the flatter yield curve in the US. The risk-adjusted return on the Group's portfolio remains attractive.

Expenses

The Group has maintained its disciplined approach to expense management. While making investments to support future growth, the Group continues to benefit from its scalable operating platform and the resulting productivity gains.

Credit

Overall credit metrics are expected to show a small improvement, with growth in impairment losses lower than growth in loans and advances. Impairment losses in Retail Markets are in line with the volume growth in personal unsecured lending over the past two to three years and the seasoning of these portfolios. Corporate credit conditions remain benign.

Capital

During the first half of 2006 the Group has paid the final dividend for 2005 of £1.7 billion and has commenced its £1 billion share buy-back programme. Strong growth in loan origination has been complemented by the Group's increasing distribution capabilities and it is anticipated that the Group's Tier 1 capital ratio at the end of June will be around the middle of the 7% to

8% range, as indicated at the time of our results in February.

Sir Fred Goodwin, Group Chief Executive, commented:

"Organic growth has been a key element of the Group's strategy and a prominent theme in our results over recent years. 2006 is progressing well, and we are confident that our interim results will clearly demonstrate the inherent strength of our business model, the benefits of our diversified business activities, and the range of options available to us for future organic growth."

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Unless otherwise stated, comments on trends contained in this statement refer to the results for the half year ending 30 June 2006 compared with the equivalent period in 2005.

This announcement contains forward looking statements, including such statements within the meaning of Section 27A of the US Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements concern or may affect future matters, such as RBS's future economic results, business plans and strategies, and are based upon the current expectations of the directors. They are subject to a number of risks and uncertainties that might cause actual results and events to differ materially from the expectations expressed in the forward looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, regulatory developments, competitive conditions, technological developments and general economic conditions. These factors risks and uncertainties are discussed in RBS's SEC filings, including, but not limited to, RBS's report on Form 6-K containing this announcement and certain sections of RBS's Annual Report on Form 20-F. Information in this announcement of the price at which investments have been bought or sold in the past or the yield on investments cannot be relied upon as a guide to future performance. RBS assumes no responsibility to update any of the forward looking statements contained in this announcement.

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