

THE ROYAL BANK OF SCOTLAND GROUP PLC Pre-close Trading Update

11 June 2008

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 2008. This statement sets out the information that will be covered in those discussions.

RBS confirms that it expects Group and divisional performance trends to continue to track the guidance provided in the Interim Management Statement of 22 April 2008. The operating performance of many of RBS's businesses since the beginning of 2008 remains good, though results have been held back by the effects of the continuing deterioration in credit markets.

Write-downs on credit market exposures, as discussed in detail in the Interim Management Statement, are expected to remain within the estimates indicated. Overall, the Group's underlying results, excluding write-downs on credit market exposures, are expected to remain satisfactory.

While the global economic outlook is placing strains on a number of business sectors, the Group's loan portfolio remains robust, with a continued reduction in UK personal sector impairment losses but increased US impairments, principally in a specific retail portfolio, as previously disclosed. Although there has been little change in current corporate and commercial credit metrics, we continue to monitor forward-looking indicators closely.

The integration of ABN AMRO remains on track. Good progress continues to be made, with both income benefits and cost savings slightly ahead of target.

RBS confirms its previous guidance that at 30 June 2008 it expects its Tier 1 capital ratio to be in excess of 7.5% and its core Tier 1 capital ratio to be in excess of 5%, on a proportional consolidated basis. At 31 December 2008 the Group's Tier 1 capital ratio, on the same basis, is expected to be in excess of 8% and its core Tier 1 ratio in excess of 6%.

Further unaudited pro forma financial information under the Group's revised divisional structure is set out in Appendix 1. This information covers operating results for the Group, including the results of the ABN AMRO businesses acquired by RBS, for the full years 2006 and 2007 and for the first half of 2007. RBS will give a full update on progress with the ABN AMRO integration and on the Group's credit market exposures with its 2008 interim results on 8 August 2008.

Sir Fred Goodwin, Group Chief Executive, said:

“The trends which we have experienced so far in the second quarter are consistent with those referred to in our Interim Management Statement. Whilst we remain very much open for business, our risk appetite is tempered by a cautious stance in relation to short term economic factors and market conditions.”

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Analysts' Conference Call 9.00 a.m., 11 June 2008

Dial in details:

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USA Free Call:	1 866 966 8024
Netherlands Free Call:	0800 023 5072

This announcement contains forward-looking statements, including such statements within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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. Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “plans”, “estimates” and words of similar import. Factors that could cause or contribute to differences in current expectations include, but are not limited to, legislative, fiscal and regulatory developments, competitive conditions, technological developments, exchange rate fluctuations and general economic conditions. These factors, risks and uncertainties are discussed in RBS's SEC filings, including, but not limited to, RBS's Reports on Form 6-K containing this announcement and certain sections of RBS's Annual Reports 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, whether as a result of new information, future events or otherwise, except to the extent legally required.

APPENDIX I

Pro forma financial information for the Group under the revised divisional structure

The unaudited pro forma financial information under the Group's revised divisional structure is shown below. These show the underlying performance of the Group including the results of the ABN AMRO businesses acquired by RBS. This information is being provided to give a better understanding of what the results of the operations might have looked like had the acquisition of ABN AMRO as well as the transfers of businesses to the other Consortium Banks occurred on 1 January 2006.

The profit before amortisation of purchased intangible assets and integration costs of each division is detailed below and is described as 'Contribution' in the divisional analyses that follow.

	Full year 2007 £m	Full year 2006 £m	First half 2007 £m
Global Markets			
- Global Banking & Markets	5,002	4,348	2,845
- Global Transaction Services	1,649	1,616	789
Total Global Markets	6,651	5,964	3,634
Regional Markets			
- UK Retail & Commercial Banking	6,207	5,685	3,010
- US Retail & Commercial Banking	1,476	1,739	788
- Europe & Middle East Retail & Commercial Banking	798	698	380
- Asia Retail & Commercial Banking	205	117	97
Total Regional Markets	8,686	8,239	4,275
RBS Insurance	905	967	363
Group Manufacturing	(4,287)	(4,192)	(2,108)
Central items	(1,641)	(1,656)	(842)
Underlying Group operating profit*	<u>10,314</u>	<u>9,322</u>	<u>5,322</u>

* Underlying Group operating profit

Excludes

- RBS unusual items - credit market write-downs and goodwill payments, offset by the gains on sale of Southern Water and certain other assets
- ABN AMRO pre and post acquisition credit market write-downs and the impact of the LaSalle sale
- RBS share of ABN AMRO's shared assets
- amortisation of purchase accounting adjustments including purchased intangible assets and integration costs; and

Includes

- the cost of funding the ABN AMRO acquisition within Central Items. Whilst part of the acquisition consideration was funded by the issue of preference shares, these pro forma results assume that the cash element of the consideration was debt funded.

Risk-weighted assets of each division were as follows:

	31 December 2007 £bn	31 December 2006 £bn	30 June 2007 £bn
Global Markets			
- Global Banking & Markets	191.4	176.6	187.7
- Global Transaction Services	12.6	10.4	12.7
Total Global Markets	204.0	187.0	200.4
Regional Markets			
- UK Retail & Commercial Banking	179.0	165.0	170.1
- US Retail & Commercial Banking	57.1	57.6	57.0
- Europe & Middle East Retail & Commercial Banking	36.7	30.2	32.9
- Asia Retail & Commercial Banking	3.3	2.8	2.9
Total Regional Markets	276.1	255.6	262.9
Other	9.9	5.3	9.9
	490.0	447.9	473.2

GLOBAL MARKETS
GLOBAL BANKING & MARKETS

	Full year 2007 £m	Full year 2006 £m	First half 2007 £m
Net interest income from banking activities	2,453	2,060	1,170
Net fees and commissions receivable	2,221	2,043	1,124
Income from trading activities	4,334	3,671	2,726
Other operating income (net of related funding costs)	1,908	2,110	905
Non-interest income	8,463	7,824	4,755
Total income	10,916	9,884	5,925
Direct expenses			
- staff costs	4,194	3,539	2,261
- other	1,230	1,541	618
- operating lease depreciation	365	406	192
	5,789	5,486	3,071
Contribution before impairment losses	5,127	4,398	2,854
Impairment losses	125	50	9
Contribution	5,002	4,348	2,845
Income by product:			
Rates, currencies and commodities	3,707	2,455	1,570
Equities	1,168	1,023	742
Credit markets	2,720	2,879	1,754
Asset and portfolio management	3,321	3,527	1,859
Total income	10,916	9,884	5,925
	£bn	£bn	£bn
Loans and advances to customers*			
- banking	201.1	147.6	156.2
- trading	22.1	16.8	17.4
Rental assets	10.2	12.2	11.9
Customer deposits*	106.7	81.6	83.3
Risk-weighted assets	191.4	176.6	187.7

* excluding reverse repos and repos

**GLOBAL MARKETS
GLOBAL TRANSACTION SERVICES**

	Full year 2007 £m	Full year 2006 £m	First half 2007 £m
Net interest income	842	756	393
Non-interest income	1,340	1,308	652
Total income	<u>2,182</u>	<u>2,064</u>	<u>1,045</u>
Direct expenses			
- staff costs	357	315	170
- other	164	135	78
	<u>521</u>	<u>450</u>	<u>248</u>
Contribution before impairment losses	<u>1,661</u>	<u>1,614</u>	<u>797</u>
Impairment losses	12	(2)	8
Contribution	<u>1,649</u>	<u>1,616</u>	<u>789</u>
	£bn	£bn	£bn
Loans and advances to customers - gross	13.7	11.5	12.8
Customer deposits*	57.0	51.4	53.6
Risk-weighted assets	12.6	10.4	12.7

*excluding repos

**REGIONAL MARKETS
UK RETAIL & COMMERCIAL BANKING**

	Full year 2007 £m	Full year 2006 £m	First half 2007 £m
Net interest income	6,667	6,408	3,275
Non-interest income	4,435	4,167	2,189
Total income	11,102	10,575	5,464
Direct expenses			
- staff costs	1,928	1,817	937
- other	1,081	1,088	526
	3,009	2,905	1,463
Insurance net claims	518	488	285
Contribution before impairment losses	7,575	7,182	3,716
Impairment losses	1,368	1,497	706
Contribution	6,207	5,685	3,010
Analysis of contribution by business unit:			
Retail	3,844	3,594	1,838
Corporate	1,873	1,685	934
Wealth	490	406	238
	6,207	5,685	3,010
	£bn	£bn	£bn
Loans and advances to customers – gross			
- consumer (secured)	67.4	65.6	66.2
- consumer (unsecured)	43.7	41.7	42.0
- corporate	98.9	86.1	91.7
- wealth	8.4	7.2	7.9
Customer deposits*	189.3	167.7	179.1
AUMs – excluding deposits	25.8	22.0	24.1
Risk-weighted assets	179.0	165.0	170.1

*customer deposits exclude Bancassurance

**REGIONAL MARKETS
US RETAIL & COMMERCIAL BANKING**

	Full year 2007 £m	Full year 2006 £m	First half 2007 £m	Full year 2007 \$m	Full year 2006 \$m	First half 2007 \$m
Net interest income	1,936	2,042	960	3,874	3,765	1,891
Non-interest income	850	951	401	1,700	1,753	790
Total income	2,786	2,993	1,361	5,574	5,518	2,681
Direct expenses						
- staff costs	601	666	309	1,203	1,228	609
- other	368	407	181	736	750	357
	969	1,073	490	1,939	1,978	966
Contribution before impairment losses	1,817	1,920	871	3,635	3,540	1,715
Impairment losses	341	181	83	682	333	163
Contribution	1,476	1,739	788	2,953	3,207	1,552
Average exchange rate - US\$/£	2.001	1.844	1.970			
				\$bn	\$bn	\$bn
Loans and advances to customers – gross				19.1	18.6	18.5
- mortgages				35.9	34.5	36.2
- home equity				21.7	23.2	22.7
- other consumer				37.6	32.7	34.6
Customer deposits				105.8	100.7	99.9
Risk-weighted assets				114.4	113.1	114.4
Spot exchange rate - US\$/£				2.004	1.965	2.006

REGIONAL MARKETS
EUROPE & MIDDLE EAST RETAIL & COMMERCIAL BANKING

	Full year 2007 £m	Full year 2006 £m	First half 2007 £m
Net interest income	1,066	936	506
Non-interest income	372	295	172
Total income	<u>1,438</u>	<u>1,231</u>	<u>678</u>
Direct expenses			
- staff costs	334	278	149
- other	170	129	82
	<u>504</u>	<u>407</u>	<u>231</u>
Contribution before impairment losses	<u>934</u>	<u>824</u>	<u>447</u>
Impairment losses	136	126	67
Contribution	<u>798</u>	<u>698</u>	<u>380</u>
	£bn	£bn	£bn
Loans and advances to customers – gross			
- mortgages	18.3	15.0	16.2
- corporate	25.3	19.6	21.7
- other	4.2	4.2	3.9
Customer deposits	22.3	18.6	20.5
Risk-weighted assets	36.7	30.2	32.9

**REGIONAL MARKETS
ASIA RETAIL & COMMERCIAL BANKING**

	Full year 2007 £m	Full year 2006 £m	First half 2007 £m
Net interest income	285	224	124
Non-interest income	395	314	191
Total income	680	538	315
Direct expenses			
- staff costs	226	164	97
- other	130	117	60
	356	281	157
Contribution before impairment losses	324	257	158
Impairment losses	119	140	61
Contribution	205	117	97
	£bn	£bn	£bn
Loans and advances to customers – gross	4.5	3.7	3.8
AUMs – excluding deposits	19.9	14.9	17.2
Customer deposits	10.8	8.6	9.5
Risk-weighted assets	3.3	2.8	2.9

RBS INSURANCE

	Full year 2007 £m	Full year 2006 £m	First half 2007 £m
Earned premiums	5,607	5,713	2,815
Reinsurers' share	(220)	(212)	(110)
Insurance premium income	5,387	5,501	2,705
Net fees and commissions	(465)	(486)	(201)
Other income	734	664	339
Total income	5,656	5,679	2,843
Direct expenses			
- staff costs	297	319	147
- other	444	423	203
	741	742	350
Gross claims	4,091	4,030	2,164
Reinsurers' share	(81)	(60)	(34)
Net claims	4,010	3,970	2,130
Contribution	905	967	363
In-force policies (000s)			
- Own-brand motor	6,713	6,790	6,829
- Own-brand non-motor (home, rescue, pet, HR24)	3,752	3,759	3,757
- Partnerships and broker (motor, home, rescue, SMEs, pet, HR24)	9,302	11,242	9,588
General insurance reserves – total (£m)	8,192	8,068	8,223

GROUP MANUFACTURING

	Full year 2007 £m	Full year 2006 £m	First half 2007 £m
Staff costs	1,075	1,063	524
Other costs	3,212	3,129	1,584
Total manufacturing costs	<u>4,287</u>	<u>4,192</u>	<u>2,108</u>
Analysis of manufacturing costs			
Group Technology	1,373	1,369	665
Group Property	1,519	1,439	740
Customer support and other operations	1,395	1,384	703
Total manufacturing costs	<u>4,287</u>	<u>4,192</u>	<u>2,108</u>

The expenditure incurred by Group Manufacturing relates to the Group's operations. These costs reflect activities that are shared between the various customer-facing divisions and consequently cannot be directly attributed to individual divisions. Instead, the Group monitors and controls each of its customer-facing divisions on revenue generation and direct costs whilst in Group Manufacturing such control is exercised through appropriate efficiency measures and targets.

Whilst the Group does not allocate manufacturing costs to divisions for financial reporting purposes, the following table sets out the allocation of these costs to the divisions on a basis management considers to be reasonable:

	% of total manufacturing costs
Global Banking & Markets	10%
Global Transaction Services	10%
UK Retail & Commercial Banking	50%
US Retail & Commercial Banking	7.5%
Europe & Middle East Retail & Commercial Banking	7.5%
Asia Retail & Commercial Banking	5%
RBS Insurance	5%
Centre	5%

CENTRAL ITEMS

Central Items comprises RBS group and corporate functions, the RBS share of ABN AMRO's head office costs and the pro forma funding costs associated with the ABN AMRO acquisition.

RESTATEMENTS

Divisional results for 2007 and 2006 as previously published have been restated to reflect transfers of operations and businesses between divisions following the implementation of the Group restructure. These changes do not affect the overall results of the Group.

	2007			2006		
	Previously reported £m	Transfers £m	Restated £m	Previously reported £m	Transfers £m	Restated £m
Global Banking & Markets						
Contribution	4,916	86	5,002	4,365	(17)	4,348
Global Transaction Services						
Contribution	1,632	17	1,649	1,561	55	1,616
UK Retail & Commercial Banking						
Contribution	6,250	(43)	6,207	5,722	(37)	5,685
US Retail & Commercial Banking						
Contribution	1,557	(81)	1,476	1,821	(82)	1,739
Europe & Middle East Retail & Commercial Banking						
Contribution	760	38	798	662	36	698
Asia Retail & Commercial Banking						
Contribution	209	(4)	205	119	(2)	117
RBS Insurance						
Contribution	902	3	905	964	3	967
Manufacturing						
Contribution	(4,234)	(53)	(4,287)	(4,164)	(28)	(4,192)
Centre						
Contribution	(1,678)	37	(1,641)	(1,728)	72	(1,656)

IMPORTANT INFORMATION

The unaudited pro forma financial information has been prepared solely for illustrative purposes and is not necessarily indicative of the results that might have been achieved had the acquisition and transfers occurred on the dates indicated, nor is it necessarily indicative of the results of operations that may, or may be expected to be achieved in the future.

Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 ("the Act"). The statutory accounts for the year ended 31 December 2007 will be filed with the Registrar of Companies and have been reported on by the auditors under section 235 of the Act. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Act.