



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

08 December 2003

The Royal Bank of Scotland Group (RBS) will be holding discussions with analysts and investors ahead of its close period for the year ending 31 December 2003. This statement sets out the information that will be covered in those discussions.

RBS has continued to make good progress in 2003. Key features of its results, which will be released on Thursday 19 February 2004, are expected to include strong income growth, a further improvement in efficiency, and provisions in line with guidance given at the interim results presentation in August. The Group is fully on track to meet market expectations for 2003.

Income and Margins

RBS has maintained strong momentum in its organic income growth in the second half.

The Group continues to achieve good growth in assets across a number of sectors. The Group net interest margin for the full year is expected to be in line with the guidance given at the interim results presentation.

Strong growth in non-interest income has been supported by good performances in general insurance, credit cards and corporate banking fee income.

As expected, dealing profits relating to our role in originating mortgage-backed securities in the United States have reduced from the very strong levels in the first half achieved as a result of record levels of mortgage refinancing. Overall dealing profits in the second half, which come principally from servicing customer demand for foreign currency and interest rate protection products, are however expected to show continued underlying momentum and an increase over the prior year.

Expenses

Growth in income continues to exceed the growth in expenses necessary to support increased business volumes. A further improvement in the Group cost:income ratio is expected, even after costs associated with various investment initiatives that will improve efficiency further in the future.

Credit Quality and Provisions

Credit quality remains strong, and the charge for bad debts continues at a level consistent with that reported in the first half and the growth in the loan book.

The credit environment remains positive, continuing to improve in corporate lending and remaining stable in consumer and small business lending.

Acquisitions and Disposals

During 2003, the Group announced eight acquisitions, with a total consideration in excess of £2.6bn.

The acquisition of Churchill Insurance Group was announced on 11 June. On 1 September, RBS completed the acquisition of Churchill and formed RBS Insurance division, combining Direct Line and Churchill. The performance of Churchill and its integration are on track.

On 6 October, RBS announced the acquisition of First Active, in Ireland. This transaction has now been approved by the relevant regulatory and competition authorities and is in the final stages of the shareholder approval process. Completion is expected in January 2004.

Citizens announced the acquisition of Port Financial Corp on 17 April and completed this acquisition on 31 July, and

announced the acquisition of Community Bancorp on 30 July and completed it on 31 October. Both these banks are in New England. A further acquisition, of Roxborough Manayunk Bank in Pennsylvania, was announced on 22 September and is expected to be completed in the first quarter of 2004.

RBS also completed the purchase of Nordisk Renting on 2 June, the purchase of the credit card and personal loans portfolios of Santander Direkt Bank on 31 July, the purchase of Bank von Ernst by Coutts Bank (Switzerland) on 28 November, and the sale of Coutts Miami on 31 July.

Capital

The final additional value share ("AVS") payment of £1.5bn was made on 1 December. The AVSs were issued to all ordinary shareholders in RBS following the acquisition of NatWest in March 2000, since when a total of £2.7 billion has been returned to shareholders by this means.

Underlying capital generation has again been strong and despite the acquisitions mentioned above and the final AVS payment, our capital ratios are expected to remain comfortably within our target ranges.

Fred Goodwin, Group Chief Executive, commented:

"With good momentum continuing across our businesses, we are on track to deliver strong organic growth in income and improving efficiency again this year. Also, the various acquisitions which we have made, across a range of businesses and geographies, give us additional opportunities to grow income in the future."

"The prospects for continued income growth are further enhanced by the diversity of our income streams. The fact, for example, that only 10% of our income is net interest income from UK consumer lending reduces our exposure in the event of a slow down in consumer borrowing. Equally, we are well placed to benefit from upside potential, which is becoming evident in a number of the sectors and markets in which we operate."

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