

ROYAL BANK OF SCOTLAND GROUP PLC  
Form 6-K  
December 08, 2005

**FORM 6-K**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington D.C. 20549**

**Report of Foreign Private Issuer**

**Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934**

For the month of December 2005

Commission File Number: 001-10306

The Royal Bank of Scotland Group plc

Business House F, Level 2  
RBS, Gogarburn, P O Box 1000  
Edinburgh EH12 1HQ, DEPOT CODE: 045

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes

No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-  
\_\_\_\_\_

---

The following information was issued as Company announcements, in London, England and is furnished pursuant to General Instruction B to the General Instructions to Form 6-K: \_\_\_\_\_

---

# Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

8 December 2005

## **Introduction**

The Royal Bank of Scotland Group ('RBS') will be holding discussions with analysts and investors in the first half of 2005. This statement sets out the information that will be covered in the full year ending 31 December 2005. This statement sets out the information that will be covered in the full year ending 31 December 2005.

Comments in this statement are based on expected trends between 2004 and 2005, as if IFRS had applied from 1 January 2004 and 2005. Comments relate to expected results for the full year, unless otherwise stated.

## **Summary**

RBS has continued to perform well in 2005 and our results are expected to be in line with market expectations. Group results for 2005 are expected to include good growth in income, both organically and in total, reflecting efficiency, good overall credit metrics and delivery of the expected benefits from recent acquisitions.

## **Income and Margins**

**Income mix:** The mix of income in 2005 is expected to be similar to that in the first half, with a focus on UK consumer banking and various overseas activities. It is expected that our income from unsecured lending to UK consumers will be more than 10% of total income in 2005.

**Non-interest income:** Non-interest income, which is expected to account for over 60% of total income in 2005, reflecting good growth in banking fee income, financial markets income and insurance premiums.

**Lending and deposit volumes:** During 2005 the Group has continued to achieve good growth in lending and deposit activities. Large corporate and mortgage lending have continued to expand more rapidly than unsecured lending, which has slowed to more normal levels after strong growth in recent years.

**Margins:** The Group's net interest margin in the full year 2005 is expected to be slightly lower than in the first half, principally due to proportionally higher growth in large corporate and mortgage lending and because of the impact of the integration of Charter One.

## **Divisions**

Corporate Banking and Financial Markets continues to perform strongly, with 2005 income benefiting from a wide range of customers, products and geographies. Retail Markets continues to achieve good growth in unsecured lending and good growth in deposits, reflecting the transition in consumer behaviour which has led to higher margins in personal banking products have shown signs of improvement in the second half.

Citizens continues to perform well despite the reduction in margin caused by the further flattening of the yield curve, making good progress on the integration of Charter One. RBS Insurance has continued to grow its income in favourable conditions in motor insurance, and has completed the integration of Churchill. Ulster Bank has seen good growth in market conditions.

## **Expenses**

The Group continues to focus on efficiency, and it is pleasing that we have maintained our low cost base. Strong growth in volumes and investing across the Group to support current and future income growth. Total expenses for 2005 as a whole (excluding acquisitions) is expected to be similar to the first half.

## **Credit Quality and Provisions**

Overall credit metrics are expected to have improved in 2005, with the total charge for provisions as a percentage of total loans and advances. The total charge for provisions is expected to be in line with market expectations.

## Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

In Retail Markets, the charge for provisions is expected to continue to reflect the seasoning of strongly in recent years, together with very low provisions on the growing mortgage balances. The unsecured personal lending arrears may be levelling off, but it is too early to conclude that arrears credit quality remains stable. In Corporate Banking and Financial Markets, credit conditions remain stable. CBFM credit metrics for 2005 will show an improvement from 2004.

### Integration Activity

The integration of Churchill was completed successfully in September 2005, ahead of schedule. It is expected that Churchill's profit in 2005 will be more than double before acquisition. The integrations of First Active and Charter One remain fully on track.

### Capital

As indicated in August, the Group's Tier 1 capital ratio is expected to exceed 7% at the end of 2005 continuing strong capital generation. During 2005 total risk-weighted assets have maintained the level achieved over recent years and, while there was an above-trend spike in risk-weighted assets at 3Q, a similar phenomenon at the end of the year.

Sir Fred Goodwin, Group Chief Executive, commented: "Whilst market conditions in the UK have been challenging, it is pleasing that as a result of the diversity of our income streams, the Group expects to be able to maintain and strong financial metrics for the year."

### CONTACTS

Sir Fred Goodwin	Group Chief Executive	0131 523 2203
Fred Watt	Group Finance Director	0131 523 2028
Richard O'Connor	Head of Investor Relations	0207 672 1758
For media enquiries		
Howard Moody	Group Director, Communications	0131 523 2056
Carolyn McAdam	Head of Media Relations	0131 523 2055

This announcement contains forward looking statements, including such statements within the meaning of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements of forward looking information, such as RBS's future economic results, business plans and strategies, and are based upon the current expectations of management. They are subject to a number of risks and uncertainties that might cause actual results and event expectations expressed in the forward looking statements. Factors that could cause or contribute to these differences between expectations include, but are not limited to, regulatory developments, competitive conditions, economic conditions. These factors risks and uncertainties are discussed in RBS's SEC filings, in particular the report on Form 6-K containing this announcement and certain sections of RBS's Annual Report on Form 10-K. This announcement of the price at which investments have been bought or sold in the past or the yield on investments is not intended as a guide to future performance. RBS assumes no responsibility to update any of the forward looking information contained in this announcement.

END

---

### Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date:08 December 2005

THE ROYAL BANK OF SCOTLAND  
GROUP plc (Registrant)

By: /s/ H Campbell

Name: H Campbell

Title: Head of Group Secretariat