

ROYAL BANK OF SCOTLAND GROUP PLC  
Form 6-K  
August 06, 2010

**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 August 6, 2010

Commission File Number: 001-10306

The Royal Bank of Scotland Group plc

RBS, Gogarburn, PO Box 1000  
Edinburgh EH12 1HQ

(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

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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 a Company announcement in London, England and is furnished pursuant to General Instruction B to the General Instructions to Form 6-K:

### Condensed consolidated balance sheet

at 30 June 2010 - pro forma (unaudited)

|   | 30 June          | 31 March  | 31<br>December |
|---|------------------|-----------|----------------|
|   | 2010             | 2010      | 2009           |
|   | £m               | £m        | £m             |
| <b>Assets</b>                                     |                  |           |                |
| Cash and balances at central banks                | 29,591           | 42,008    | 51,548         |
| Net loans and advances to banks                   | 54,471           | 56,508    | 48,777         |
| Reverse repurchase agreements and stock borrowing | 47,663           | 43,019    | 35,097         |
| Loans and advances to banks                       | 102,134          | 99,527    | 83,874         |
| Net loans and advances to customers               | 539,340          | 553,872   | 554,654        |
| Reverse repurchase agreements and stock borrowing | 39,396           | 52,906    | 41,040         |
| Loans and advances to customers                   | 578,736          | 606,778   | 595,694        |
| Debt securities                                   | 236,260          | 252,116   | 249,095        |
| Equity shares                                     | 17,326           | 21,054    | 15,960         |
| Settlement balances                               | 20,718           | 24,369    | 12,024         |
| Derivatives                                       | 522,871          | 462,272   | 438,199        |
| Intangible assets                                 | 14,482           | 14,683    | 14,786         |
| Property, plant and equipment                     | 17,608           | 18,248    | 17,773         |
| Deferred taxation                                 | 5,841            | 6,540     | 6,492          |
| Prepayments, accrued income and other assets      | 13,630           | 13,909    | 18,604         |
| Assets of disposal groups                         | 21,656           | 21,394    | 18,432         |
| <b>Total assets</b>                               | <b>1,580,853</b> | 1,582,898 | 1,522,481      |
| <b>Liabilities</b>                                |                  |           |                |
| Bank deposits                                     | 96,614           | 100,168   | 115,642        |
| Repurchase agreements and stock lending           | 44,165           | 48,083    | 38,006         |
| Deposits by banks                                 | 140,779          | 148,251   | 153,648        |
| Customer deposits                                 | 420,890          | 425,102   | 414,251        |
| Repurchase agreements and stock lending           | 70,655           | 81,144    | 68,353         |
| Customer accounts                                 | 491,545          | 506,246   | 482,604        |
| Debt securities in issue                          | 217,317          | 239,212   | 246,329        |
| Settlement balances and short positions           | 62,724           | 70,632    | 50,875         |
| Derivatives                                       | 508,966          | 444,223   | 421,534        |
| Accruals, deferred income and other liabilities   | 24,842           | 28,247    | 24,624         |
| Retirement benefit liabilities                    | 2,600            | 2,670     | 2,715          |

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|                                     |                  |           |           |
|-------------------------------------|------------------|-----------|-----------|
| Deferred taxation                   | <b>2,126</b>     | 2,226     | 2,161     |
| Insurance liabilities               | <b>6,521</b>     | 7,711     | 7,633     |
| Subordinated liabilities            | <b>27,523</b>    | 31,936    | 31,538    |
| Liabilities of disposal groups      | <b>16,999</b>    | 20,563    | 18,857    |
| <b>Total liabilities</b>            | <b>1,501,942</b> | 1,501,917 | 1,442,518 |
| <b>Equity</b>                       |                  |           |           |
| Minority interests                  | <b>2,109</b>     | 2,305     | 2,227     |
| Owners' equity*                     | <b>76,802</b>    | 78,676    | 77,736    |
| Total equity                        | <b>78,911</b>    | 80,981    | 79,963    |
| <b>Total liabilities and equity</b> | <b>1,580,853</b> | 1,582,898 | 1,522,481 |
| * Owners' equity attributable to:   |                  |           |           |
| Ordinary and B shareholders         | <b>72,058</b>    | 70,830    | 69,890    |
| Other equity owners                 | <b>4,744</b>     | 7,846     | 7,846     |
|                                     | <b>76,802</b>    | 78,676    | 77,736    |





## Commentary on condensed consolidated balance sheet - pro forma

Total assets of £1,580.9 billion at 30 June 2010 were up £58.4 billion, 4%, compared with 31 December 2009.

Cash and balances at central banks were down £22.0 billion, 43% to £29.6 billion due to reduced placings of short-term cash surpluses.

Loans and advances to banks increased by £18.3 billion, 22%, to £102.1 billion. Reverse repurchase agreements and stock borrowing ('reverse repos') were up £12.6 billion, 36% to £47.7 billion and bank placings rose £5.7 billion, 12%, to £54.5 billion, largely as a result of increased wholesale funding activity.

Loans and advances to customers were down £17.0 billion, 3%, at £578.7 billion. Within this, reverse repurchase agreements were down £1.6 billion, 4%, to £39.4 billion. Customer lending decreased by £15.3 billion to £539.3 billion or £14.3 billion before impairment provisions. This reflected planned reductions in Non-Core of £21.8 billion together with declines in Global Banking & Markets, £2.6 billion, US Retail & Commercial, £1.4 billion and Ulster Bank, £1.2 billion. These were offset by growth in UK Corporate, £3.6 billion, Global Transaction Services, £3.0 billion, UK Retail, £2.7 billion and Wealth, £1.2 billion, together with the effect of exchange rate movements £2.4 billion.

Settlement balances rose £8.7 billion, 72%, to £20.7 billion as a result of increased customer activity from seasonal year end lows.

Movements in the value of derivative assets, up £84.7 billion, 19%, to £522.9 billion, and liabilities, up £87.4 billion, 21%, to £509.0 billion, primarily reflect changes in interest rates, currency movements, with the weakening of Sterling against the US dollar offset in part by strengthening against the Euro, and growth in trading volumes.

Assets of disposal groups have risen by £3.2 billion, 17% to £21.7 billion. The inclusion of the Life Assurance business, Global Merchant Services and Eurosales Finance activities in France and Germany together with reduced assets in RBS Sempra Commodities have been partly offset by completion of disposals in respect of certain of the Group's Asian and Latin American businesses.

Deposits by banks declined £12.9 billion, 8%, to £140.8 billion. Reduced inter-bank deposits, down £19.0 billion, 16%, to £96.6 billion were offset in part by increased repurchase agreements and stock lending ('repos'), up £6.1

billion, 16%, to £44.2 billion.

Customer accounts rose £8.9 billion, 2%, to £491.5 billion. Within this, repos increased £2.3 billion, 3%, to £70.6 billion. Excluding repos, customer deposits were up £6.6 billion, 2%, to £420.9 billion, reflecting growth in UK Corporate, £7.6 billion, Ulster Bank, £2.0 billion, Global Transaction Services, £1.0 billion (£1.8 billion before transfer of Global Merchant Services to disposal groups), UK Retail, £0.9 billion (£2.7 billion excluding the transfer of the Life Assurance business to disposal groups) and Wealth, £0.5 billion, together with exchange rate movements of £3.8 billion. This was partially offset by reductions in Non-Core, £5.5 billion, US Retail & Commercial, £2.8 billion and Global Banking & Markets, £1.5 billion.









**Commentary on condensed consolidated balance sheet - pro forma**

Debt securities in issue were down £29.0 billion, 12% to £217.3 billion, mainly as a result of reductions in Global Banking & Markets partially offset by new issuances of £1.9 billion as part of the liability management exercise that completed in May.

Subordinated liabilities decreased by £4.0 billion, 13% to £27.5 billion. This reflected the redemption of £2.6 billion undated loan capital debt preferences shares and trust preferred securities under the liability management exercise concluded in May, together with the conversion of £0.6 billion non-cumulative US dollar preference shares, the redemption of £0.5 billion of other dated and undated loan capital and the effect of exchange rate movements and other adjustments of £0.3 billion.

Liabilities of disposal groups declined £1.9 billion, 10% to £17.0 billion. Disposals of certain of the Group's Asian and Latin American businesses together with reduced liabilities in RBS Sempra Commodities, have more than offset the inclusion of the Life Assurance business and Global Merchant Services.

Owners' equity decreased by £0.9 billion, 1% to £76.8 billion. The partial redemption of preference shares and paid in equity, £3.1 billion less related gains of £0.6 billion, together with an increase in own shares held of £0.7 billion were offset by the issue of £0.6 billion ordinary shares on conversion of the US dollar non-cumulative preference shares classified as debt and exchange rate movements, £1.2 billion and reduced losses in available for sales reserves, £0.3 billion.





**Condensed consolidated statement of changes in equity****for the half year ended 30 June 2010 - pro forma**

|  | <b>First half</b> | First half | Full year |
|--|-------------------|------------|-----------|
|  | <b>2010</b>       | 2009       | 2009      |
|  | <b>£m</b>         | £m         | £m        |
| <b>Called-up share capital</b>   |                   |            |           |
| At beginning of period   | <b>14,630</b>     | 9,898      | 9,898     |
| Ordinary shares issued in respect of placing and open offers                             | -                 | 4,227      | 4,227     |
| B shares issued  | -                 | -          | 510       |
| Other shares issued during the period  | <b>401</b>        | -          | -         |
| Preference shares redeemed during the period   | <b>(2)</b>        | (5)        | (5)       |
| At end of period   | <b>15,029</b>     | 14,120     | 14,630    |
| <b>Paid-in equity</b>  |                   |            |           |
| At beginning of period   | <b>565</b>        | 1,073      | 1,073     |
| Securities redeemed during the period  | <b>(132)</b>      | (308)      | (308)     |
| Transfer to retained earnings  | <b>(2)</b>        | (200)      | (200)     |
| At end of period   | <b>431</b>        | 565        | 565       |
| <b>Share premium account</b>   |                   |            |           |
| At beginning of period   | <b>23,523</b>     | 27,471     | 27,471    |
| Ordinary shares issued in respect of placing and open offer, net of £95 million expenses | -                 | 1,047      | 1,047     |
| Other shares issued during the period  | <b>217</b>        | -          | -         |
| Preference shares redeemed during the period   | -                 | (4,995)    | (4,995)   |
| Redemption of preference shares classified as debt                                       | <b>118</b>        | -          | -         |
| At end of period   | <b>23,858</b>     | 23,523     | 23,523    |
| <b>Merger reserve</b>  |                   |            |           |
| At beginning of period   | <b>25,522</b>     | 10,881     | 10,881    |
| Issue of B shares, net of £399 million expenses  | -                 | -          | 24,591    |
| Transfer to retained earnings  | <b>(12,250)</b>   | -          | (9,950)   |
| At end of period   | <b>13,272</b>     | 10,881     | 25,522    |
| <b>Available-for-sale reserves</b>   |                   |            |           |
| At beginning of period   | <b>(1,755)</b>    | (3,561)    | (3,561)   |
| Unrealised gains/(losses) in the period  | <b>647</b>        | (1,494)    | 1,202     |
| Realised (gains)/losses in the period  | <b>(127)</b>      | 197        | 981       |
| Taxation   | <b>(208)</b>      | 592        | (377)     |
|  | <b>(16)</b>       | -          | -         |

Recycled to profit or loss on disposal of businesses, net of £6 million tax

|                  |                |         |         |
|------------------|----------------|---------|---------|
| At end of period | <b>(1,459)</b> | (4,266) | (1,755) |
|------------------|----------------|---------|---------|

**Cash flow hedging reserve**

|                        |              |       |       |
|------------------------|--------------|-------|-------|
| At beginning of period | <b>(252)</b> | (876) | (876) |
|------------------------|--------------|-------|-------|

|   |             |     |     |
|---|-------------|-----|-----|
| Amount recognised in equity during the period | <b>(58)</b> | 415 | 380 |
|---|-------------|-----|-----|

|  |           |     |     |
|--|-----------|-----|-----|
| Amount transferred from equity to earnings in the period | <b>17</b> | 106 | 513 |
|--|-----------|-----|-----|

|          |   |       |       |
|----------|---|-------|-------|
| Taxation | - | (138) | (269) |
|----------|---|-------|-------|

|  |           |   |   |
|--|-----------|---|---|
| Recycled to profit or loss on disposal of businesses, net of £20 million tax | <b>58</b> | - | - |
|--|-----------|---|---|

|                  |              |       |       |
|------------------|--------------|-------|-------|
| At end of period | <b>(235)</b> | (493) | (252) |
|------------------|--------------|-------|-------|







**Condensed consolidated statement of changes in equity**

for the half year ended 30 June 2010 - pro forma (continued)

|   | <b>First half</b> | First half | Full year |
|---|-------------------|------------|-----------|
|   | <b>2010</b>       | 2009       | 2009      |
|   | <b>£m</b>         | £m         | £m        |
| <b>Foreign exchange reserve</b>   |                   |            |           |
| At beginning of period  | <b>4,528</b>      | 6,385      | 6,385     |
| Retranslation of net assets   | <b>1,775</b>      | (2,724)    | (2,322)   |
| Foreign currency (losses)/gains on hedges of net assets                     | <b>(609)</b>      | 442        | 456       |
| Taxation  | <b>72</b>         | (46)       | 9         |
| Recycled to profit or loss on disposal of businesses                        | <b>(11)</b>       | -          | -         |
| At end of period  | <b>5,755</b>      | 4,057      | 4,528     |
| <b>Capital redemption reserve</b>   |                   |            |           |
| At beginning of period  | <b>170</b>        | 170        | 170       |
| Preference shares redeemed during the period                                | <b>2</b>          | -          | -         |
| At end of period  | <b>172</b>        | 170        | 170       |
| <b>Contingent capital reserve</b>   |                   |            |           |
| At beginning of period  | <b>(1,208)</b>    | -          | -         |
| Contingent capital agreement - consideration payable                        | <b>-</b>          | -          | (1,208)   |
| At end of period  | <b>(1,208)</b>    | -          | (1,208)   |
| <b>Retained earnings</b>  |                   |            |           |
| At beginning of period  | <b>12,134</b>     | 7,542      | 7,542     |
| Profit/(loss) attributable to ordinary shareholders and other equity owners |                   |            |           |
| - continuing operations   | <b>163</b>        | (438)      | (2,600)   |
| - discontinued operations   | <b>(30)</b>       | (58)       | (72)      |
| Equity preference dividends paid  | <b>(105)</b>      | (510)      | (878)     |
| Paid-in equity dividends paid, net of tax                                   | <b>(19)</b>       | (36)       | (57)      |
| Transfer from paid-in equity  |                   |            |           |
| - gross   | <b>2</b>          | 200        | 200       |
| - taxation  | <b>(1)</b>        | -          | -         |
| Equity owners gain on withdrawal of minority interest                       |                   |            |           |
| - gross   | <b>40</b>         | 629        | 629       |
| - taxation  | <b>(11)</b>       | (176)      | (176)     |
| Redemption of equity preference shares                                      | <b>(2,968)</b>    | -          | -         |
| Gain on redemption of equity preference shares                              | <b>609</b>        | -          | -         |
| Redemption of preference shares classified as debt                          | <b>(118)</b>      | -          | -         |
| Transfer from merger reserve  | <b>12,250</b>     | -          | 9,950     |
| Actuarial losses recognised in retirement benefit schemes                   |                   |            |           |

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|  |               |               |               |
|--|---------------|---------------|---------------|
| - gross  | -             | -             | (3,756)       |
| - taxation   | -             | -             | 1,043         |
| Net cost of shares bought and used to satisfy share-based payments | (9)           | (13)          | (16)          |
| Share-based payments   |               |               |               |
| - gross  | 61            | 60            | 325           |
| - taxation   | 5             |               | -             |
| At end of period   | 22,003        | 7,200         | 12,134        |
| <b>Own shares held</b>   |               |               |               |
| At beginning of period   | (121)         | (104)         | (104)         |
| Shares purchased during the period                                 | (704)         | -             | (33)          |
| Shares issued under employee share schemes                         | 9             | 13            | 16            |
| At end of period   | (816)         | (91)          | (121)         |
| <b>Owners' equity at end of period</b>                             | <b>76,802</b> | <b>55,666</b> | <b>77,736</b> |



**Condensed consolidated statement of changes in equity**  
**for the half year ended 30 June 2010 - pro forma (continued)**

|  | <b>First half</b> | First half | Full year |
|--|-------------------|------------|-----------|
|  | <b>2010</b>       | 2009       | 2009      |
|  | <b>£m</b>         | £m         | £m        |
| <b>Minority interests</b>  |                   |            |           |
| At beginning of period   | <b>2,227</b>      | 5,436      | 5,436     |
| Currency translation adjustments and other movements   | <b>91</b>         | (165)      | (152)     |
| Profit attributable to minority interests  | <b>42</b>         | 554        | 648       |
| Dividends paid   | <b>(143)</b>      | (310)      | (313)     |
| Movements in available-for-sale securities   |                   |            |           |
| - unrealised gains in the period   | -                 | 23         | 23        |
| - realised gains in the period   | -                 | (359)      | (359)     |
| Equity raised  | -                 | 9          | 9         |
| Equity withdrawn and disposals   | <b>(68)</b>       | (2,436)    | (2,436)   |
| Transfer to retained earnings  | <b>(40)</b>       | (629)      | (629)     |
| At end of period   | <b>2,109</b>      | 2,123      | 2,227     |
| <b>Total equity at end of period</b>   | <b>78,911</b>     | 57,789     | 79,963    |
| <b>Total comprehensive income recognised in the statement of changes in equity is attributable as follows:</b> |                   |            |           |
| Minority interests   | <b>133</b>        | 53         | 160       |
| Preference shareholders  | <b>105</b>        | 510        | 878       |
| Paid-in equity holders   | <b>19</b>         | 36         | 57        |
| Ordinary and B shareholders  | <b>1,549</b>      | (3,692)    | (5,747)   |
|  | <b>1,806</b>      | (3,093)    | (4,652)   |





## Notes to pro forma results

### 1. Basis of preparation

#### Acquisition and separation of ABN AMRO

On 17 October 2007, RFS Holdings B.V. ("RFS Holdings"), which at the time was owned by RBSG, Fortis N.V., Fortis S.A./N.V., Fortis Bank Nederland (Holding) N.V. and Banco Santander, S.A. ("Santander"), completed the acquisition of ABN AMRO Holding N.V. (which was renamed RBS Holdings N.V. on 1 April 2010).

RFS Holdings, which is now jointly owned by RBSG, the Dutch State and Santander (the "Consortium Members"), has substantially completed the separation of the business units of ABN AMRO Holding N.V. As part of this reorganisation, on 6 February 2010, the businesses of ABN AMRO Holding N.V. acquired by the Dutch State were legally demerged from the ABN AMRO Holding N.V. businesses acquired by the Group and were transferred into a newly established holding company, ABN AMRO Bank N.V. (save for certain assets and liabilities acquired by the Dutch State that were not part of the legal separation and which will be transferred to the Dutch State as soon as possible).

Legal separation of ABN AMRO Bank N.V. occurred on 1 April 2010, with the shares in that entity being transferred by RBS Holdings N.V. to a holding company called ABN AMRO Group N.V., which is owned by the Dutch State. Certain assets within RBS Holdings N.V. continue to be shared by the Consortium Members. Following the legal separation, RBS Holdings N.V. has one direct subsidiary, The Royal Bank of Scotland N.V. ("RBS N.V."), a fully operational bank within the Group. RBS N.V. is independently rated and regulated by the Dutch Central Bank."

#### Pro forma results

The pro forma financial information shows the underlying performance of the Group including the results of the ABN AMRO businesses retained by the Group. This information is prepared using the Group's accounting policies and is being provided to give a better understanding of the results of RBS operations excluding the results attributable to the other Consortium Members.

As of and for the quarter ended 30 June 2010 and in future periods, there will be no significant differences between pro forma and statutory results other than presentation aspects discussed below.

Group operating profit on a pro forma basis excludes:



- amortisation of purchased intangible assets;
- integration and restructuring costs;
- gain on redemption of own debt;
- strategic disposals;
- bonus tax;
- Asset Protection Scheme credit default swap - fair value changes;
- write-down of goodwill and other intangible assets; and
- other Consortium Members' interest in shared assets.





## Notes to pro forma results (continued)

## 2. Analysis of income, expenses and impairment losses

|   | Quarter ended |          |         | Half year ended |         |
|---|---------------|----------|---------|-----------------|---------|
|   | 30 June       | 31 March | 30 June | 30 June         | 30 June |
|   | 2010          | 2010     | 2009    | 2010            | 2009    |
|   | £m            | £m       | £m      | £m              | £m      |
| Loans and advances to customers                   | 4,749         | 4,702    | 6,011   | 9,451           | 11,927  |
| Loans and advances to banks                       | 132           | 139      | 253     | 271             | 480     |
| Debt securities                                   | 1,003         | 855      | 944     | 1,858           | 2,242   |
| <b>Interest receivable</b>                        | <b>5,884</b>  | 5,696    | 7,208   | <b>11,580</b>   | 14,649  |
| Customer accounts                                 | 954           | 880      | 1,337   | 1,834           | 2,730   |
| Deposits by banks                                 | 418           | 297      | 717     | 715             | 1,771   |
| Debt securities in issue                          | 847           | 854      | 1,674   | 1,701           | 2,987   |
| Subordinated liabilities                          | 37            | 200      | 304     | 237             | 732     |
| Internal funding of trading businesses            | (56)          | (69)     | (146)   | (125)           | (431)   |
| <b>Interest payable</b>                           | <b>2,200</b>  | 2,162    | 3,886   | <b>4,362</b>    | 7,789   |
| <b>Net interest income</b>                        | <b>3,684</b>  | 3,534    | 3,322   | <b>7,218</b>    | 6,860   |
| Fees and commissions receivable                   | 2,046         | 2,051    | 2,190   | 4,097           | 4,466   |
| Fees and commissions payable                      |               |          |         |                 |         |
| - banking   | (541)         | (466)    | (529)   | (1,007)         | (1,091) |
| - insurance related                               | (38)          | (106)    | (131)   | (144)           | (260)   |
| <b>Net fees and commissions</b>                   | <b>1,467</b>  | 1,479    | 1,530   | <b>2,946</b>    | 3,115   |
| Foreign exchange                                  | 375           | 452      | 807     | 827             | 1,659   |
| Interest rate                                     | 202           | 960      | 1,137   | 1,162           | 2,857   |
| Credit  | 702           | 506      | (1,973) | 1,208           | (3,419) |
| Other   | 327           | 348      | 413     | 675             | 947     |
| <b>Income from trading activities</b>             | <b>1,606</b>  | 2,266    | 384     | <b>3,872</b>    | 2,044   |
| Operating lease and other rental income           | 344           | 343      | 325     | 687             | 662     |
| Changes in the fair value of own debt             | 515           | (210)    | (801)   | 305             | (60)    |
| Changes in the fair value of securities and other | (165)         | 14       | 326     | (151)           | (57)    |

|   |              |       |       |               |        |
|---|--------------|-------|-------|---------------|--------|
| financial assets and liabilities                                    |              |       |       |               |        |
| Changes in the fair value of investment properties                  | <b>(105)</b> | (3)   | (143) | <b>(108)</b>  | (147)  |
| Profit/(loss) on sale of securities                                 | <b>5</b>     | 147   | (59)  | <b>152</b>    | (173)  |
| Profit on sale of property, plant and equipment                     | <b>3</b>     | 9     | 11    | <b>12</b>     | 25     |
| Loss on sale of subsidiaries and associates                         | -            | -     | (20)  | -             | (11)   |
| Life business (losses)/profits                                      | <b>(23)</b>  | 35    | 48    | <b>12</b>     | 24     |
| Dividend income   | <b>21</b>    | 20    | 24    | <b>41</b>     | 38     |
| Share of profits less losses of associated entities                 | <b>17</b>    | 14    | (47)  | <b>31</b>     | (54)   |
| Other income  | <b>135</b>   | 17    | (80)  | <b>152</b>    | (132)  |
| <b>Other operating income</b>                                       | <b>747</b>   | 386   | (416) | <b>1,133</b>  | 115    |
| <b>Non-interest income (excluding insurance net premium income)</b> | <b>3,820</b> | 4,131 | 1,498 | <b>7,951</b>  | 5,274  |
| <b>Insurance net premium income</b>                                 | <b>1,278</b> | 1,289 | 1,301 | <b>2,567</b>  | 2,657  |
| <b>Total non-interest income</b>                                    | <b>5,098</b> | 5,420 | 2,799 | <b>10,518</b> | 7,931  |
| <b>Total income</b>   | <b>8,782</b> | 8,954 | 6,121 | <b>17,736</b> | 14,791 |





## Notes to pro forma results (continued)

## 2. Analysis of income, expenses and impairment losses (continued)

|   | Quarter ended |          |         | Half year ended |         |
|---|---------------|----------|---------|-----------------|---------|
|   | 30 June       | 31 March | 30 June | 30 June         | 30 June |
|   | 2010          | 2010     | 2009    | 2010            | 2009    |
|   | £m            | £m       | £m      | £m              | £m      |
| Staff costs                             |               |          |         |                 |         |
| - wages, salaries and other staff costs | <b>1,929</b>  | 2,195    | 1,846   | <b>4,124</b>    | 4,029   |
| - social security costs                 | <b>159</b>    | 192      | 132     | <b>351</b>      | 292     |
| - pension costs                         | <b>90</b>     | 166      | 172     | <b>256</b>      | 339     |
| Premises and equipment                  | <b>516</b>    | 528      | 587     | <b>1,044</b>    | 1,231   |
| Other                                   | <b>974</b>    | 935      | 915     | <b>1,909</b>    | 1,961   |
| <b>Administrative expenses</b>          | <b>3,668</b>  | 4,016    | 3,652   | <b>7,684</b>    | 7,852   |
| Depreciation and amortisation           | <b>435</b>    | 414      | 414     | <b>849</b>      | 881     |
| <b>Operating expenses</b>               | <b>4,103</b>  | 4,430    | 4,066   | <b>8,533</b>    | 8,733   |
| General insurance                       | <b>1,348</b>  | 1,107    | 895     | <b>2,455</b>    | 1,865   |
| Bancassurance                           | <b>(25)</b>   | 29       | 30      | <b>4</b>        | 26      |
| <b>Insurance net claims</b>             | <b>1,323</b>  | 1,136    | 925     | <b>2,459</b>    | 1,891   |
| Loan impairment losses                  | <b>2,479</b>  | 2,602    | 4,520   | <b>5,081</b>    | 6,796   |
| Securities impairment losses            | <b>8</b>      | 73       | 143     | <b>81</b>       | 725     |
| <b>Impairment losses</b>                | <b>2,487</b>  | 2,675    | 4,663   | <b>5,162</b>    | 7,521   |

Note:

- (1) The data above exclude amortisation of purchased intangible assets, integration and restructuring costs, gain on redemption of own debt, strategic disposals, bonus tax, Asset Protection Scheme credit default swap and write-down of goodwill and other intangible assets.



**3. Loan impairment provisions**

Operating profit/(loss) is stated after charging loan impairment losses of £5,081 million (full year 2009 - £13,090 million). The balance sheet loan impairment provisions increased in the half year ended 30 June 2010 from £15,173 million to £16,166 million and the movements thereon were:

|  | <b>First half 2010</b> |                        |                     | Full year  |
|--|------------------------|------------------------|---------------------|------------|
|  | <b>Core<br/>£m</b>     | <b>Non-Core<br/>£m</b> | <b>Total<br/>£m</b> | 2009<br>£m |
| At beginning of period                       | <b>6,921</b>           | <b>8,252</b>           | <b>15,173</b>       | 9,451      |
| Transfers to disposal groups                 | -                      | <b>(67)</b>            | <b>(67)</b>         | (321)      |
| Currency translation and other adjustments   | <b>(279)</b>           | <b>119</b>             | <b>(160)</b>        | (428)      |
| Disposals                                    | -                      | <b>(17)</b>            | <b>(17)</b>         | (65)       |
| Amounts written-off                          | <b>(1,063)</b>         | <b>(2,718)</b>         | <b>(3,781)</b>      | (6,478)    |
| Recoveries of amounts previously written-off | <b>104</b>             | <b>46</b>              | <b>150</b>          | 325        |
| Charge to income statement                   | <b>2,046</b>           | <b>3,035</b>           | <b>5,081</b>        | 13,090     |
| Unwind of discount                           | <b>(96)</b>            | <b>(117)</b>           | <b>(213)</b>        | (401)      |
| At end of period                             | <b>7,633</b>           | <b>8,533</b>           | <b>16,166</b>       | 15,173     |

Provisions at 30 June 2010 include £139 million (31 December 2009 - £157 million) in respect of loans and advances to banks. The table above excludes impairment charges relating to securities.







## Notes to pro forma results (continued)

## 4. Strategic disposals

|  | Quarter ended |          |         | Half year ended |         |
|--|---------------|----------|---------|-----------------|---------|
|  | 30 June       | 31 March | 30 June | 30 June         | 30 June |
|  | 2010          | 2010     | 2009    | 2010            | 2009    |
|  | £m            | £m       | £m      | £m              | £m      |
| (Loss)/gain on sale of investments in: |               |          |         |                 |         |
| - RBS Asset Management's investment    |               |          |         |                 |         |
| strategies business                    | -             | 80       | -       | 80              | -       |
| - Asian branches and businesses        | (10)          | -        | -       | (10)            | -       |
| - Bank of China (1)                    | -             | -        | -       | -               | 241     |
| - Linea Directa                        | -             | -        | 212     | -               | 212     |
| Provision for loss on disposal of:     |               |          |         |                 |         |
| - Latin American business              | (142)         | (22)     | -       | (164)           | -       |
| - Asian branches and businesses        | 3             | 5        | -       | 8               | -       |
| - Life assurance business              | (235)         | -        | -       | (235)           | -       |
| - Other                                | (27)          | (10)     | -       | (37)            | -       |
|  | (411)         | 53       | 212     | (358)           | 453     |

Note:

(1) Including £359 million attributable to minority interests.

## 5. Pensions

Pension costs for the half year ended 30 June 2010 amounted to £256 million (half year ended 30 June 2009 - £339 million; year ended 31 December 2009 - £653 million), net of a £74 million gain in US Retail & Commercial associated with changes to its defined benefit pension plan. Defined benefit schemes charges are based on the actuarially determined pension cost rates at 31 December 2009.

The most recent funding valuation of the main UK scheme, at 31 March 2007, showed a surplus of assets over liabilities of £0.7 billion. The next valuation at 31 March 2010 is currently in progress and the Group expects this valuation to show that liabilities exceed the value of the assets. Following this valuation, the Group and scheme Trustees will agree the level of contributions to be paid into the scheme. This could result in the amount of contributions payable in 2010 and subsequent years being materially different from the current rates based on the previous valuation.

## Notes to pro forma results (continued)

**6. Taxation**

The charge/(credit) for taxation differs from the tax charge/(credit) computed by applying the standard UK corporation tax rate of 28% as follows:

|   | Quarter ended |          |         | Half year ended |         |
|---|---------------|----------|---------|-----------------|---------|
|   | 30 June       | 31 March | 30 June | 30 June         | 30 June |
|   | 2010          | 2010     | 2009    | 2010            | 2009    |
|   | £m            | £m       | £m      | £m              | £m      |
| Profit/(loss) before tax                | <b>1,157</b>  | (21)     | 59      | <b>1,136</b>    | 15      |
| Expected tax charge/(credit) at 28%     | <b>324</b>    | (6)      | 16      | <b>318</b>      | 4       |
| Other non-deductible items              | <b>146</b>    | 83       | (35)    | <b>229</b>      | 89      |
| Non-taxable items:                      |               |          |         |                 |         |
| - gain on redemption of own debt        | <b>(12)</b>   | -        | (692)   | <b>(12)</b>     | (692)   |
| - other                                 | <b>(62)</b>   | (2)      | (93)    | <b>(64)</b>     | (176)   |
| Taxable foreign exchange movements      | <b>(7)</b>    | -        | (23)    | <b>(7)</b>      | (23)    |
| Foreign profits taxed at other rates    | <b>210</b>    | 128      | (18)    | <b>338</b>      | 47      |
| Losses in period not recognised         | <b>280</b>    | 83       | 181     | <b>363</b>      | 184     |
| Losses brought forward and utilised     | <b>(3)</b>    | (8)      | (25)    | <b>(11)</b>     | (23)    |
| Adjustments in respect of prior periods | <b>(51)</b>   | (172)    | 49      | <b>(223)</b>    | 178     |
| Actual tax charge/(credit)              | <b>825</b>    | 106      | (640)   | <b>931</b>      | (412)   |

The unusually high tax charge in the first six months of 2010 reflects profits in high tax regimes and losses in low tax regimes, impairment of deferred tax assets (£149 million) arising in overseas subsidiaries, mainly Ireland, and £139 million in respect of losses on disposal of businesses for which no tax relief is available.

The Group has recognised a deferred tax asset at 30 June 2010 of £5,841 million, of which £3,673 million relates to carried forward trading losses in the UK. Under UK tax legislation, these UK losses can be carried forward indefinitely to be utilised against profits arising in the future. The Group has considered the carrying value of this asset as at 30 June 2010 and concluded that it is recoverable based on future profit projections.







## Notes to pro forma results (continued)

## 7. Profit attributable to minority interests

|   | Quarter ended |            |            | Half year ended |            |
|---|---------------|------------|------------|-----------------|------------|
|   | 30 June       | 31 March   | 30 June    | 30 June         | 30 June    |
|   | 2010<br>£m    | 2010<br>£m | 2009<br>£m | 2010<br>£m      | 2009<br>£m |
| Trust preferred securities                | -             | 10         | 15         | 10              | 45         |
| Investment in Bank of China               | -             | -          | -          | -               | 359        |
| Sempra                                    | 20            | -          | 65         | 20              | 144        |
| ABN AMRO                                  | 1             | -          | -          | 1               | 2          |
| Other                                     | 9             | 2          | 3          | 11              | 4          |
| Profit attributable to minority interests | 30            | 12         | 83         | 42              | 554        |

## 8. Other owners' dividends

|   | Quarter ended |            |            | Half year ended |            |
|---|---------------|------------|------------|-----------------|------------|
|   | 30 June       | 31 March   | 30 June    | 30 June         | 30 June    |
|   | 2010<br>£m    | 2010<br>£m | 2009<br>£m | 2010<br>£m      | 2009<br>£m |
| Preference shareholders   |               |            |            |                 |            |
| Non-cumulative preference shares of US\$0.01  | -             | 105        | 65         | 105             | 179        |
| Non-cumulative preference shares of €0.01   | -             | -          | 57         | -               | 57         |
| Non-cumulative preference shares of £1 - issued to UK Financial Investments Limited (1) | -             | -          | 274        | -               | 274        |
| Paid-in equity holders  |               |            |            |                 |            |
| Interest on securities classified as equity, net  | 19            | -          | 36         | 19              | 36         |

of tax

|           |     |     |            |     |
|-----------|-----|-----|------------|-----|
| <b>19</b> | 105 | 432 | <b>124</b> | 546 |
|-----------|-----|-----|------------|-----|

Note:

(1) Includes £50 million redemption premium on repayment of preference shares.





## Notes to pro forma results (continued)

## 9. Earnings per ordinary and B share

Earnings per ordinary and B share have been calculated based on the following:

|   | Quarter ended  |          |         | Half year ended |         |
|---|----------------|----------|---------|-----------------|---------|
|   | 30 June        | 31 March | 30 June | 30 June         | 30 June |
|   | 2010           | 2010     | 2009    | 2010            | 2009    |
|   | £m             | £m       | £m      | £m              | £m      |
| <b>Earnings</b>   |                |          |         |                 |         |
| Profit/(loss) from continuing operations  |                |          |         |                 |         |
| attributable to ordinary and B shareholders   | <b>283</b>     | (244)    | (127)   | <b>39</b>       | (984)   |
| Gain on redemption of preference shares and paid-in equity                                    | <b>610</b>     | -        | 200     | <b>610</b>      | 200     |
| Adjusted profit/(loss) from continuing operations attributable to ordinary and B shareholders | <b>893</b>     | (244)    | 73      | <b>649</b>      | (784)   |
| Loss from discontinued operations attributable to ordinary and B shareholders                 | <b>(26)</b>    | (4)      | (13)    | <b>(30)</b>     | (58)    |
| Ordinary shares in issue during the period (millions)   | <b>56,413</b>  | 56,238   | 53,926  | <b>56,326</b>   | 46,719  |
| B shares in issue during the period (millions)  | <b>51,000</b>  | 51,000   | -       | <b>51,000</b>   | -       |
| <b>Weighted average number of ordinary and B shares in issue</b>                              | <b>107,413</b> | 107,238  | 53,926  | <b>107,326</b>  | 46,719  |

during the

period (millions)

|   |               |        |        |               |        |
|---|---------------|--------|--------|---------------|--------|
| <b>Basic earnings/(loss) per ordinary and B share from continuing operations</b>    | <b>0.8p</b>   | (0.2p) | 0.1p   | <b>0.6p</b>   | (1.7p) |
| Amortisation of purchased intangible assets   | <b>0.1p</b>   | -      | 0.1p   | <b>0.1p</b>   | 0.2p   |
| Integration and restructuring costs   | <b>0.2p</b>   | 0.1p   | 0.5p   | <b>0.3p</b>   | 1.1p   |
| Gain on redemption of own debt (1)  | <b>(1.0p)</b> | -      | (6.7p) | <b>(1.0p)</b> | (7.7p) |
| Strategic disposals   | <b>0.4p</b>   | -      | (0.4p) | <b>0.3p</b>   | (1.0p) |
| Bonus tax   | -             | 0.1p   | -      | <b>0.1p</b>   | -      |
| Asset Protection Scheme credit default swap - fair value changes                    | <b>(0.3p)</b> | 0.3p   | -      | -             | -      |
| Write-down of goodwill and other intangible assets                                  | -             | -      | 0.6p   | -             | 0.7p   |
| <b>Adjusted earnings/(loss) per ordinary and B share from continuing operations</b> | <b>0.2p</b>   | 0.3p   | (5.8p) | <b>0.4p</b>   | (8.4p) |
| Loss from Non-Core attributable to ordinary and B shareholders                      | <b>0.2p</b>   | 0.8p   | 7.3p   | <b>1.1p</b>   | 17.9p  |
| <b>Core adjusted earnings per ordinary and B share from continuing operations</b>   | <b>0.4p</b>   | 1.1p   | 1.5p   | <b>1.5p</b>   | 9.5p   |
| Core impairment losses  | <b>0.3p</b>   | 0.5p   | 1.8p   | <b>0.8p</b>   | 3.9p   |
| <b>Pre-impairment Core adjusted earnings per ordinary and B share</b>               | <b>0.7p</b>   | 1.6p   | 3.3p   | <b>2.3p</b>   | 13.4p  |
| <b>Basic loss per ordinary and B share from discontinued operations</b>             | -             | -      | -      | -             | (0.1p) |

Note:

- (1) Gain on redemption of own debt includes gains on redemption of instruments classified as equity which are included in basic earnings.







## Notes to pro forma results (continued)

## 10. Segmental analysis

## Analysis of divisional operating profit/(loss)

The following tables provide an analysis of the divisional profit/(loss) for the half years ended 30 June 2010 and 2009 and the quarter ended 30 June 2010, by main income statement captions. The pro forma divisional income statements on pages 24 to 50 reflect certain presentational reallocations as described in the notes below. These do not affect the overall operating profit/(loss).

|   | Net<br>interest<br>income<br>£m | Non-<br>interest<br>income<br>£m | Total Operating<br>income<br>£m | Operating<br>expenses<br>£m | Insurance<br>net claims<br>£m | Impairment<br>losses<br>£m | Operating<br>profit/(loss)<br>£m |
|---|---------------------------------|----------------------------------|---------------------------------|-----------------------------|-------------------------------|----------------------------|----------------------------------|
| <b>Half year ended 30 June 2010</b>               |                                 |                                  |                                 |                             |                               |                            |                                  |
| UK Retail (1)                                     | 1,934                           | 638                              | 2,572                           | (1,465)                     | (4)                           | (687)                      | 416                              |
| UK Corporate<br>Wealth                            | 1,257                           | 669                              | 1,926                           | (834)                       | -                             | (384)                      | 708                              |
|   | 293                             | 228                              | 521                             | (367)                       | -                             | (11)                       | 143                              |
| Global Banking &<br>Markets (2)                   | 693                             | 4,377                            | 5,070                           | (2,327)                     | -                             | (196)                      | 2,547                            |
| Global Transaction<br>Services                    | 454                             | 801                              | 1,255                           | (740)                       | -                             | (3)                        | 512                              |
| Ulster Bank                                       | 382                             | 106                              | 488                             | (303)                       | -                             | (499)                      | (314)                            |
| US Retail &<br>Commercial                         | 970                             | 527                              | 1,497                           | (1,041)                     | -                             | (287)                      | 169                              |
| RBS Insurance (3)                                 | 179                             | 2,025                            | 2,204                           | (351)                       | (2,106)                       | -                          | (253)                            |
| Central items                                     | 85                              | 311                              | 396                             | 143                         | (1)                           | (1)                        | 537                              |
| Core  | 6,247                           | 9,682                            | 15,929                          | (7,285)                     | (2,111)                       | (2,068)                    | 4,465                            |
| Non-Core (4)                                      | 971                             | 836                              | 1,807                           | (1,248)                     | (348)                         | (3,094)                    | (2,883)                          |
| Amortisation of<br>purchased<br>intangible assets | -                               | -                                | -                               | (150)                       | -                             | -                          | (150)                            |
| Integration and<br>restructuring costs            | -                               | -                                | -                               | (422)                       | -                             | -                          | (422)                            |
| Gain on redemption of<br>own debt                 | -                               | 553                              | 553                             | -                           | -                             | -                          | 553                              |

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|                                |              |               |               |                |                |                |              |
|--------------------------------|--------------|---------------|---------------|----------------|----------------|----------------|--------------|
| Strategic disposals            | -            | (358)         | (358)         | -              | -              | -              | (358)        |
| Bonus tax                      | -            | -             | -             | (69)           | -              | -              | (69)         |
|                                | <b>7,218</b> | <b>10,713</b> | <b>17,931</b> | <b>(9,174)</b> | <b>(2,459)</b> | <b>(5,162)</b> | <b>1,136</b> |
| RFS Holdings minority interest | -            | 29            | 29            | 4              | -              | -              | 33           |
| Total statutory                | <b>7,218</b> | <b>10,742</b> | <b>17,960</b> | <b>(9,170)</b> | <b>(2,459)</b> | <b>(5,162)</b> | <b>1,169</b> |

Notes:

- (1) Reallocation of netting of bancassurance claims of £4 million from non-interest income.
- (2) Reallocation of £21 million between net interest income and non-interest income in respect of funding costs of rental assets, £18 million, and to record interest in financial assets and liabilities designated as fair value through profit or loss, £3 million.
- (3) Total income includes £125 million investment income of which £109 million is included in net interest income and £16 million in non-interest income. Further, instalment income of £70 million has been reallocated between non-interest income and net interest income.
- (4) Reallocation of £131 million between net interest income and non-interest income in respect of funding costs of rental assets, £147 million, and to record interest in financial assets and liabilities designated as fair value through profit or loss, £16 million.





## Notes to pro forma results (continued)

## 10. Segmental analysis (continued)

## Analysis of divisional operating profit/(loss) (continued)

|  | Net<br>interest<br>income<br>£m | Non-<br>interest<br>income<br>£m | Total<br>income<br>£m | Operating<br>expenses<br>£m | Insurance<br>net claims<br>£m | Impairment<br>losses<br>£m | Operating<br>profit/(loss)<br>£m |
|--|---------------------------------|----------------------------------|-----------------------|-----------------------------|-------------------------------|----------------------------|----------------------------------|
| Half year ended 30 June<br>2009                    |                                 |                                  |                       |                             |                               |                            |                                  |
| UK Retail (1)                                      | 1,665                           | 806                              | 2,471                 | (1,584)                     | (26)                          | (824)                      | 37                               |
| UK Corporate<br>Wealth                             | 1,059                           | 639                              | 1,698                 | (742)                       | -                             | (550)                      | 406                              |
|  | 334                             | 222                              | 556                   | (322)                       | -                             | (22)                       | 212                              |
| Global Banking & Markets<br>(2)                    | 1,496                           | 5,699                            | 7,195                 | (2,440)                     | -                             | (238)                      | 4,517                            |
| Global Transaction<br>Services                     | 445                             | 783                              | 1,228                 | (719)                       | -                             | (13)                       | 496                              |
| Ulster Bank  | 410                             | 108                              | 518                   | (369)                       | -                             | (157)                      | (8)                              |
| US Retail & Commercial                             | 942                             | 504                              | 1,446                 | (1,128)                     | -                             | (369)                      | (51)                             |
| RBS Insurance (3)                                  | 182                             | 1,983                            | 2,165                 | (391)                       | (1,551)                       | (6)                        | 217                              |
| Central items                                      | (184)                           | 161                              | (23)                  | 198                         | -                             | 2                          | 177                              |
| Core   | 6,349                           | 10,905                           | 17,254                | (7,497)                     | (1,577)                       | (2,177)                    | 6,003                            |
| Non-Core (4)                                       | 511                             | (2,974)                          | (2,463)               | (1,236)                     | (314)                         | (5,344)                    | (9,357)                          |
| Amortisation of purchased<br><br>intangible assets | -                               | -                                | -                     | (140)                       | -                             | -                          | (140)                            |
| Write-down of goodwill<br>and other                |                                 |                                  |                       |                             |                               |                            |                                  |
| intangible assets                                  | -                               | -                                | -                     | (311)                       | -                             | -                          | (311)                            |
| Integration and<br>restructuring costs             | -                               | -                                | -                     | (734)                       | -                             | -                          | (734)                            |
| Gain on redemption of own<br>debt                  | -                               | 3,790                            | 3,790                 | -                           | -                             | -                          | 3,790                            |
| Strategic disposals                                | -                               | 453                              | 453                   | -                           | -                             | -                          | 453                              |

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|                                |       |        |        |         |         |         |       |
|--------------------------------|-------|--------|--------|---------|---------|---------|-------|
|                                | 6,860 | 12,174 | 19,034 | (9,918) | (1,891) | (7,521) | (296) |
| RFS Holdings minority interest | (11)  | (2)    | (13)   | (42)    | -       | -       | (55)  |
| Total statutory                | 6,849 | 12,172 | 19,021 | (9,960) | (1,891) | (7,521) | (351) |

Notes:

- (1) Reallocation of netting of bancassurance claims of £26 million from non-interest income.
- (2) Reallocation of £24 million between net interest income and non-interest income in respect of funding costs of rental assets, £27 million, and to record interest on financial assets and liabilities designated as fair value through profit or loss, £51 million.
- (3) Total income includes £132 million investment income of which £115 million is included in net interest income and £17 million in non-interest income. Further, instalment income of £67 million has been reallocated between non-interest income and net interest income.
- (4) Reallocation of £158 million between net interest income and non-interest income in respect of funding costs of rental assets, £136 million, and to record interest on financial assets and liabilities designated as fair value through profit or loss, £22 million.







## Notes to pro forma results (continued)

## 10. Segmental analysis (continued)

## Analysis of divisional operating profit/(loss) (continued)

|   | Net<br>interest<br>income<br>£m | Non-<br>interest<br>income<br>£m | Total<br>income<br>£m | Operating<br>expenses<br>£m | Insurance<br>net claims<br>£m | Impairment<br>losses<br>£m | Operating<br>profit/(loss)<br>£m |
|---|---------------------------------|----------------------------------|-----------------------|-----------------------------|-------------------------------|----------------------------|----------------------------------|
| <b>Quarter ended 30 June 2010</b>                 |                                 |                                  |                       |                             |                               |                            |                                  |
| UK Retail (1)                                     | 1,001                           | 294                              | 1,295                 | (744)                       | 25                            | (300)                      | 276                              |
| UK Corporate<br>Wealth                            | 647                             | 340                              | 987                   | (399)                       | -                             | (198)                      | 390                              |
|   | 150                             | 116                              | 266                   | (178)                       | -                             | (7)                        | 81                               |
| Global Banking &<br>Markets (2)                   | 320                             | 1,958                            | 2,278                 | (1,033)                     | -                             | (164)                      | 1,081                            |
| Global Transaction<br>Services                    | 237                             | 411                              | 648                   | (366)                       | -                             | (3)                        | 279                              |
| Ulster Bank                                       | 194                             | 53                               | 247                   | (143)                       | -                             | (281)                      | (177)                            |
| US Retail &<br>Commercial                         | 502                             | 275                              | 777                   | (504)                       | -                             | (144)                      | 129                              |
| RBS Insurance (3)                                 | 90                              | 1,015                            | 1,105                 | (176)                       | (1,132)                       | -                          | (203)                            |
| Central items                                     | 71                              | 235                              | 306                   | 32                          | (1)                           | -                          | 337                              |
| Core  | 3,212                           | 4,697                            | 7,909                 | (3,511)                     | (1,108)                       | (1,097)                    | 2,193                            |
| Non-Core (4)                                      | 472                             | 401                              | 873                   | (592)                       | (215)                         | (1,390)                    | (1,324)                          |
| Amortisation of<br>purchased<br>intangible assets | -                               | -                                | -                     | (85)                        | -                             | -                          | (85)                             |
| Integration and<br>restructuring costs            | -                               | -                                | -                     | (254)                       | -                             | -                          | (254)                            |
| Gain on redemption of<br>own debt                 | -                               | 553                              | 553                   | -                           | -                             | -                          | 553                              |
| Strategic disposals                               | -                               | (411)                            | (411)                 | -                           | -                             | -                          | (411)                            |
| Bonus tax   | -                               | -                                | -                     | (15)                        | -                             | -                          | (15)                             |
| Asset Protection Scheme<br>credit                 | -                               | 500                              | 500                   | -                           | -                             | -                          | 500                              |

default swap - fair  
value changes

|                                   |              |              |              |                |                |                |              |
|-----------------------------------|--------------|--------------|--------------|----------------|----------------|----------------|--------------|
|                                   | <b>3,684</b> | <b>5,740</b> | <b>9,424</b> | <b>(4,457)</b> | <b>(1,323)</b> | <b>(2,487)</b> | <b>1,157</b> |
| RFS Holdings minority<br>interest | <b>(8)</b>   | <b>21</b>    | <b>13</b>    | <b>4</b>       | <b>-</b>       | <b>-</b>       | <b>17</b>    |
| Total statutory                   | <b>3,676</b> | <b>5,761</b> | <b>9,437</b> | <b>(4,453)</b> | <b>(1,323)</b> | <b>(2,487)</b> | <b>1,174</b> |

Notes:

- (1) Reallocation of netting of bancassurance claims of £25 million from non-interest income.
- (2) Reallocation of £15 million between net interest income and non-interest income in respect of funding costs of rental assets, £9 million, and to record interest in financial assets and liabilities designated as fair value through profit or loss, £6 million.
- (3) Total income includes £74 million investment income of which £55 million is included in net interest income and £19 million in non-interest income. Further, instalment income of £35 million between non-interest income and net interest income.
- (4) Reallocation of £62 million between net interest income and non-interest income in respect of funding costs of rental assets, £78 million, and to record interest in financial assets and liabilities designated as fair value through profit or loss, £16 million.

There are additional notes on Financial instruments, including Level 3 balances and Derivatives, on pages 166 to 179.

## **Independent review report to The Royal Bank of Scotland Group plc**

We have been engaged by The Royal Bank of Scotland Group plc ("the Company") to review the pro forma financial information in the half-yearly financial report for the six months ended 30 June 2010 which comprises the pro forma summary consolidated income statement, the pro forma condensed consolidated statement of comprehensive income, the pro forma condensed consolidated balance sheet, the pro forma condensed consolidated statement of changes in equity, the pro forma divisional performance results on pages 21 to 51 and 53 to 58, the related notes 1 to 10 on pro forma results and parts of Risk and capital management set out on pages 78 to 143 except for those indicated as not reviewed (together "the pro forma financial information").

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half-yearly financial report, including the pro forma financial information, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the pro forma financial information in accordance with the basis of preparation described in note 1 on page 67.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the pro forma financial information in the half-yearly financial report based on our review.

### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the pro forma financial information in the half-yearly financial report for the six months ended 30 June 2010.

**Deloitte LLP**

Chartered Accountants

Edinburgh, United Kingdom

5 August 2010

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**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: August 6, 2010

THE ROYAL BANK OF SCOTLAND  
GROUP plc (Registrant)

By: /s/ Jan Cargill

Name: Jan Cargill

Title: Deputy Secretary