

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
August 05, 2011

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 5, 2011

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 X

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 X

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 income statement
for the half year ended 30 June 2011

	Quarter ended			Half year ended	
	31			30 June	30 June
	30 June	March	30 June	30 June	30 June
	2011	2011	2010	2011	2010
	£m	£m	£m	£m	£m
Interest receivable	5,404	5,401	5,888	10,805	11,580
Interest payable	(2,177)	(2,100)	(2,212)	(4,277)	(4,362)
Net interest income	3,227	3,301	3,676	6,528	7,218
Fees and commissions receivable	1,700	1,642	2,053	3,342	4,104
Fees and commissions payable	(323)	(260)	(579)	(583)	(1,151)
Income from trading activities	1,147	835	2,110	1,982	3,876
Gain on redemption of own debt	255	-	553	255	553
Other operating income (excluding insurance premium income)	1,142	391	346	1,533	793
Insurance net premium income	1,090	1,149	1,278	2,239	2,567
Non-interest income	5,011	3,757	5,761	8,768	10,742
Total income	8,238	7,058	9,437	15,296	17,960
Staff costs	(2,210)	(2,399)	(2,365)	(4,609)	(5,054)
Premises and equipment	(602)	(571)	(547)	(1,173)	(1,082)
Other administrative expenses	(1,752)	(921)	(1,022)	(2,673)	(2,033)
Depreciation and amortisation	(453)	(424)	(519)	(877)	(1,001)
Operating expenses	(5,017)	(4,315)	(4,453)	(9,332)	(9,170)
Profit before other operating charges and impairment losses	3,221	2,743	4,984	5,964	8,790
Insurance net claims	(793)	(912)	(1,323)	(1,705)	(2,459)
Impairment losses	(3,106)	(1,947)	(2,487)	(5,053)	(5,162)
Operating (loss)/profit before tax	(678)	(116)	1,174	(794)	1,169
Tax charge	(222)	(423)	(825)	(645)	(932)
(Loss)/profit from continuing	(900)	(539)	349	(1,439)	237

operations					
Profit/(loss) from discontinued operations, net of tax	21	10	(1,019)	31	(706)
Loss for the period	(879)	(529)	(670)	(1,408)	(469)
Non-controlling interests	(18)	1	946	(17)	602
Preference share and other dividends	-	-	(19)	-	(124)
(Loss)/profit attributable to ordinary and B shareholders	(897)	(528)	257	(1,425)	9
Basic (loss)/gain per ordinary and B share from continuing operations	(0.8p)	(0.5p)	0.8p	(1.3p)	0.6p
Diluted (loss)/gain per ordinary and B share from continuing operations	(0.8p)	(0.5p)	0.8p	(1.3p)	0.6p
Basic (loss)/gain per ordinary and B share from discontinued operations	-	-	-	-	-
Diluted (loss)/gain per ordinary and B share from discontinued operations	-	-	-	-	-

In the income statement above, one-off and other items as shown on page 16 are included in the appropriate caption. A reconciliation between the income statement above and the managed view income statement on page 10 is given in Appendix 1 to this announcement.

Condensed consolidated statement of comprehensive income
for the half year ended 30 June 2011

	Quarter ended			Half year ended	
	30 June	March	30 June	30 June	30 June
	2011	2011	2010	2011	2010
	£m	£m	£m	£m	£m
Loss for the period	(879)	(529)	(670)	(1,408)	(469)
Other comprehensive income/(loss)					
Available-for-sale financial assets (1)	1,406	(37)	93	1,369	508
Cash flow hedges	588	(227)	1,449	361	1,254
Currency translation	59	(360)	(91)	(301)	694

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Other comprehensive income/(loss) before tax	2,053	(624)	1,451	1,429	2,456
Tax (charge)/credit	(524)	32	(331)	(492)	(446)
Other comprehensive income/(loss) after tax	1,529	(592)	1,120	937	2,010
Total comprehensive income/(loss) for the period	650	(1,121)	450	(471)	1,541
Total comprehensive income/(loss) recognised in the statement of changes in equity is attributable as follows:					
Non-controlling interests	3	(9)	(457)	(6)	(132)
Preference shareholders	-	-	-	-	105
Paid-in equity holders	-	-	19	-	19
Ordinary and B shareholders	647	(1,112)	888	(465)	1,549
	650	(1,121)	450	(471)	1,541

Note:

(1) Analysis provided on page 104.

Key points

- The Q2 2011 movement in available-for-sale financial assets reflects the movement of £733 million losses on Greek government bonds and a £109 million related interest rate hedge adjustment to profit or loss from available-for-sale reserves. Offsetting this partially were realised gains from routine portfolio management in Group Treasury of £153 million, Non-Core of £31 million and UK Corporate of £16 million. In addition, unrealised gains on securities increased by £781 million in the quarter, primarily in relation to high quality sovereign bonds.
- Gains related to cash flow hedges of £588 million in Q2 2011 result principally from declines in swap rates during the quarter as expectations of an increase in interest rates have been deferred.

Condensed consolidated balance sheet
at 30 June 2011

	30 June 2011 £m	31 March 2011 £m	31 December 2010 £m
Assets			
Cash and balances at central banks	64,351	59,591	57,014
Net loans and advances to banks	53,133	59,304	57,911
Reverse repurchase agreements and stock borrowing	41,973	45,148	42,607
Loans and advances to banks	95,106	104,452	100,518
Net loans and advances to customers	489,572	494,148	502,748

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Reverse repurchase agreements and stock borrowing	56,162	60,511	52,512
Loans and advances to customers	545,734	554,659	555,260
Debt securities	243,645	231,384	217,480
Equity shares	24,951	22,212	22,198
Settlement balances	24,566	23,006	11,605
Derivatives	394,872	361,048	427,077
Intangible assets	14,592	14,409	14,448
Property, plant and equipment	17,357	15,846	16,543
Deferred tax	6,245	6,299	6,373
Prepayments, accrued income and other assets	11,143	11,355	12,576
Assets of disposal groups	3,407	8,992	12,484
Total assets	1,445,969	1,413,253	1,453,576
Liabilities			
Bank deposits	71,573	63,829	66,051
Repurchase agreements and stock lending	35,381	39,615	32,739
Deposits by banks	106,954	103,444	98,790
Customer deposits	428,703	428,474	428,599
Repurchase agreements and stock lending	88,822	90,432	82,094
Customer accounts	517,525	518,906	510,693
Debt securities in issue	213,797	215,968	218,372
Settlement balances	22,905	21,394	10,991
Short positions	56,106	50,065	43,118
Derivatives	387,809	360,625	423,967
Accruals, deferred income and other liabilities	24,065	23,069	23,089
Retirement benefit liabilities	2,239	2,257	2,288
Deferred tax	2,092	2,094	2,142
Insurance liabilities	6,687	6,754	6,794
Subordinated liabilities	26,311	26,515	27,053
Liabilities of disposal groups	3,237	6,376	9,428
Total liabilities	1,369,727	1,337,467	1,376,725
Equity			
Non-controlling interests	1,498	1,710	1,719
Owners' equity*			
Called up share capital	15,317	15,156	15,125
Reserves	59,427	58,920	60,007
Total equity	76,242	75,786	76,851
Total liabilities and equity	1,445,969	1,413,253	1,453,576
* Owners' equity attributable to:			
Ordinary and B shareholders	70,000	69,332	70,388
Other equity owners	4,744	4,744	4,744
	74,744	74,076	75,132

Commentary on condensed consolidated balance sheet

Total assets of £1,446.0 billion at 30 June 2011 were down £7.6 billion, 1%, compared with 31 December 2010. This is principally driven by the reduction in the mark-to-market value of derivatives in GBM and the continuing planned disposal of Non-Core assets. The decrease is offset in part by higher levels of debt securities held by GBM and Group Treasury, coupled with a rise in settlement balances as a result of increased customer activity from seasonal year-end lows.

Loans and advances to banks decreased by £5.4 billion, 5%, to £95.1 billion. Within this, reverse repurchase agreements and stock borrowing ('reverse repos') were down £0.6 billion, 1%, to £42.0 billion and bank placings declined £4.8 billion, 8%, to £53.1 billion.

Loans and advances to customers declined £9.5 billion, 2%, to £545.7 billion. Within this, reverse repurchase agreements were up £3.7 billion, 7%, to £56.1 billion. Customer lending decreased by £13.2 billion to £489.6 billion, or £10.6 billion to £510.2 billion before impairments. This reflected planned reductions in Non-Core of £13.9 billion, along with declines in GBM, £4.2 billion, UK Corporate, £0.9 billion and Ulster Bank, £0.8 billion. These reductions were partially offset by growth in Global Transaction Services, £4.7 billion, UK Retail, £2.0 billion, US Retail & Commercial, £1.0 billion and Wealth, £0.6 billion, together with the effect of exchange rate and other movements.

Debt securities were up £26.2 billion, 12%, to £243.6 billion, driven mainly by increased holdings of government and financial institution bonds within GBM and Group Treasury.

Settlement balances rose £13.0 billion, to £24.6 billion as a result of increased customer activity from seasonal year-end lows.

Movements in the value of derivative assets down, £32.2 billion, 8%, to £394.9 billion, and liabilities, down £36.2 billion, 9% to £387.8 billion, primarily reflect decreases in interest rate contracts, together with the combined effect of currency movements, with Sterling strengthening against the US dollar but weakening against the Euro.

The reduction in assets and liabilities of disposal groups primarily reflects the continuing disposal of parts of the RBS Sempra Commodities JV business and the sale of certain Non-Core project finance assets.

Deposits by banks increased £8.2 billion, 8%, to £107.0 billion, with higher repurchase agreements and stock lending ('repos'), up £2.7 billion, 8%, to £35.4 billion combined with an increase in inter-bank deposits, up £5.5 billion, 8%, to £71.6 billion.

Customer accounts increased £6.8 billion, 1%, to £517.5 billion. Within this, repos increased £6.7 billion, 8%, to £88.8 billion. Excluding repos, customer deposits were up £0.1 billion to £428.7 billion, reflecting growth in Global Transaction Services, £3.6 billion, Wealth, £0.9 billion and Ulster Bank, £0.4 billion, together with exchange and other movements £0.9 billion. This was offset by decreases in GBM, £3.4 billion, Non-Core, £1.8 billion and UK Corporate, £0.5 billion.

Settlement balances rose £11.9 billion to £22.9 billion and short positions were up £13.0 billion, 30%, to £56.1 billion due to increased customer activity from seasonal year-end lows.

Commentary on condensed consolidated balance sheet (continued)

Subordinated liabilities decreased by £0.7 billion, 3% to £26.3 billion, primarily reflecting the redemption of £0.2 billion US dollar and £0.4 billion Euro denominated dated loan capital.

Owner's equity decreased by £0.4 billion, 1%, to £74.7 billion, driven by the £1.4 billion attributable loss for the period together with movements in foreign exchange reserves, £0.3 billion, partially offset by increases in available-for-sale reserves, £1.0 billion and cash flow hedging reserves, £0.3 billion.

Average balance sheet

	Quarter ended		Half year ended	
	30 June 2011	31 March 2011	30 June 2011	30 June 2010
Average yields, spreads and margins of the banking business	%	%	%	%
Gross yield on interest-earning assets of banking business	3.28	3.33	3.30	3.26
Cost of interest-bearing liabilities of banking business	(1.60)	(1.57)	(1.59)	(1.45)
Interest spread of banking business	1.68	1.76	1.71	1.81
Benefit from interest-free funds	0.29	0.27	0.29	0.18
Net interest margin of banking business	1.97	2.03	2.00	1.99
Average interest rates				
The Group's base rate	0.50	0.50	0.50	0.50
London inter-bank three month offered rates				
- Sterling	0.82	0.79	0.81	0.66
- Eurodollar	0.26	0.31	0.29	0.35
- Euro	1.36	1.04	1.20	0.62

Average balance sheet (continued)

Quarter ended	Quarter ended
30 June 2011	31 March 2011

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	Average balance £m	Interest £m	Rate %	Average balance £m	Interest £m	Rate %
Assets						
Loans and advances to banks	67,191	164	0.98	64,021	172	1.09
Loans and advances to customers	470,593	4,545	3.87	474,177	4,593	3.93
Debt securities	123,888	705	2.28	120,380	638	2.15
Interest-earning assets						
- banking business	661,672	5,414	3.28	658,578	5,403	3.33
Trading business	284,378			279,164		
Non-interest earning assets	557,649			507,209		
Total assets	1,503,699			1,444,951		
Memo: Funded assets	1,089,400			1,066,690		
Liabilities						
Deposits by banks	65,119	245	1.51	66,671	259	1.58
Customer accounts	336,317	857	1.02	329,825	831	1.02
Debt securities in issue	171,709	897	2.10	175,585	846	1.95
Subordinated liabilities	21,522	148	2.76	25,078	170	2.75
Internal funding of trading business	(51,609)	22	(0.17)	(52,013)	8	(0.06)
Interest-bearing liabilities -						
banking business	543,058	2,169	1.60	545,146	2,114	1.57
Trading business	314,099			301,753		
Non-interest-bearing liabilities						
- demand deposits	64,811			63,701		
- other liabilities	507,383			459,981		
Owners' equity	74,348			74,370		
Total liabilities and owners' equity	1,503,699			1,444,951		

Notes:

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- (1) Interest receivable and interest payable on trading assets and liabilities are included in income from trading activities.
- (2) Interest receivable has been increased by £6 million (Q1 2011 - decreased by £1 million) to exclude the RFS Holdings minority interest. Related interest-earning assets and interest-bearing liabilities have also been adjusted.
- (3) Interest receivable has been increased by £2 million (Q1 2011 - £3 million) and interest payable has been increased by £34 million (Q1 2011 - £29 million) to record interest on financial assets and liabilities designated as at fair value through profit or loss. Related interest-earning assets and interest-bearing liabilities have also been adjusted.
- (4) Interest receivable has been increased by £2 million (Q1 2011 - nil) and interest payable has been decreased by £42 million (Q1 2011 - £15 million) in respect of non-recurring adjustments.

Average balance sheet (continued)

	Half year ended 30 June 2011			Half year ended 30 June 2010		
	Average balance £m	Interest £m	Rate %	Average balance £m	Interest £m	Rate %
Assets						
Loans and advances to banks	65,606	336	1.03	47,172	272	1.16
Loans and advances to customers	472,385	9,138	3.90	523,682	9,365	3.61
Debt securities	122,134	1,343	2.22	140,227	1,861	2.68
Interest-earning assets						
- banking business	660,125	10,817	3.30	711,081	11,498	3.26
Trading business	281,771			278,527		
Non-interest earning assets	532,429			733,323		
Total assets	1,474,325			1,722,931		
Memo: Funded assets	1,078,045			1,242,452		
Liabilities						
Deposits by banks	65,895	504	1.54	90,189	715	1.60
Customer accounts	333,071	1,688	1.02	346,077	1,834	1.07
Debt securities in issue	173,647	1,743	2.02	202,673	1,690	1.68
Subordinated liabilities	23,300	318	2.75	31,134	370	2.40
Internal funding of trading business	(51,811)	30	(0.12)	(47,609)	(125)	0.53

Interest-bearing liabilities -						
banking business	544,102	4,283	1.59	622,464	4,484	1.45
Trading business	307,926			301,816		
Non-interest-bearing liabilities						
- demand deposits	64,256			46,937		
- other liabilities	483,682			674,006		
Owners' equity	74,359			77,708		
Total liabilities and owners' equity	1,474,325			1,722,931		

Notes:

- (1) Interest receivable and interest payable on trading assets and liabilities are included in income from trading activities.
- (2) Interest-earning assets and interest-bearing liabilities exclude the Retail bancassurance long-term assets and liabilities, attributable to policyholders, in view of their distinct nature. As a result, net interest income has been increased by nil (H1 2010 - £3 million).
- (3) Interest receivable has been increased by £5 million (H1 2010 - nil) to exclude the RFS Holdings minority interest. Related interest-earning assets and interest-bearing liabilities have also been adjusted.
- (4) Interest receivable has been increased by £5 million for H1 2011 (H1 2010 - £5 million) and interest payable has been increased by £63 million (H1 2010 - £12 million) to record interest on financial assets and liabilities designated as at fair value through profit or loss. Related interest-earning assets and interest-bearing liabilities have also been adjusted.
- (5) Interest receivable has been increased by £2 million (H1 2010 - £90 million decrease) and interest payable has been decreased by £57 million (H1 2010 - £110 million increase) in respect of non-recurring adjustments.

Condensed consolidated statement of changes in equity
for the half year ended 30 June 2011

	Quarter ended			Half year ended	
	30 June	March	30 June	30 June	30 June
	2011	2011	2010	2011	2010
	£m	£m	£m	£m	£m
Called-up share capital					
At beginning of period	15,156	15,125	15,031	15,125	14,630
Ordinary shares issued	161	31	-	192	401
Preference shares redeemed	-	-	(2)	-	(2)
At end of period	15,317	15,156	15,029	15,317	15,029
Paid-in equity					
At beginning of period	431	431	565	431	565

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Securities redeemed during the period	-	-	(132)	-	(132)
Transfer to retained earnings	-	-	(2)	-	(2)
At end of period	431	431	431	431	431
Share premium account					
At beginning of period	23,922	23,922	23,740	23,922	23,523
Ordinary shares issued	1	-	-	1	217
Redemption of preference shares classified as debt	-	-	118	-	118
At end of period	23,923	23,922	23,858	23,923	23,858
Merger reserve					
At beginning of period	13,272	13,272	13,272	13,272	25,522
Transfer to retained earnings	(50)	-	-	(50)	(12,250)
At end of period	13,222	13,272	13,272	13,222	13,272
Available-for-sale reserve					
At beginning of period	(2,063)	(2,037)	(1,527)	(2,037)	(1,755)
Unrealised gains	781	162	119	943	647
Realised losses/(gains) (1)	626	(197)	20	429	(127)
Tax	(370)	9	(55)	(361)	(208)
Recycled to profit or loss on disposal of businesses(2)	-	-	(16)	-	(16)
At end of period	(1,026)	(2,063)	(1,459)	(1,026)	(1,459)
Cash flow hedging reserve					
At beginning of period	(314)	(140)	(272)	(140)	(252)
Amount recognised in equity	811	14	(47)	825	(58)
Amount transferred from equity to earnings	(223)	(241)	7	(464)	17
Tax	(161)	53	19	(108)	-
Recycled to profit or loss on disposal of businesses (3)	-	-	58	-	58
At end of period	113	(314)	(235)	113	(235)

For the notes to this table refer to page 72.

Condensed consolidated statement of changes in equity
for the half year ended 30 June 2011 (continued)

Quarter ended			Half year ended	
31				
30 June	March	30 June	30 June	30 June
2011	2011	2010	2011	2010

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	£m	£m	£m	£m	£m
Foreign exchange reserve					
At beginning of period	4,754	5,138	5,229	5,138	4,528
Retranslation of net assets	189	(429)	666	(240)	1,775
Foreign currency (losses)/gains on hedges of net assets	(116)	76	(189)	(40)	(609)
Tax	7	(31)	60	(24)	72
Recycled to profit or loss on disposal of businesses	-	-	(11)	-	(11)
At end of period	4,834	4,754	5,755	4,834	5,755
Capital redemption reserve					
At beginning of period	198	198	170	198	170
Preference shares redeemed	-	-	2	-	2
At end of period	198	198	172	198	172
Contingent capital reserve					
At beginning and end of period	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)
Retained earnings					
At beginning of period	20,713	21,239	24,164	21,239	12,134
(Loss)/profit attributable to ordinary and B shareholders and other equity owners					
- continuing operations	(899)	(530)	302	(1,429)	163
- discontinued operations	2	2	(26)	4	(30)
Equity preference dividends paid	-	-	-	-	(105)
Paid-in equity dividends paid, net of tax	-	-	(19)	-	(19)
Transfer from paid-in equity					
- gross	-	-	2	-	2
- tax	-	-	(1)	-	(1)
Equity owners gain on withdrawal of minority interest					
- gross	-	-	40	-	40
- tax	-	-	(11)	-	(11)
Redemption of equity preference shares	-	-	(2,968)	-	(2,968)
Gain on redemption of equity preference shares	-	-	609	-	609
Redemption of preference shares classified as debt	-	-	(118)	-	(118)
Transfer from merger reserve	50	-	-	50	12,250
Shares issued under employee share schemes	(166)	(41)	(2)	(207)	(9)

Share-based payments					
- gross	29	38	26	67	61
- tax	(3)	5	5	2	5
At end of period	19,726	20,713	22,003	19,726	22,003

Condensed consolidated statement of changes in equity
for the half year ended 30 June 2011 (continued)

	Quarter ended			Half year ended	
	30 June 2011 £m	March 2011 £m	30 June 2010 £m	30 June 2011 £m	30 June 2010 £m
Own shares held					
At beginning of period	(785)	(808)	(488)	(808)	(121)
Shares (purchased)/disposed	(6)	12	(330)	6	(704)
Shares issued under employee share schemes	5	11	2	16	9
At end of period	(786)	(785)	(816)	(786)	(816)
Owners' equity at end of period	74,744	74,076	76,802	74,744	76,802
Non-controlling interests					
At beginning of period	1,710	1,719	10,364	1,719	16,895
Currency translation adjustments and other movements	(14)	(7)	(557)	(21)	(461)
Profit/(loss) attributable to non-controlling interests					
- continuing operations	(1)	(9)	47	(10)	74
- discontinued operations	19	8	(993)	27	(676)
Dividends paid	(39)	-	(1,497)	(39)	(4,171)
Movements in available-for-sale securities					
- unrealised (losses)/gains	(1)	1	(3)	-	22
- realised gains	-	(3)	(12)	(3)	(3)
- tax	-	1	4	1	1
- recycled to profit or loss on disposal of discontinued operations (4)	-	-	(7)	-	(7)
Movements in cash flow hedging reserves					
- amounts recognised in equity	-	-	30	-	(165)
- amounts transferred from equity to earnings	-	-	(1)	-	-

- tax