

ROYAL BANK OF SCOTLAND GROUP PLC  
Form 6-K  
September 30, 2008

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

30 September 2008

The Royal Bank of Scotland Group plc

Gogarburn  
PO Box 1000  
Edinburgh EH12 1HQ  
Scotland  
United Kingdom

(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-

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This report on Form 6-K shall be deemed incorporated by reference into the company's Registration Statement on Form F-3 (File No. 333-123972) and to be a part thereof from the date which it was filed, to the extent not superseded by documents or reports subsequently filed or furnished.

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PRESENTATION OF INFORMATION

Acquisition of ABN AMRO

On 17 October 2007, RFS Holdings B.V. ("RFS Holdings"), a company jointly owned by The Royal Bank of Scotland Group plc ("RBS"), Fortis N.V., Fortis SA/NV ("Fortis") and Banco Santander S.A. ("Santander") (together, the "Consortium Banks") and controlled by RBS, completed the acquisition of ABN AMRO Holding N.V. ("ABN AMRO").

RFS Holdings is implementing an orderly separation of the business units of ABN AMRO with RBS retaining the following ABN AMRO business units:

- Continuing businesses of Business Unit North America;
- Business Unit Global Clients and wholesale clients in the Netherlands (including former Dutch wholesale clients) and Latin America (excluding Brazil);
- Business Unit Asia (excluding Saudi Hollandi); and
- Business Unit Europe (excluding Antonveneta).

Certain other assets will continue to be shared by the Consortium Banks.

RFS Holdings is jointly owned by the Consortium Banks. It is controlled by RBS and is therefore fully consolidated in its financial statements. Consequently, the results of the RBS Group for the year ended 31 December 2007 and the half year ended 30 June 2008 include the results of ABN AMRO for 76 days and the full six months respectively. The interests of Fortis and Santander in RFS Holdings are included in minority interests.

Subsequent events

On 29 September 2008, Fortis announced that it plans to sell its interest in RFS Holdings, the company that owns ABN AMRO. Fortis has already paid in full in cash for its shares in RFS Holdings, and the financial consequences of any sale would lie with Fortis. It would not affect the integration benefits envisaged by the Group, nor would it affect the businesses to be retained by the Group. The Group will review the carrying value of the goodwill attributable to the Fortis ABN AMRO businesses in the light of the disposal price and the value in use of these businesses. Any change to the carrying value recognised would be attributable to the Fortis minority interest and would therefore not affect the Group's earnings per share.

Restatements

The income statement and cash flow statement for the year ended 31 December 2007 have been restated to reflect the reclassification of Banco Real as a discontinued operation. Accordingly, certain information presented throughout this Form 6-K does not agree to the information disclosed in the 2007 Annual Report on Form 20-F (the "2007 Form 20-F").

## THE ROYAL BANK OF SCOTLAND GROUP plc

CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 30 JUNE 2008

	First half 2008 £m	First half 2007 £m
Interest receivable	24,080	13,458
Interest payable	15,498	8,075
Net interest income	8,582	5,383
Fees and commissions receivable	4,917	3,588
Fees and commissions payable	(1,188)	(916)
(Loss)/income from trading activities	(3,373)	1,875
Other operating income (excluding insurance premium income)	1,635	1,712
Insurance premium income	3,308	3,193
Reinsurers' share	(152)	(145)
Non-interest income	5,147	9,307
Total income	13,729	14,690
Staff costs	5,523	3,494
Premises and equipment	1,218	748
Other administrative expenses	2,420	1,319
Depreciation and amortisation	1,410	835
Operating expenses*	10,571	6,396
Profit before other operating charges and impairment losses	3,158	8,294
Insurance claims	2,264	2,468
Reinsurers' share	(75)	(53)
Impairment losses	1,661	871
Operating (loss)/profit before tax	(692)	5,008
Tax (credit)/charge	(333)	1,272
(Loss)/profit from continuing operations	(359)	3,736
Profit from discontinued operations, net of tax	234	-
(Loss)/profit for the period	(125)	3,736
Minority interests	452	75
Other owners' dividends	225	106
(Loss)/profit attributable to ordinary shareholders	(802)	3,555
Basic earnings per ordinary share	(6.6p)	32.3p
Diluted earnings per ordinary share	(6.6p)	32.0p
*Operating expenses include:	£m	£m
Integration costs:		
- Administrative expenses	302	26
- Depreciation and amortisation	14	29
	316	55
Amortisation of purchased intangible assets	182	43



THE ROYAL BANK OF SCOTLAND GROUP plc

FINANCIAL REVIEW

Profit

Loss before tax was £692 million compared with a profit of £5,008 million in the first half of 2007. The results have been adversely affected by credit market write-downs of £5,925 million.

Total income

Total income was down 7% to £13,729 million, principally due to the credit market write-downs.

Net interest income increased to £8,582 million and represents 63% of total income (2007 – 37%).

Non-interest income decreased to £5,147 million principally due to the credit market write-downs of £5,925 million offset by a movement in the fair value of own debt of £812 million, and represents 37% of total income (2007 – 63%).

Operating expenses

Operating expenses rose to £10,571 million. Integration costs were £316 million compared with £55 million in 2007.

Net insurance claims

Bancassurance and general insurance claims, after reinsurance, decreased by 9% to £2,189 million.

Impairment losses

Impairment losses were £1,661 million, compared with £871 million in 2007.

Risk elements in lending and potential problem loans represented 1.44% of gross loans and advances to customers excluding reverse repos at 30 June 2008 (31 December 2007 – 1.64%).

Provision coverage of risk elements in lending and potential problem loans was 57% (31 December 2007 – 56%).

Taxation

The effective tax rate for the first half of 2008 was 48.1% compared with 25.4% in the first half of 2007.

Earnings

Basic earnings per ordinary share decreased from 32.3p to (6.6p).

Capital

Capital ratios at 30 June 2008 were 6.7% (Core Tier 1), 9.1% (Tier 1) and 13.2% (Total).

Rights issue

In June 2008, the company completed the £12 billion rights issue announced in April 2008. As a result, on 9 June 2008, the company issued 6.1 billion new ordinary shares of 25p each.

Capitalisation issue

As announced in April 2008, the company issued new ordinary shares of 25p each in the company in September 2008 instead of paying an interim dividend in cash.





## THE ROYAL BANK OF SCOTLAND GROUP plc

CONDENSED CONSOLIDATED BALANCE SHEET  
AT 30 JUNE 2008

	30 June 2008 £m	31 December 2007 £m
<b>Assets</b>		
Cash and balances at central banks	35,580	17,866
Treasury and other eligible bills	50,730	18,229
Loans and advances to banks	152,292	219,460
Loans and advances to customers	807,867	829,250
Debt securities	207,009	276,427
Equity shares	37,689	53,026
Settlement balances	27,624	16,589
Derivatives	483,281	337,410
Intangible assets	43,471	48,492
Property, plant and equipment	16,172	18,750
Prepayments, accrued income and other assets	23,493	19,066
Assets of disposal groups	63,537	45,954
<b>Total assets</b>	<b>1,948,745</b>	<b>1,900,519</b>
<b>Liabilities</b>		
Deposits by banks	245,184	312,633
Customer accounts	643,622	682,365
Debt securities in issue	274,719	273,615
Settlement balances and short positions	84,083	91,021
Derivatives	475,731	332,060
Accruals, deferred income and other liabilities	24,104	34,520
Deferred taxation	3,573	5,510
Insurance liabilities	9,596	10,162
Subordinated liabilities	39,661	37,979
Liabilities of disposal groups	44,779	29,228
<b>Total liabilities</b>	<b>1,845,052</b>	<b>1,809,093</b>
<b>Equity:</b>		
Minority interests	42,056	38,388
Owners' equity*		
Called up share capital	4,064	2,530
Reserves	57,573	50,508
<b>Total equity</b>	<b>103,693</b>	<b>91,426</b>
<b>Total liabilities and equity</b>	<b>1,948,745</b>	<b>1,900,519</b>
 *Owners' equity attributable to:		
Ordinary shareholders	53,283	44,684
Other equity owners	8,354	8,354
	61,637	53,038



THE ROYAL BANK OF SCOTLAND GROUP plc

OVERVIEW OF CONDENSED CONSOLIDATED BALANCE SHEET

Total assets of £1,948.7 billion at 30 June 2008 were up £48.2 billion, 3%, compared with 31 December 2007.

Cash and balances at central banks were up £17.7 billion to £35.6 billion reflecting increased placings with the Bank of England and the Dutch National Bank.

Treasury and other eligible bills increased by £32.5 billion to £50.7 billion, due to higher trading activity and liquidity management.

Loans and advances to banks decreased by £67.2 billion, 31%, to £152.3 billion or £63.5 billion, 29% following the transfer of £3.7 billion to assets of disposal groups. Reverse repurchase agreements and stock borrowing ("reverse repos") were down by £68.2 billion, 39% to £107.8 billion. Excluding reverse repos, bank placings increased by £4.7 billion, 12%, to £44.5 billion.

Loans and advances to customers were down £21.4 billion, 3%, to £807.9 billion but up £2.0 billion after the transfer of £23.4 billion to disposal groups. Within this, reverse repos decreased by 40%, £56.4 billion to £86.0 billion. Excluding reverse repos, lending rose by £58.4 billion, 9% to £721.9 billion reflecting organic growth.

Debt securities decreased by £69.4 billion, 25%, to £207.0 billion and equity shares decreased by £15.3 billion, 29%, to £37.7, billion principally due to lower holdings in Global Banking & Markets and the transfer of £4.8 billion to assets of disposal groups.

Settlement balances rose by £11.0 billion, 67% to £27.6 billion as a result of increased customer activity in Global Banking & Markets.

Movements in the value of derivatives, assets and liabilities, primarily reflect changes in interest and exchange rates, together with growth in trading volumes.

Intangible assets declined by £5.0 billion, 10% to £43.5 billion, reflecting the disposals of the Asset Management business of ABN AMRO and Banca Antonveneta and the classification of Banco Real and other businesses of ABN AMRO acquired by Santander to assets of disposal groups, partially offset by exchange rate movements and goodwill of £0.2 billion arising on the Sempra joint venture.

Property, plant and equipment decreased by £2.6 billion, 14% to £16.2 billion largely due to the disposal of Angel Trains.

Prepayments, accrued income and other assets were up £4.4 billion, 23% to £23.5 billion.

Assets and liabilities of disposal groups increased due to the classification of Banco Real and other businesses of ABN AMRO acquired by Santander as discontinued operations and the recently announced proposed disposals of Tesco Personal Finance and the European Consumer Finance business in Germany and Austria, partially offset by completion of the sale of the former Asset Management business of ABN AMRO to Fortis and of Banca Antonveneta to Monte dei Paschi di Siena.

Deposits by banks declined by £67.4 billion, 22% to £245.2 billion or £54.1 billion, 18% after the transfer of £13.3 billion to liabilities of disposal groups. This reflected decreased repurchase agreements and stock lending ("repos"),

down £50.8 billion, 31% to £112.2 billion combined with lower inter-bank deposits, down £3.3 billion, 2% to £133.0 billion.

Customer accounts were down £38.7 billion, 6% to £643.6 billion or £17.4 billion, 3% net of the transfer of £21.3 billion to disposal groups. Within this, repos decreased £42.5 billion, 32% to £92.4 billion. Excluding repos, deposits rose by £25.1 billion, 5%, to £551.2 billion.

Settlement balances and short positions were down £6.9 billion, 8%, to £84.1 billion.

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OVERVIEW OF CONDENSED CONSOLIDATED BALANCE SHEET (continued)

Accruals, deferred income and other liabilities decreased £10.4 billion, 30%, to £24.1 billion.

Deferred taxation liabilities decreased by £1.9 billion, 35% to £3.6 billion due in part to the sale of Angel Trains.

Subordinated liabilities were up £1.7 billion, 4% to £39.7 billion. The issue of £1.7 billion dated loan capital and the effect of exchange rate and other adjustments, £0.9 billion, were partially offset by the redemption of £0.4 billion of dated loan capital and the transfer of £0.5 billion to liabilities of disposal groups.

Equity minority interests increased by £3.7 billion, 10% to £42.1 billion, primarily due to the effect of exchange rate movements of £2.9 billion of which £2.7 billion related to the Fortis and Santander investments in RFS Holdings, and the £0.8 billion equity raised as part of the Sempra joint venture. A reduction in the market value of the investment in Bank of China attributable to minority shareholders was largely offset by attributable profits.

Owners' equity increased by £8.6 billion, 16% to £61.6 billion. Proceeds of £12.0 billion from the rights issue, net of £0.2 billion expenses, together with exchange rate movements of £0.7 billion were partially offset by the attributable loss for the period of £0.6 billion, a £0.9 billion decrease in available-for-sale reserves, net of tax, reflecting £0.3 billion in the Group's share in the investment in Bank of China and £0.6 billion in other securities, the majority of which related to ABN AMRO, and the payment of the 2007 final ordinary dividend of £2.3 billion and other dividends of £0.2 billion.

THE ROYAL BANK OF SCOTLAND GROUP plc

DESCRIPTION OF BUSINESS

On 28 February 2008, the company announced changes to its organisational structure which are aimed at recognising RBS's presence in over 50 countries and facilitating the integration and operation of its expanded footprint. Following the acquisition of ABN AMRO in October 2007, the Group's new organisational structure incorporates those ABN AMRO businesses to be retained by the Group but excludes the ABN AMRO businesses to be acquired by Fortis and Santander. This new organisational structure is expected to give RBS the appropriate framework for managing the enlarged Group in a way that fully capitalises on the enhanced range of attractive growth opportunities now available to it.

Global Markets is focused on the provision of debt and equity financing, risk management and transaction banking services to large businesses and financial institutions in the United Kingdom and around the world. Its activities have been organised into two divisions, Global Banking & Markets and Global Transaction Services.

Global Banking & Markets is a leading banking partner to major corporations and financial institutions around the world, providing an extensive range of debt and equity financing, risk management and investment services to its customers. The expanded division is organised along four principal business lines: rates, currencies, and commodities; equities; credit markets; and asset and portfolio management.

- Rates, Currencies and Commodities provides risk management, sales and trading activities in G11 and non-G11 (Local Markets) currencies/jurisdictions across this broad set of asset classes. Key product offering includes spot FX, local markets trading, short term markets and financing, inflation products, swaps and bonds (G11) and covered bonds, interest rate and currency options and hybrids and prime brokerage and futures. It also includes RBS Sempra Commodities LLP, the commodities-marketing joint venture between RBS and Sempra Energy which was formed on 1 April 2008.
- Equities provides a full range of origination, trading and distribution of cash and derivative products. The business provides a multi product approach operating through a wide range of channels with an emphasis on revenue diversification. Key product offerings include equity origination, core equities sales and trading, equity derivatives (sales & trading) and equity financing and collateral trading.
- Credit Markets offers a full range of origination, trading and distribution activities on a global basis for clients across all sectors. Key product offerings include corporate & structured debt capital markets (DCM), financial institutions DCM, leveraged finance, real estate finance, project finance, financial structuring and credit trading.
- Asset and Portfolio Management manages the lending portfolio and other assets of GBM and some third parties, ensuring efficient management of capital, credit and liquidity via portfolio management and global markets treasury. Key fund product offerings include fund of funds structures, multi-manager strategies, private equity & credit funds, other core products are equity finance and asset finance (covering shipping and aviation).

Global Transaction Services ranks among the top five global transaction services providers, offering global payments, cash and liquidity management, as well as trade finance, United Kingdom and international merchant acquiring and commercial card products and services. It includes the Group's corporate money transmission activities in the United Kingdom and the United States.





THE ROYAL BANK OF SCOTLAND GROUP plc

DESCRIPTION OF BUSINESS (continued)

Regional Markets is organised around the provision of retail and commercial banking to customers in four regions: the United Kingdom, the United States, Europe and the Middle East and Asia. This includes the provision of wealth management services both in the United Kingdom and internationally.

UK Retail & Commercial Banking comprises retail, corporate and commercial banking and wealth management services in the United Kingdom. RBS UK supplies financial services through both the RBS and NatWest brands, offering a full range of banking products and related financial services to the personal, premium and small business (“SMEs”) markets. It serves customers through the largest network of branches and ATMs in the United Kingdom, as well as by telephone and internet. Together, RBS and NatWest hold the joint number one position in personal current accounts and are the UK market leader in SME banking. The division also issues credit and charge cards and other financial products, including through other brands such as MINT and First Active UK.

The UK wealth management arm provides private banking and investment services to clients through Coutts, Adam & Company, RBS International and NatWest Offshore.

In corporate and commercial banking the division is the largest provider of banking, finance and risk management services in the United Kingdom. Through its network of relationship managers across the country, it distributes the full range of RBS Group products and services to companies.

US Retail & Commercial Banking provides financial services through the Citizens and Charter One brands as well as through Kroger Personal Finance, its credit card joint venture with the second-largest US supermarket group.

Citizens is engaged in retail and corporate banking activities through its branch network in 13 states in the United States and through non-branch offices in other states. Citizens was ranked the tenth-largest commercial banking organisation in the United States based on deposits as at 31 March 2008.

Europe & Middle East Retail & Commercial Banking comprises Ulster Bank and the Group’s combined retail and commercial businesses in Europe and the Middle East.

Ulster Bank, including First Active, provides a comprehensive range of financial services across the island of Ireland. Its retail banking arm has a network of branches and operates in the personal, commercial and wealth management sectors, while its corporate markets operations provides services in the corporate and institutional markets.

The retail and commercial businesses in Europe and the Middle East offer services in Romania, Russia, Kazakhstan and the United Arab Emirates.

Asia Retail & Commercial Banking holds prominent market positions in India, Pakistan, China and Taiwan as well as presences in Hong Kong, Indonesia, Malaysia and Singapore. It provides financial services across four segments: affluent banking, cards and consumer finance, business banking and international wealth management, which offers private banking and investment services to clients in selected markets through the RBS Coutts brand.

RBS Insurance sells and underwrites retail and SME insurance over the telephone and internet, as well as through brokers and partnerships. Its brands include Direct Line, Churchill and Privilege, which sell general insurance products direct to the customer, as well as Green Flag and NIG. Through its international division, RBS Insurance sells general insurance, mainly motor, in Spain, Germany and Italy. The Intermediary and Broker division sells general insurance products through independent brokers.



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DESCRIPTION OF BUSINESS (continued)

Group Manufacturing comprises the Group's worldwide manufacturing operations. It supports the customer-facing businesses and provides operational technology, customer support in telephony, account management, lending and money transmission, global purchasing, property and other services. Manufacturing drives efficiencies and supports income growth across multiple brands and channels by using a single, scalable platform and common processes wherever possible. It also leverages the Group's purchasing power and has become the centre of excellence for managing large-scale and complex change.

The Centre comprises group and corporate functions, such as capital raising, finance, risk management, legal, communications and human resources. The Centre manages the Group's capital resources and Group-wide regulatory projects and provides services to the operating divisions.

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## THE ROYAL BANK OF SCOTLAND GROUP plc

## DIVISIONAL PERFORMANCE

The results of each division before amortisation of purchased intangible assets, integration costs and share of shared assets ("Contribution") are shown below. The Group continues to manage costs where they arise, with customer-facing divisions controlling their direct expenses whilst Manufacturing is responsible for shared costs. The Group does not allocate these shared costs between divisions in the day-to-day management of its businesses.

	First half 2008 £m	First half 2007 £m	Increase %
Global Markets			
- Global Banking & Markets	(2,936)	2,196	(234)
- Global Transaction Services	886	585	51
Total Global Markets	(2,050)	2,781	(174)
Regional Markets			
- UK Retail & Commercial Banking	3,221	3,010	7
- US Retail & Commercial Banking	534	788	(32)
- Europe & Middle East Retail & Commercial Banking	416	363	15
- Asia Retail & Commercial Banking	126	43	193
Total Regional Markets	4,297	4,204	2
RBS Insurance	513	363	41
Group Manufacturing	(2,208)	(1,748)	(26)
Central items	(521)	(494)	(5)
Share of shared assets	(224)	-	-
RFS minority interest	(1)	-	-
	(194)	5,106	(104)
Amortisation of purchased intangible costs	(182)	(43)	-
Integration costs	(316)	(55)	-
Operating (loss)/profit before tax	(692)	5,008	-

Risk-weighted assets of each division were as follows:

	Basel II 30 June 2008 £bn	Basel II 1 January 2008 £bn	Basel I 31 December 2007 £bn
Global Markets			
- Global Banking & Markets	211.9	213.1	191.4
- Global Transaction Services	17.1	15.6	12.6
Total Global Markets	229.0	228.7	204.0
Regional Markets			
- UK Retail & Commercial Banking	159.4	153.1	179.0
- US Retail & Commercial Banking	55.4	53.8	57.1
- Europe & Middle East Retail & Commercial Banking	29.9	30.3	36.7

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- Asia Retail & Commercial Banking	5.3	4.9	3.3
Total Regional Markets	250.0	242.1	276.1
Other	12.7	15.3	9.9
RFS minority interest	152.0	154.7	119.0
	643.7	640.8	609.0

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## THE ROYAL BANK OF SCOTLAND GROUP plc

## GLOBAL MARKETS

	First half 2008 £m	First half 2007 £m	
Net interest income	1,631	655	
Non-interest income	(493)	3,930	
Total income	1,138	4,585	
Direct expenses			
- staff costs	1,979	1,295	
- other	779	290	
- operating lease depreciation	125	192	
	2,883	1,777	
Impairment losses	305	27	
Contribution	(2,050)	2,781	
		31	
	30 June 2008 £bn	December 2007 £bn	
Total third party assets*	781.3	887.6	
Loans and advances**	299.4	273.1	
Customer deposits***	155.4	163.7	
		31	
	30 June 2008 £bn	1 January 2008 £bn	December 2007 £bn
Risk-weighted assets	229.0	228.7	****204.0

\*excluding derivatives mark to market

\*\*excluding reverse repos

\*\*\*excluding repos

\*\*\*\*on Basel I basis

## THE ROYAL BANK OF SCOTLAND GROUP plc

## GLOBAL MARKETS

## GLOBAL BANKING &amp; MARKETS

	First half 2008 £m	First half 2007 £m
Net interest income from banking activities	1,423	671
Funding costs of rental assets	(232)	(256)
Net interest income	1,191	415
Net fees and commissions receivable	695	525
Income from trading activities	2,073	1,532
Other operating income	1,347	1,370
Non-interest income before credit market write-downs	4,115	3,427
Credit market write-downs and one-off items	(5,341)	(38)
Non-interest income	(1,226)	3,389
Total income	(35)	3,804
Direct expenses		
- staff costs	1,793	1,171
- other	689	224
- operating lease depreciation	125	192
	2,607	1,587
Impairment losses	294	21
Contribution	(2,936)	2,196
Analysis of income by product:		
Rates, currencies and commodities	2,935	1,111
Equities	524	61
Credit markets	355	1,242
Asset and portfolio management	1,492	1,428
Total income before credit market write downs and one off-items	5,306	3,842
Credit market write downs and one-off items	(5,341)	(38)
Total income	(35)	3,804
		31
	30 June 2008 £bn	December 2007 £bn
Loans and advances	282.3	257.3
Reverse repos	188.6	308.9
Securities	189.7	239.5
Cash and eligible bills	49.8	26.9
Other assets	52.4	38.0
Total third party assets*	762.8	870.6
Net derivative assets (after netting)	73.8	64.1
Customer deposits**	96.5	106.7

	30 June 2008 £bn	1 January 2008 £bn	31 December 2007 £bn
Risk-weighted assets	211.9	213.1	***191.4

\*excluding derivatives mark to market; \*\*excluding repos; \*\*\*on Basel I basis



THE ROYAL BANK OF SCOTLAND GROUP plc

GLOBAL MARKETS

GLOBAL BANKING & MARKETS (continued)

Global Banking & Markets has undertaken an active balance sheet management programme in the first half of 2008, managing down its US mortgage and leveraged finance exposures while at the same time reducing risk and leverage by cutting back total third party assets (excluding derivatives) by £108 billion since the year end. We have achieved excellent trading performances in rates and currencies, and have materially upgraded our commodities capabilities, but credit markets and equities have experienced slower market conditions. Integration benefits are being delivered ahead of plan, with both revenue synergies and cost savings exceeding our initial targets.

Net mark-to-market adjustments of £5,341 million have been taken on credit market exposures during the period, comprising write-downs totalling £5,925 million, partially offset by a benefit of £584 million from the reduction in the carrying value of own debt carried at fair value. This has resulted in a loss for the division of £2,936 million.

Adjusting for the write-downs on credit market exposures and one-off items, total income increased by 38% to £5,306 million with contribution up 8% to £2,405 million.

GBM has produced a very strong performance in rates, currencies and commodities, where its leading positions in interest rate and currency risk management products have enabled it to benefit from market volatility with total income up from £1.1 billion to £2.9 billion. The establishment of our joint venture with Sempra Commodities has significantly enhanced the Group's commodities activities.

Equities have seen good growth in capital markets and corporate broking fee income but weaker stock markets have held back results from equity trading and derivatives.

Credit markets income excluding the write-downs, has fallen sharply to £355 million, reflecting difficult trading conditions, the reduction in risk positions and the decline in securitisation and leveraged finance volumes across the industry, but we have continued to originate and distribute deals in both these areas. We have also strengthened and rebalanced our business in the US and Europe, growing our corporate client franchise with, for example, significant progress in investment grade corporate bonds and loans in both regions.

In asset and portfolio management, income totalled £1,492 million.

Net interest income totalled £1,191 million compared with £415 million. The increase reflects the acquisition of ABN AMRO in October 2007, strong growth in money markets, increased draw-downs on corporate borrowing facilities and renewals of corporate lending at wider margins.

Non-interest income before credit market write-downs and one-off items was £4,115 million compared with £3,427 million.

Fees and commissions increased by 32% to £695 million with the inclusion of ABN AMRO partially offset by reduced origination volumes in the debt capital markets, notably in US securitisations.

The loss from trading activities was £3,268 million, with weaker income from credit market trading partially offset by good growth in money markets, currencies and commodities.

Other operating income was £1,347 million, with lower gains in the first half of the year.

Direct expenses increased by 64% to £2,607 million, with staff costs increasing by 53%, reflecting the inclusion of ABN AMRO and Sempra Commodities partially offset by lower variable performance-related pay.

Impairment losses on customer loans and advances increased from a historically low base to £192 million, representing on an annualised basis 0.15 per cent of customer loans and advances. In addition, impairment losses of £102 million were recognised in respect of available-for-sale securities.

THE ROYAL BANK OF SCOTLAND GROUP plc

GLOBAL MARKETS

GLOBAL BANKING & MARKETS (continued)

Loans and advances increased by 10% since the end of 2007 to £282.3 billion, as GBM continued to extend credit selectively to clients. Customers had increased drawings on existing credit lines in the early part of the year, but by active management of leverage and risk we have reduced total third party assets, excluding derivatives, by 12% since the end of 2007. Reverse repurchase positions have been cut back by 39% to £188.6 billion, while the securities portfolio has also been reduced significantly over the same period, dropping by 21% to £189.7 billion. Holdings of highly liquid cash and bills have increased by £23 billion to £49.8 billion.

Risk-weighted assets decreased by 1% to £211.9 billion. The integration of Sempra Commodities added £20 billion of RWAs; this has been more than offset by disciplined capital management and increased distribution activity.

## THE ROYAL BANK OF SCOTLAND GROUP plc

## GLOBAL MARKETS

## GLOBAL TRANSACTION SERVICES

	First half 2008 £m	First half 2007 £m
Net interest income	440	240
Non-interest income	733	541
Total income	1,173	781
Direct expenses		
- staff costs	186	124
- other	90	66
	276	190
Impairment losses	11	6
Contribution	886	585
Analysis of income by product:		
Cash management	733	467
Merchant services and cards	328	302
Trade finance	112	12
Total income	1,173	781
	30 June 2008	31 December