

ROYAL BANK OF SCOTLAND GROUP PLC  
Form 6-K  
March 05, 2010

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

5 March 2010

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-

This report on Form 6-K shall be deemed incorporated by reference into the company's Registration Statement on Form F-3 (File No. 333-162219) and to be a part thereof from the date which it was filed, to the extent not superseded by documents or reports subsequently filed or furnished.

RBS Group - 2009 Annual results

---

Contents

---

|                                                          | Page |
|----------------------------------------------------------|------|
| Forward-looking statements                               | 3    |
| Presentation of information                              | 4    |
| Condensed consolidated income statement                  | 6    |
| Highlights                                               | 7    |
| Business and strategic update                            | 9    |
| Condensed consolidated balance sheet                     | 17   |
| Commentary on condensed consolidated balance sheet       | 18   |
| Results summary                                          | 20   |
| Description of business                                  | 30   |
| Divisional performance                                   | 32   |
| UK Retail                                                | 34   |
| UK Corporate                                             | 37   |
| Wealth                                                   | 40   |
| Global Banking & Markets                                 | 42   |
| Global Transaction Services                              | 45   |
| Ulster Bank                                              | 47   |
| US Retail & Commercial                                   | 50   |
| RBS Insurance                                            | 55   |
| Central items                                            | 58   |
| Non-Core                                                 | 59   |
| Allocation methodology for indirect costs                | 64   |
| Average balance sheet                                    | 66   |
| Condensed consolidated income statement                  | 68   |
| Condensed consolidated statement of comprehensive income | 69   |
| Condensed consolidated balance sheet                     | 70   |
| Condensed consolidated statement of changes in equity    | 71   |
| Condensed consolidated cash flow statement               | 74   |

|                                                                 |     |
|-----------------------------------------------------------------|-----|
| Notes                                                           | 75  |
| Analysis of non-interest income, expenses and impairment losses | 102 |
| Capital resources and ratios                                    | 103 |
| RBS Group - 2009 Annual results                                 |     |
| 1                                                               |     |

---

Contents (continued)

---

|                                             | Page |
|---------------------------------------------|------|
| Risk and capital management                 | 104  |
| Presentation of information                 | 104  |
| Risk capital and liquidity management       | 104  |
| Capital resources                           | 106  |
| Credit risk                                 | 109  |
| Funding and Liquidity risk                  | 131  |
| Market risk                                 | 137  |
| Market turmoil exposures                    | 143  |
| Additional information                      | 164  |
| Other information                           | 164  |
| Selected financial data                     | 165  |
| Appendix 1 Article 11 proforma information  |      |
| Appendix 2 Asset Protection Scheme          |      |
| Appendix 3 Businesses outlined for disposal |      |
| Signature page                              |      |
| RBS Group - 2009 Annual results             |      |
| 2                                           |      |

---

Forward-looking statements

---

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include the words 'expect', 'estimate', 'project', 'anticipate', 'believes', 'should', 'intend', 'plan', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'object', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited, to the Group's restructuring plans, capitalisation, portfolios, capital ratios, liquidity, risk weighted assets, return on equity, cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; the Group's future financial performance; the level and extent of future impairments and write-downs; the protection provided by the APS; and the Group's potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic conditions in the UK and in other countries in which RBS has significant business activities or investments, including the United States; developments in the current crisis in the global financial markets, and their impact on the financial industry in general and on RBS in particular; the full nationalisation of RBS or other resolution procedures under the Banking Act 2009; the monetary and interest rate policies of the Bank of England, the Board of Governors of the Federal Reserve System and other G7 central banks; inflation; deflation; unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices; changes in UK and foreign laws, regulations and taxes, including changes in regulatory capital regulations; a change of UK Government or changes to UK Government policy; changes in RBS's credit ratings; RBS's participation in the Asset Protection Scheme (APS) and the effect of such Scheme on RBS's financial and capital position; the conversion of the B Shares in accordance with their terms; the ability to access the contingent capital from HM Treasury; limitations on, or additional requirements imposed on, RBS's activities as a result of HM Treasury's investment in RBS; changes in competition and pricing environments; the financial stability of other financial institutions, and RBS's counterparties and borrowers; the value and effectiveness of any credit protection purchased by RBS; the extent of future write-downs and impairment charges caused by depressed asset valuations; the ability to achieve revenue benefits and cost savings from the integration of certain of ABN AMRO's businesses and assets; natural and other disasters; the inability to hedge certain risks economically; the ability to access sufficient funding to meet liquidity needs; the ability to complete restructurings on a timely basis, or at all, including the disposal of certain non-core assets and assets and businesses required as part of the EC State Aid approval; the adequacy of loss reserves; acquisitions or restructurings; technological changes; changes in consumer spending and saving habits; and the success of RBS in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as of the date of this announcement, and the Group does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

RBS Group - 2009 Annual results

3

---

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 Bank Nederland (Holding) N.V. ('Fortis') and Banco Santander S.A. ('Santander') (together, the 'Consortium Members'), completed the acquisition of ABN AMRO Holding N.V. ('ABN AMRO').

The Consortium Members have implemented an orderly separation of the business units of ABN AMRO with RBS retaining the following former 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).

Some other remaining assets will continue to be shared by the Consortium Members until their orderly disposal or transfer.

On 3 October 2008, the State of the Netherlands acquired Fortis Bank Nederland (Holding) N.V. including Fortis's participation in RFS Holdings that represented the acquired activities of ABN AMRO.

The separation of the main platform shared between RBS and its Dutch state-owned partner was completed in 2009 and in February 2010 the majority of the businesses of ABN AMRO acquired by Dutch State were legally demerged from the RBS-acquired businesses. The Group expects that, subject to legal process and regulatory approvals, the full legal separation of the constituent parts of ABN AMRO will be completed in April. From that point RBS will cease to consolidate the Consortium Members' interests in ABN AMRO in its results.

Statutory results

RFS Holdings is jointly owned by the Consortium Members. It is controlled by RBS and is therefore fully consolidated in its audited financial statements. The interests of the State of the Netherlands and Santander in RFS Holdings are included in minority interests.

RBS Group - 2009 Annual results

4

---



Presentation of information (continued)

---

Non-GAAP financial information

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and IFRS as adopted by the European Union. IFRS requires the Group to consolidate those entities that it controls, including RFS Holdings as described below. However, discussion of the Group's performance focuses on performance measures that exclude the RFS Holdings minority interest as the Group believes that such measures allow a more meaningful analysis of the Group's financial condition and the results of its operations. These measures are non-GAAP financial measures. A body of generally accepted accounting principles such as IFRS is commonly referred to as 'GAAP'. A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. Reconciliations of these non-GAAP measures are presented throughout this document. These non-GAAP financial measures are not a substitute for GAAP measures, for which management has responsibility.

As described in section "Business and strategic update, RBS has divided its operations into "Core" and "Non-Core" for internal reporting purposes. Certain measures disclosed in this document for Core operations and used by RBS management are a non-GAAP financial measure.

Restatements

Divisional results for 2008 have been restated to reflect the Group's new organisational structure that includes a Non-Core division comprising individual assets, portfolios and lines of business that the Group intends to run off or dispose. The Non-Core division is reported separately from the divisions which form the Core Group. In addition, separate reporting of Business Services (formerly Group Manufacturing) and Centre results has changed and, with the exception of certain items of a one off nature, costs incurred are now allocated to the customer-facing divisions and shown as 'indirect expenses' and are included in the measurement of the returns which they generate. These changes do not affect the Group's results. Comparatives have been restated accordingly.

RBS Group - 2009 Annual results

5

---

Condensed consolidated income statement  
for the year ended 31 December 2009

---

|                                                             | 2009<br>£m | 2008<br>£m |
|-------------------------------------------------------------|------------|------------|
| Interest receivable                                         | 33,836     | 49,522     |
| Interest payable                                            | (17,332)   | (30,847)   |
| Net interest income                                         | 16,504     | 18,675     |
| Fees and commissions receivable                             | 9,831      | 9,831      |
| Fees and commissions payable                                | (2,822)    | (2,386)    |
| Income/(loss) from trading activities                       | 3,881      | (8,477)    |
| Gain on redemption of own debt                              | 3,790      | -          |
| Other operating income (excluding insurance premium income) | 1,962      | 1,899      |
| Insurance net premium income                                | 5,544      | 6,326      |
| Non-interest income                                         | 22,186     | 7,193      |
| Total income                                                | 38,690     | 25,868     |
| Staff costs                                                 |            |            |
| - excluding pension schemes curtailment gains               | (11,783)   | (10,410)   |
| - pension schemes curtailment gains                         | 2,148      | -          |
| Premises and equipment                                      | (3,087)    | (2,593)    |
| Other administrative expenses                               | (5,584)    | (5,464)    |
| Depreciation and amortisation                               | (2,809)    | (3,154)    |
| Write-down of goodwill and other intangible assets          | (363)      |            |