Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

4 September 2015

Form 6-K

The Royal Bank of Scotland Group plc

Gogarburn

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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 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-______

This report on Form 6-K shall be deemed incorporated by reference into the company's Registration Statement on Form F-3 (File Nos. 333-203157 and 333-203157-01) and to be a part thereof from the date which it was filed, to the extent not superseded by documents or reports subsequently filed or furnished.

The Royal Bank of Scotland Group plc

Explanatory note

The Royal Bank of Scotland Group plc is filing this Form 6-K to update its results for the six months ended 30 June 2015 which were previously filed with the Securities and Exchange Commission ("SEC") on a separate Form 6-K on 31 July 2015 as follows:

Presentation of information – "Updates to recent developments" has been updated to reflect events since 31 July 2015, and
Note 20 (Consolidating financial information) has been added and contains condensed consolidating financial information in accordance with Rule 3-10 of Regulation S-X for:

RBSG plc on a stand-alone basis as guarantor
RBS plc on a stand-alone basis as issuer
Non-guarantor Subsidiaries of RBSG plc and RBS plc on a combined basis ("Subsidiaries")
Consolidation adjustments; and
RBSG plc consolidated amounts ("RBSG Group").

Contents

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’, ‘believe’, ‘should’, ‘intend’, ‘plan’, ‘could’, ‘probability’, ‘risk’, ‘Value-at-Risk (VaR)’, ‘target’, ‘goal’, ‘objective’, ‘may’, ‘endeavour’, ‘outlook’, ‘optimistic’, ‘prospects’ and similar expressions or variations on these expressions.

In particular, this document includes forward-looking statements relating, but not limited to: The Royal Bank of Scotland Group plc’s (RBS) transformation plan (which includes RBS’s 2013/2014 strategic plan relating to the implementation of its new divisional and functional structure and the continuation of its balance sheet reduction programme including its proposed divestments of CFG and Williams & Glyn, RBS’s information technology and operational investment plan, the proposed restructuring of RBS’s CIB business and the restructuring of RBS as a result of the implementation of the regulatory ring-fencing regime, together the “Transformation Plan”), as well as restructuring, capital and strategic plans, divestments, capitalisation, portfolios, net interest margin, capital and leverage ratios, liquidity, risk-weighted assets (RWAs), RWA equivalents (RWAe), Pillar 2A, Maximum Distributable Amount (MDA), total loss absorbing capacity (TLAC), minimum requirements for eligible liabilities (MREL), return on equity (ROE), profitability, cost:income ratios, loan:deposit ratios, anticipated AT1 and other capital raising plans, funding and risk profile; litigation, government and regulatory investigations including investigations relating to the setting of interest rates and foreign exchange trading and rate setting activities; costs or exposures borne by RBS arising out of the origination or sale of mortgages or mortgage-backed securities in the US; investigations relating to business conduct and the costs of resulting customers redress and legal proceedings; RBS’s future financial performance; the level and extent of future impairments and write-downs; and RBS’s exposure to political risks, credit rating risk and to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates, targets and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk and other disclosures are dependent on choices relying on 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 adversely affect our results and the accuracy of forward-looking statements in this document include the risk factors and other uncertainties discussed in RBS’s 2014 Annual Report on Form 20-F and this document. These include the significant risks for RBS presented by the execution of the Transformation Plan; RBS’s ability to successfully implement the various initiatives that are comprised in the Transformation Plan, particularly the balance sheet reduction programme including the divestment of Williams & Glyn and its remaining stake in CFG, the proposed restructuring of its CIB business and the significant restructuring undertaken by RBS as a result of the implementation of the ring fence; whether RBS will emerge from implementing the Transformation Plan as a viable, competitive, customer focused and profitable bank; RBS’s ability to achieve its capital targets which depend on RBS’s success in reducing the size of its business; the cost and complexity of the implementation of the ring-fence and the extent to which it will have a material adverse effect on RBS; the risk of failure to realise the benefit of RBS's substantial investments in its information technology and operational infrastructure and systems, the significant changes, complexity and costs relating to the implementation of the Transformation Plan, the risks of lower revenues resulting from lower customer retention and revenue generation as RBS refocuses on the UK as well as increasing competition. In addition, there are other risks and uncertainties. These include RBS's ability to attract and retain qualified personnel; uncertainties regarding the outcomes of legal, regulatory and governmental actions and investigations that RBS is subject to (including active civil and criminal investigations) and any resulting material adverse effect on RBS of unfavourable outcomes; heightened regulatory and governmental scrutiny and the increasingly regulated environment in which RBS operates; uncertainty relating to the referendum on the UK's membership of the EU and the consequences arising from it; operational risks that are inherent in RBS's business and that could increase as RBS implements its Transformation Plan; the potential negative impact on RBS's business of actual or perceived global economic and financial market conditions and other global risks; how RBS will be increasingly impacted by UK developments as its operations become gradually more focused on the UK; uncertainties regarding RBS exposure to any weakening of economies within the EU and renewed threat of default or exit by certain countries in the Eurozone; the risks resulting from RBS implementing the State Aid restructuring plan including with respect to the disposal of certain assets and businesses as announced or required as part of the State Aid restructuring plan; the achievement of capital and costs reduction targets; ineffective management of capital or changes to regulatory requirements relating to capital adequacy and liquidity; the ability to access sufficient sources of capital, liquidity and funding when required; deteriorations in borrower and counterparty credit quality; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by RBS; the impact of unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices; basis, volatility and correlation risks; changes in the credit ratings of RBS; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; regulatory or legal changes (including those requiring any restructuring of RBS's operations); changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies and continued prolonged periods of low interest rates; changes in UK and foreign laws, regulations, accounting standards and taxes; impairments of goodwill; the high dependence of RBS's operations on its information technology systems and its increasing exposure to cyber security threats; the reputational risks inherent in RBS's operations; the risk that RBS may suffer losses due to employee misconduct; pension fund shortfalls; the recoverability of deferred tax assets; HM Treasury exercising influence over the operations of RBS; limitations on, or additional requirements imposed on, RBS's activities as a result of HM Treasury's investment in RBS; 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 RBS 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.

Presentation of information

In this document, ‘RBSG plc’ or the ‘company’ refers to The Royal Bank of Scotland Group plc, and ‘RBS’ or the ‘Group’ refers to RBSG plc and its subsidiaries

Non-GAAP financial information

The directors manage RBS’s performance by class of business, before certain reconciling items, as is presented in the segment performance on pages 27 to 31 (the “non-statutory basis”). The following are reported as reconciling items: own credit adjustments, gain/(loss) on redemption of own debt, write-down of goodwill, strategic disposals and includes the results of Citizens which is classified as a discontinued operations in the statutory results. RFS Holdings minority interest was a reconciling item for the periods ended 30 June 2014.

Discussion of RBS’s performance in this report presents RBS’s results on a non-statutory basis as management believes that such measures allow a more meaningful analysis of RBS’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 to the closest equivalent GAAP measure are presented throughout this document and in the segment performance on pages 27 to 31. These non-GAAP financial measures are not a substitute for GAAP measures.

RBS has divided its operations into “RBS excluding RBS Capital Resolution (RCR)”. Certain measures disclosed in this document for RBS excluding RCR are non-GAAP financial measures used by management as they represent a combination of all reportable segments including Citizens Financial Group (CFG) with the exception of RCR. The presentation of Personal & Business Banking (“PBB”) which combines the reportable segments of UK Personal & Business Banking and Ulster Bank and the presentation of Commercial & Private Banking (“CPB”) which combines the reportable segments of Commercial Banking and Private Banking are non GAAP financial measures. In addition the presentation of operating profit, operating expenses and other performance measures excluding the impact of restructuring costs and litigation and conduct costs is a non-GAAP financial measure and is not a substitute for the equivalent GAAP measure. Lastly, the liquidity coverage ratio, stressed outflow coverage, net stable funding ratio and further metrics included in the Highlights, Analysis of results and Capital and risk management appendix represent non-GAAP financial measures and are being presented for informational purposes given they are metrics that are not yet required to be disclosed by a government, governmental authority or self-regulatory organisation.

Following the announcement in February 2015 that RBS is committed to a leaner, less volatile business based around its core franchises of PBB and CPB a number of initiatives have been announced which include, but are not limited to the following:

- Corporate & Institutional Banking (CIB) is planning to restructure into “CIB Go-forward” and “CIB Capital Resolution” elements, the split is subject to further refinement, reference to these businesses are non-GAAP measures as CIB remains a single reportable segment.

- the sale of the “International Private Banking” business which has been reclassified to disposal groups (the retained business, Private Banking UK, is within the Go-forward Bank (Private Banking Go-forward)), references to these businesses are non-GAAP measures as Private Banking remains a single reportable segment.

- the exit of Williams & Glyn (W&G) which is mainly included within UK PBB and is presented on a carve out basis using management analysis and does not reflect the cost base, funding and capital profile of a standalone bank; references to this business are non-GAAP measures as UK PBB remains a single reportable segment.

Presentation of information

In addition the following reportable segments are also included within the Exit Bank

- the divestment of the remaining stake in Citizens Financial Group
- the continued run down of RCR

This document contains some information to illustrate the impact on certain key performance measures of these initiatives by showing the future profile of the bank (the ‘Go-forward Bank’(UK PBB excluding W&G, Ulster Bank, Commercial Banking, CIB Go-forward and Private Banking Go-forward)) and the segments, businesses and portfolios which it intends to exit (the ‘Exit-Bank’ (CIB Capital Resolution, W&G, International Private Banking, Citizens and RCR)). References to these combinations of business are non-GAAP measures. This information is presented to illustrate the strategy and its impact on the business and is on a non-statutory basis and should be read in conjunction with the notes attached as well as the section titled “Forward-looking Statements”.

Updates to recent developments

The following section provides an update on certain matters discussed on the pages indicated.

Litigation, investigations and reviews

FX antitrust litigation (page 108)

RBS and RBS Securities Inc., as well as a number of other financial institutions, are defendants in an antitrust class action on behalf of US based plaintiffs that is pending in the United States District Court for the Southern District of New York. On 28 January 2015, the court denied the defendants’ motion to dismiss this action, holding that plaintiffs who entered into Foreign Exchange (FX) transactions with RBS or other defendant banks could proceed with their claims that defendants violated the US antitrust laws by conspiring to manipulate the foreign exchange market by manipulating benchmark foreign exchange rates. This action has been consolidated with several additional class action complaints filed on behalf of plaintiffs who transacted in exchange-traded foreign exchange futures contracts and/or options on foreign exchange futures contracts, which assert antitrust and Commodities Exchange Act claims. RBS and RBS Securities Inc. have reached an agreement to settle all claims that are or could be asserted on behalf of the classes in the consolidated action subject to execution of a final settlement agreement and approval of the Court. The settlement amount is covered by existing provisions. Other class action complaints purporting to be on behalf of those who engaged in FX transactions, including a complaint asserting Employee Retirement Income Security Act claims on behalf of employee benefit plans that engaged in FX transactions, name certain members of the Group as defendants.

Citizens (page 124)

The over-allotment option to underwriters on the offering of 86 million shares in Citizens announced in July 2015 was exercised in full and gross proceeds of $2.6 billion (£1.6 billion) were received on 3 August 2015. Concurrently, Citizens repurchased 9.6 million shares (US$250 million) from RBS. RBS now owns 110.5 million shares - 20.9% of Citizens' common stock and will record an estimated £1.1 billion profit (including £0.9 billion reclassified from equity) in its results for the quarter ending 30 September 2015.

Capital (page 125)

AT1 securities

As part of the commitment to continue building RBS capital ratios, RBSG plc successfully issued $3.15 billion of inaugural Additional Tier 1 securities on 10 August 2015.

Preference shares

On 1 September 2015 RBS redeemed US$1.9 billion of its outstanding Series M, N, P and Q non-cumulative dollar preference shares, represented by American depositary shares.

Condensed consolidated income statement for the period ended 30 June 2015

	Half year ended			Quarter ended		
	30 June	30 June		**30 June**	31 March	30 June
	2015	2014		**2015**	2015	2014
	£m	£m		**£m**	£m	£m
Interest receivable	**6,107**	6,544		**3,031**	3,076	3,279
Interest payable	**(1,689)**	(2,038)		**(816)**	(873)	(980)
Net interest income	**4,418**	4,506		**2,215**	2,203	2,299
Fees and commissions receivable	**1,958**	2,243		**969**	989	1,126
Fees and commissions payable	**(363)**	(475)		**(186)**	(177)	(244)
Income from trading activities	**875**	1,450		**545**	330	528
Gain on redemption of own debt	**-**	20		**-**	-	-
Other operating income	**368**	805		**194**	174	154
Non-interest income	**2,838**	4,043		**1,522**	1,316	1,564
Total income	**7,256**	8,549		**3,737**	3,519	3,863
Staff costs	**(2,855)**	(2,997)		**(1,530)**	(1,325)	(1,558)
Premises and equipment	**(745)**	(1,126)		**(326)**	(419)	(546)
Other administrative expenses	**(2,366)**	(1,357)		**(1,027)**	(1,339)	(780)
Depreciation and amortisation	**(712)**	(466)		**(200)**	(512)	(237)
Write down of goodwill and other intangible assets	**(606)**	(212)		**(606)**	-	(130)
Operating expenses	**(7,284)**	(6,158)		**(3,689)**	(3,595)	(3,251)
(Loss)/profit before impairment losses	**(28)**	2,391		**48**	(76)	612
Impairment releases/(losses)	**321**	(165)		**192**	129	124
Operating profit before tax	**293**	2,226		**240**	53	736
Tax charge	**(293)**	(592)		**(100)**	(193)	(278)
Profit/(loss) from continuing operations	**-**	1,634		**140**	(140)	458
Profit/(loss) from discontinued operations, net of tax						

- Citizens	**354**	285		**674**	(320)	181
- Other	**4**	35		**-**	4	26
Profit/(loss) from discontinued operations,						
net of tax	**358**	320		**674**	(316)	207
Profit/(loss) for the period	**358**	1,954		**814**	(456)	665
Non-controlling interests	**(344)**	(42)		**(428)**	84	(23)
Preference shares	**(143)**	(140)		**(73)**	(70)	(75)
Other dividends	**(24)**	(27)		**(20)**	(4)	(17)
Dividend access share	**-**	(320)		**-**	-	(320)
(Loss)/profit attributable to ordinary and						
B shareholders	**(153)**	1,425		**293**	(446)	230
(Loss)/earnings per ordinary and equivalent						
B share (EPS) (1)						
Basic EPS from continuing and discontinued operations	**(1.3p)**	12.6p		**2.5p**	(3.9p)	2.0p
Basic EPS from continuing operations	**(1.9p)**	9.9p		**0.2p**	(2.1p)	0.3p

Note:

(1) Diluted EPS for continuing and discontinued operations for the half year ended 30 June 2014 was 0.1p lower than basic EPS. There was no dilutive impact in any other period.

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Condensed consolidated balance sheet at 30 June 2015

	30 June 2015	31 March 2015	31 December 2014
	£m	£m	£m
Assets			
Cash and balances at central banks	**81,900**	75,521	74,872
Net loans and advances to banks	**20,714**	25,002	23,027
Reverse repurchase agreements and stock borrowing	**20,807**	16,071	20,708
Loans and advances to banks	**41,521**	41,073	43,735
Net loans and advances to customers	**314,993**	333,173	334,251
Reverse repurchase agreements and stock borrowing	**46,799**	53,329	43,987
Loans and advances to customers	**361,792**	386,502	378,238
Debt securities	**77,187**	79,232	86,649
Equity shares	**3,363**	6,325	5,635
Settlement balances	**9,630**	11,341	4,667
Derivatives	**281,857**	390,565	353,590
Intangible assets	**7,198**	7,619	7,781
Property, plant and equipment	**4,874**	5,336	6,167
Deferred tax	**1,479**	1,430	1,540
Prepayments, accrued income and other assets	**4,829**	5,995	5,878
Assets of disposal groups	**89,071**	93,673	82,011
Total assets	**964,701**	1,104,612	1,050,763
Liabilities			
Bank deposits	**30,978**	37,235	35,806
Repurchase agreements and stock lending	**21,612**	27,997	24,859
Deposits by banks	**52,590**	65,232	60,665
Customer deposits	**342,023**	349,289	354,288
Repurchase agreements and stock lending	**44,750**	41,386	37,351
Customer accounts	**386,773**	390,675	391,639
Debt securities in issue	**41,819**	45,855	50,280
Settlement balances	**7,335**	11,083	4,503
Short positions	**24,561**	19,716	23,029
Derivatives	**273,589**	386,056	349,805
Accruals, deferred income and other liabilities	**13,962**	14,242	13,346
Retirement benefit liabilities	**1,869**	1,843	2,579
Deferred tax	**363**	381	500

Subordinated liabilities	**19,683**	22,004	22,905
Liabilities of disposal groups	**80,388**	85,244	71,320
Total liabilities	**902,932**	1,042,331	990,571
Equity			
Non-controlling interests	**5,705**	5,473	2,946
Owners’ equity*			
Called up share capital	**6,981**	6,925	6,877
Reserves	**49,083**	49,883	50,369
Total equity	**61,769**	62,281	60,192
Total liabilities and equity	**964,701**	1,104,612	1,050,763
* Owners’ equity attributable to:			
Ordinary and B shareholders	**51,117**	51,861	52,149
Other equity owners	**4,947**	4,947	5,097
	56,064	56,808	57,246

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Highlights

Q2 2015 performance

Profit attributable to ordinary and B shareholders of £293 million was reported in Q2 2015 including £1,050 million of restructuring costs as the pace of restructuring accelerated and £459 million of litigation and conduct costs. The profit attributable to ordinary and B shareholders for Q2 2015 was up from a loss attributable to ordinary and B shareholders of £446 million in Q1 2015 and a profit attributable to ordinary and B shareholders of £230 million in Q2 2014.

Total income was £3,737 million, with net interest income down 4% from Q2 2014, with good asset growth in UK mortgages and Commercial Banking partially offsetting declines in other portfolios. Non-interest income was down 3% from Q2 2014, reflecting the reduction in CIB's scale and with reductions in fees and commissions payable offset by gains in income from trading and other operating income.

Operating expenses totalled £3,689 million an increase of 3% from Q1 2015 and 13% from Q2 2014. Restructuring costs were significantly higher at £1,050 million, principally relating to CIB (£734 million) and to Williams & Glyn separation (£126 million). Litigation and conduct costs in Q2 2015 amounted to £459 million, principally related to mortgage-backed securities litigation in the United States.

Credit conditions remained generally benign, with net impairment releases of £192 million, up from £129 million in Q1 2015 and from £124 million in Q2 2014, principally reflecting the improvement in underlying collateral values within RCR.

Operating profit before tax was £240 million, up from £53 million in Q1 2015 and down from £736 million in Q2 2014. After a tax charge of £100 million, the profit from continuing operations was £140 million, compared with a loss of £140 million in Q1 2015 and a profit of £458 million in Q2 2014. Operating profit on a non-statutory basis excluding restructuring, litigation and conduct costs of £1,509 million (Q1 2015 - £1,309 million; Q2 2014 £635 million), was £1,813 million, up 11% from Q1 2015 but down 7% from Q2 2014.

Profit from discontinued operations of £674 million reflected the rise in the market value of Citizens shares during the quarter.

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Highlights

H1 2015 performance

Loss attributable to ordinary and B shareholders of £153 million was reported for the first half of 2015, including £1,503 million of restructuring costs and £1,315 million of litigation and conduct costs. The loss attributable to ordinary and B shareholders for H1 2015 was down from a profit of £1,425 million in H1 2014 as income attrition in the Exit Bank businesses preceded the delivery of cost reductions and higher restructuring, litigation, and conduct costs were incurred.

Total income was £7,256 million, 15% lower than in H1 2014, with net interest income stable with asset growth in UK PBB and Commercial Banking. Non-interest income was down 30%, principally reflecting reduced trading income, in line with CIB's risk and resource reduction.

Operating expenses were up £1,126 million, 18%, to £7,284 million due to higher litigation and conduct costs of £1,315 million and restructuring costs of £1,503 million. Operating expenses on a non-statutory basis, excluding restructuring costs of £1,503 million (H1 2014 - £514 million) and litigation and conduct costs of £1,315 million (H1 2014 £250 million) were down 14% to £5,485 million reflecting cost reductions of £859 million relative to H1 2014, putting RBS on track to deliver its targeted £800 million of cost savings in 2015.

Net impairment releases of £321 million were reported in H1 2015, compared with net impairment losses of £165 million in H1 2014. Net releases were recorded in all reportable segments except Commercial Banking, and CFG where impairments nevertheless remained low at 0.1% and 0.3% respectively of loans and advances.

Operating profit before tax in H1 2015 was £293 million down from £2,226 million in H1 2014. Operating profit before tax on a non-statutory basis excluding restructuring, litigation and conduct costs of £2,818 million (H1 2014 - £764 million), was £3,447 million, up 2% from H1 2014. After a tax charge of £293 million, net profit from continuing operations was nil, while results from discontinued operations included a net profit of £354 million relating to Citizens.

Balance sheet and capital

Net loans and advances to customers at 30 June 2015 were £315 billion, down 5% from 31 March 2015 and 6% from 31 December 2014. This was driven by run-off in CIB and RCR, partially offset by strong UK mortgage growth.

Total assets fell by 8% in the first half of 2015 taking the balance down to £965 billion, principally reflecting run-off in CIB and RCR. Total assets excluding derivatives of £282 billion were £683 billion, down 4% from 31 March 2015 and 2% from 31 December 2014, principally reflecting run-off in CIB and RCR. RWAs decreased to £326 billion, down from £356 billion at the start of the year and £392 billion from 30 June 2014, driven by RCR and CIB.

Customer deposits of £342 billion at 30 June 2015 were down 2% from 31 March 2015 and 3% from 31 December 2014, with good growth in UK personal current and savings accounts more than offset by the reduction in scale of CIB and by the impact of the weakening euro on balances in Ulster Bank.

Common Equity Tier 1 (CET1) and leverage ratios improved from 11.5% and 4.3% at 31 March 2015 to 12.3% and 4.6% respectively at 30 June 2015, principally driven by asset reduction in CIB and RCR.

Highlights

The Royal Bank of Scotland Group (RBS) continues to deliver on its plan to build a stronger, simpler and fairer bank for both customers and shareholders.

A strong operating performance from UK PBB and Ulster Bank (Personal & Business Banking (PBB)) and Commercial Banking and Private Banking (Commercial & Private Banking (CPB)) contributed to a profit attributable to ordinary and B shareholders of £293 million for Q2 2015 (loss attributable to ordinary and B shareholders of £153 million for H1 2015):

- Q2 operating profit before tax was £240 million, compared with £53 million in Q1 2015. Litigation and conduct costs were lower at £459 million compared with £856 million in Q1 2015, while restructuring costs rose to £1,050 million from £453 million in Q1 2015 as the pace of restructuring accelerated.
- Operating profit before tax on a non-statutory basis excluding restructuring costs of £1,050 million (Q1 2014 - £453 million) and litigation and conduct costs of £459 million (Q1 2015 - £856 million) was £1,813 million, up 11% from Q1 2015 but down 7% from Q2 2014, principally driven by reduced income in Corporate & Institutional Banking (CIB) following the planned scaling back of the business. Q2 2015 income benefited from a £205 million credit for IFRS volatility[1], compared with a £123 million charge in Q1 2015. H1 2015 operating profit before tax on a non-statutory basis excluding restructuring costs of £1,503 million (H1 2014 - £514 million) and litigation and conduct costs of £1,315 million (H1 2014 - £250 million) was £3,447 million, up 2% from H1 2014.
- Discontinued operations included a fair value gain of £517 million, of which £211 million was attributable to RBS, reflecting the rise in market value of Citizens shares and broadly reversing the loss recorded in Q1 2015.

RBS is making good progress against its 2015 targets, moving faster in delivering its plan:

- Positive lending momentum across UK Personal & Business Banking (UK PBB) and Commercial Banking.
- Statistically significant improvement in Net Promoter Scores (NPS) year-on-year in four of the seven businesses where it is measured.
- Adjusted return on equity in the Go-forward Bank[2,3] is estimated at 14% for H1 2015. Return on equity for RBS for H1 2015 is (0.7%).
- Capital position strengthened further with Common Equity Tier 1 ratio up 80 basis points in Q2 2015 to 12.3%.
- Exit Bank ahead of plan with continuing progress on sales and run-off.
- On track to achieve £800 million cost reduction target[4].

Creating a strong Go-forward Bank

RBS continues to target lending growth in strategic segments, UK PBB and Commercial Banking, in line with or above nominal UK GDP growth. Annualised growth across these segments was 2% in H1 2015. Investment in these businesses is paying dividends through improving returns.

Following a slow start to 2015, the updated mortgage platform enabled RBS to meet increased demand for mortgage products through Q2 2015, with applications up 43% year-on-year and gross new lending up 43% to £5.4 billion relative to the previous quarter. Market share of new mortgages reached 9.7% for Q2 2015, well in excess of RBS's current stock share of 8.3%. Commercial Banking increased loans and advances by £1.4 billion year-on-year, excluding transfers, while continuing to run down non-strategic books.

Notes:

(1) IFRS volatility relates to loans which are economically hedged but for which hedge accounting is not permitted under IFRS.
(2) Calculated using operating profit after tax on a non-statutory basis excluding restructuring costs of £1,503 million and litigation and conduct costs of £1,315 million divided by average notional equity (based on 13% of average RWAe). See appendix 3 for more information.
(3) Provided to illustrate the impact on the RBS ROE of the strategic initiatives announced in February 2015 by showing the 'Go-forward Bank' profile which is a non-GAAP measure and should be read in conjunction with the notes attached as well as the section titled "Forward-looking Statements". See presentation of information on page 3 and appendix 3 for more information.
(4) Excluding restructuring, litigation and conduct costs, write-off of intangible assets, and operating expenses of Citizens and Williams & Glyn.

Highlights

RBS's ambition is to be the number one bank for customer service, trust and advocacy. Customer NPS across our businesses have seen statistically significant improvement year-on-year, specifically NatWest Personal Banking, NatWest Business Banking, RBS Business Banking and Ulster Bank (Northern Ireland) Personal Banking reflecting recent initiatives to make the bank fairer and simpler to do business with.

RBS is focused on improving performance and returns in the remaining Go-forward Bank (Ulster Bank, Private Banking and CIB) by improving service and reducing operating costs and risk where appropriate.

The Go-forward Bank is estimated[1] to have generated an adjusted operating profit[1,2] of £1.4 billion in the quarter, up 17% from Q1 2015, with adjusted return on equity estimated[1,2] at 16%, up from 12% in Q1 2015 (see appendix 3). RBS operating profit before tax was £240 million in the quarter (Q1 2015 - £53 million) with a return on equity of 2.7% (Q1 2015 - (4.1%)).

Accelerated run-down of the Exit Bank

RBS remains ahead of plans to exit a number of businesses through sale or run-off, with good execution to date. Good momentum has been maintained with risk-weighted assets (RWAs) down by an estimated[1,3] £24 billion since the start of 2015 to £148 billion.

CIB is on course to reduce RWAs by £25 billion by the end of 2015, with substantial progress across exit portfolios.

Plans to complete the exit from Citizens remain on track.

RBS Capital Resolution (RCR) continued on its path to complete its targeted rundown before the end of 2015, one year ahead of schedule, as it continues to benefit from attractive exit values. RCR total assets fell to £16.5 billion, a reduction of £12.5 billion, or 43%, since the start of the year. RCR funded assets which excluded derivatives of £8 billion fell by 44% in the first half of 2015 taking the balance down to £8.4 billion. RWAs also decreased 35% to £14.4 billion in the same period.

By 30 June 2015 considerable progress had been made toward the disposal of the North American corporate loan portfolio identified for exit, with a substantial proportion sold to Mizuho Bank through two separate transactions. Upon final settlement expected in Q3 2015, RWAs will have been reduced by approximately US$9 billion.

RBS has partnered with BNP Paribas to offer existing international customers an alternative to Global Transaction Services (GTS) as part of the decision to refocus the business. Businesses in the UK and Ireland, including those outwith the UK but with significant links to the UK, will continue to receive GTS capabilities from RBS.

The majority of the Australian and United Arab Emirates corporate loan books have been sold.

The sale of most of the RBS International Private Banking business to Union Bancaire Privée remains on track for Q4 2015.

RBS is continuing to work towards the separation of Williams & Glyn in the summer of 2016 and IPO by the end of 2016. In May 2015 the Competition & Markets Authority announced that it had been asked by the Chancellor to advise on the competition implications of the Williams & Glyn divestment. The review is expected to be completed later this year and at this stage its outcome cannot be predicted.

Notes:

(1) Provided to illustrate the impact on RBS operating profit, ROE and RWAs of the strategic initiatives announced in February 2015 by showing the 'Go-forward Bank' profile which is a non-GAAP measure and should be read in conjunction with the notes attached as well as the section titled "Forward-looking Statements". See presentation of information on page 3 and appendix 3 for more information.

(2) Excluding restructuring of £1,050 million (Q1 2015 - £453 million) and litigation and conduct costs of £459 million (Q1 2015 - £856 million).

(3) RBS RWAs £326.4 billion (31 December 2014 - £355.9 billion).

Highlights

Making RBS safer and dealing with ongoing issues

Balance sheet and capital strength and resilience continue to build. RWAs decreased to £326 billion, down from £356 billion at the start of the year and £392 billion from 30 June 2014, driven by RCR and CIB. A CET1 ratio of 12.3% at 30 June 2015 was up 80 basis points from 31 March 2015 and 110 basis points from 31 December 2014. Citizens Financial Group's RWAs (£70 billion) remain for the time being fully consolidated for regulatory purposes, although RBS's holding has been reduced to 40.8% as at 30 June 2015.

Risk elements in lending (REIL) fell to £18.7 billion, representing 4.8% of gross customer loans, down from 5.4% at 31 March 2015. REIL for RBS excluding RCR were £11.3 billion, down from £12.1 billion at 31 March 2015.

RBS plans to return excess capital to shareholders through dividends or buybacks, subject to regulatory approval. This is dependent on the achievement of certain strategic objectives, including sustained profitability, improved stress test results and resolving our major conduct and litigation issues. As a result we do not expect to be in a position to return capital before Q1 2017 at the earliest.

RBS continues to be party to legal proceedings and regulatory and governmental investigations, including with respect to US mortgage-backed securities, foreign exchange trading and its treatment of UK SME customers, and continues to incur conduct related costs, including in relation to payment protection insurance and interest rate hedging products. While addressing these ongoing issues, RBS is continuing its endeavours to embed a strong and comprehensive risk and compliance culture throughout the organisation.

In June 2015 RBS experienced an issue with its secure connection used to process BACS payments resulting in a one or two day delay to payments being applied to some customer accounts. RBS has agreed to reimburse customers for any loss suffered as a result. A comprehensive root cause analysis is ongoing and correspondence with our regulators continues.

Making good progress on 2015 targets

Strategy Goal	2015 Target	H1 2015 Progress
	Reduce RWAs to <£300 billion	£326 billion

	RCR exit substantially completed	Funded assets down 78% since initial pool of assets identified(1)
	Citizens deconsolidation	40.8% holding
	£2 billion AT1 issuance	Inaugural AT1 to be launched shortly(2)
Customer experience	Improve NPS in every UK franchise(3)	Year-on-year, statistically significant improvement in NPS in 4 of the 7 businesses where it is measured
Simplifying the bank	Reduce costs by £800 million(4)	Annualised cost savings of over £700 million achieved in H1
Supporting growth	Lending growth in strategic segments ≥ nominal UK GDP growth	2% annualised growth in UK PBB and Commercial Banking
Employee engagement	Raise employee engagement index to within 8% of Global Financial Services (GFS) norm	Annual metric

Notes:

(1) Funded assets are down 71% since 1 January 2014.
(2) Issuance subject to market conditions.
(3) Further details are available on page 13.
(4) Excluding restructuring, litigation and conduct costs, write-off of intangible assets, and operating expenses of Citizens and Williams & Glyn.

Highlights

Building the number one bank for customer service, trust and advocacy in the UK

Investment in new products - Reward, the new current account proposition, was launched in July to a small number of customers. Through the Reward account customers can receive 3% cashback on certain household bills paid by direct debit. Full launch is scheduled for later in the year.

Continued commitment to be fairer for customers - RBS is making overdrafts more accessible with 600,000 customers now newly eligible for a £100 overdraft. This is in addition to allowing a £250 limit to customers who have had positive behaviour with RBS but historical issues with other lenders.

Investment in service - The mortgage platform was upgraded and the number of mortgage advisors increased to 869 in UK PBB (up 8% compared with the start of 2015 or 28% compared with Q2 2014) which provides increased lending capacity. The NatWest mobile banking app customer NPS became joint number one in the market(1) during Q2 2015, with real time registration allowing customers to begin using the app as their account is opened. Around 2,800 staff registered for a bespoke lending skills training programme and RBS rolled out a customer relationship management (CRM) tool to around 3,000 staff, allowing them to have a single view of all customer needs and thus improve service.

Making RBS simpler to do business with - The time to open a personal current account has been halved to 30 minutes as the bank transforms its systems, becoming simpler and quicker. The Commercial Bank has delivered a 75% reduction in customer paperwork and a 25% reduction in the time to open an account.

Leading on innovation and collaboration - RBS is the first bank to launch TouchID login and adopt Apple Pay whilst launching the first Royal National Institute of Blind People (RNIB) approved cards.

Backing UK business - RBS launched a mid-market initiative to attract and support more businesses with a turnover of between £10 million and £50 million or borrowing in excess of £1 million. The aim is to achieve 300 new customer relationships, providing the means to grow and support UK business. In partnership with Entrepreneurial Spark, the first of eight business accelerator hubs was opened in Birmingham providing free space, mentoring and financial support to small businesses. A new £2.5 million Skills & Opportunities Fund to help people from disadvantaged communities learn new skills, get into the world of work or set up their own business was also launched.

Building a more capable and diverse workforce - RBS is raising professional standards by supporting staff to undertake the Chartered Banker foundation qualification. RBS is the first bank to achieve Investors in Young People Accreditation. In 2015 we will increase the number of apprentices from 50 to over 300. RBS has set a target of having 30% female leaders in every business by 2020.

RBS remains committed to achieving its target of being number one bank for customer service, trust and advocacy by 2020.

We use independent surveys to measure our customers' experience and track our progress against our goal in each of our markets.

Net Promoter Score (NPS)

Customers are asked how likely they would be to recommend their bank to a friend or colleague, and respond based on a 0-10 scale with 10 indicating 'extremely likely' and 0 indicating 'not at all likely'. Customers scoring 0 to 6 are termed detractors and customers scoring 9 to 10 are termed promoters. NPS is established by subtracting the proportion of detractors from the proportion of promoters.

Note:

(1) Source: internal NPD Drivers study, June 15 based on 3 month roll with latest base size 2234.

Highlights

The table below lists all of the businesses for which we have an NPS for Q2 2015. Year-on-year, NatWest Personal Banking, NatWest Business Banking, RBS Business Banking and Ulster Bank (Northern Ireland) Personal Banking have all seen statistically significant improvements in NPS.

In recent years, the bank has launched a number of initiatives to make it simpler, fairer and easier to do business, and it continues to deliver on the commitments that it made to its customers in 2014.

		Q2 2014	Q1 2015	Q2 2015	Year end 2015 target
Personal Banking	NatWest (England & Wales)(1)	4	5	8	9
	RBS (Scotland)(1)	-10	-18	-10	-10
	Ulster Bank (Northern Ireland)(2)	-34	-18	-11	-21
	Ulster Bank (Republic of Ireland)(2)	-22	-16	-14	-15
Business Banking	NatWest (England & Wales)(3)	-15	-6	4	-7
	RBS (Scotland)(3)	-30	-17	-17	-21
Commercial Banking(4)		9	12	10	15

Customer Trust

We also use independent experts to measure our customers' trust in the bank. Each quarter we ask customers to what extent they trust or distrust their bank to do the right thing. The score is a net measure of those customers that trust their bank (a lot or somewhat) minus those that distrust their bank (a lot or somewhat).

Trust in the RBS brand was impacted by the IT incident on 17 June 2015.

		Q2 2014	Q1 2015	Q2 2015	Year end 2015 target
Customer Trust(5)	NatWest (England & Wales)(1)	49%	44%	48%	46%

	RBS (Scotland)	0%	10%	-2%	11%

Notes:

Suitable measures for Private Banking and for Corporate & Institutional Banking are in development. NPS for Ulster Bank Business Banking is measured at Q4.

(1) Source: GfK FRS 6 month rolling data. Latest base sizes: NatWest England & Wales (3,444) RBS Scotland (520). Based on the question: "How likely is it that you would recommend (brand) to a relative, friend or colleague in the next 12 months for current account banking?”

(2) Source: Coyne Research 12 month rolling data. Question: “Please indicate to what extent you would be likely to recommend (brand) to your friends or family using a scale of 0 to 10 where 0 is not at all likely and 10 is extremely likely”.

(3) Source: Charterhouse Research Business Banking Survey, based on interviews with businesses with an annual turnover up to £2 million. 12 month rolling data. Latest base sizes: NatWest England & Wales (1,240), RBS Scotland (419). Weighted by region and turnover to be representative of businesses in England & Wales/Scotland.

(4) Source: Charterhouse Research Business Banking Survey, based on interviews with businesses with annual turnover between £2 million and £1 billion. Latest base size: RBSG Great Britain (965). Weighted by region and turnover to be representative of businesses in Great Britain.

(5) Source: Populus. Latest quarter’s data. Measured as a net of those that trust RBS/NatWest to do the right thing, less those that do not. Latest base sizes: NatWest, England & Wales (916), RBS Scotland (209).

Highlights

Recent developments

Citizens

On 29 July 2015, RBS announced the final pricing for a further offering of 86 million shares in Citizens and the grant of a 15% over-allotment option to underwriters giving them a 30-day option to purchase an additional 12.9 million shares. Gross proceeds will be US$2.2 billion (£1.4 billion), ($2.6 billion (£1.6 billion) assuming exercise in full of the over-allotment option). Concurrently, Citizens intends to repurchase 9.6 million shares (US$250 million) from RBS. Once these transactions have completed and assuming the over-allotment option is exercised in full, RBS will own 110.5 million shares - 20.9% of Citizens' common stock and will record an estimated £1.1 billion profit (including £0.9 billion reclassified from equity).

Following this significant reduction in its voting interest, RBS will no longer control Citizens for accounting purposes and will cease to consolidate it; reducing total assets by approximately £78 billion. RBS's remaining investment in Citizens will be an associate classified as held for sale.

Citizens will however continue to be consolidated for the purposes of regulatory capital as RBS will retain certain veto rights notwithstanding the reduction in its interest in CFG.

Capital

AT1 securities

As part of our commitment to continue building our capital ratios, we plan to launch our inaugural Additional Tier 1 securities offering over the next few days, subject to market conditions.

Preference shares

RBS intends to redeem US$1.9 billion of its outstanding Series M, N, P and Q non-cumulative dollar preference shares, represented by American depositary shares, on 1 September 2015.

July Budget

On 8 July 2015 a number of proposed changes to the UK corporate tax system were announced. In accordance with IFRS these changes will be accounted for when they are substantively enacted which is expected to be in October 2015.

The most relevant proposed measures include:

Cuts in the rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. Existing temporary differences on which deferred tax has been provided may reverse at these reduced rates;

A corporation tax surcharge of 8% on UK banking entities from 1 January 2016. This is expected to increase RBS's corporation tax liabilities and vary the carrying value of its deferred tax balances;

A reduction in the bank levy rate from 0.21% to 0.18% from 1 January 2016 and subsequent annual reductions to 0.1% from 1 January 2021; and

Making compensation in relation to misconduct non-deductible for corporation tax.

It is expected that these measures will increase the normalised tax rate to around 27% in the medium term and trending lower thereafter. The bank levy for 2015 is expected to be £280 million and is projected to fall progressively to £150 million by 2019.

Highlights

Outlook

Following the sale of a further tranche of shares, RBS now plans to complete the exit from Citizens by the end of 2015, subject to market conditions.

The divestment, together with the strong progress being made in CIB and RCR, will enable RBS to meet its target of reducing RWAs to below £300 billion in 2015.

The restructuring of CIB is planned to accelerate during the second half of 2015. This is expected to result in lower revenues, partially due to higher disposal losses, and elevated restructuring costs.

Targeted cost savings of £800 million in 2015 are expected to be delivered, notwithstanding the adverse impact of the increased UK bank levy.

RBS expects to meet its objective of lending growth in strategic segments, UK PBB and Commercial Banking, in line with or above nominal UK GDP growth.

Investments to make the bank simpler and fairer for customers are having a positive impact on NPS. The target to improve NPS in all customer franchises is stretching but achievable.

Whilst legacy issues continue to be addressed, material further and incremental costs and provisions related to historical conduct are expected. The timing and quantum of any future costs, provisions and settlements, however, remain uncertain.

Letter from the Chairman

These results demonstrate the strength of our underlying customer businesses with operating profit - excluding restructuring and conduct charges of £1.8 billion[(1)] for the quarter, up 11% on Q1. We have reported an attributable profit for the quarter, albeit a loss for the half year, which reflects the restructuring and conduct costs we are continuing to work through.

We are seeing progress in our UK retail and commercial businesses. More customers are choosing us to help them buy their homes than ever before, while the commercial business grew its loan book by £1.4 billion since 30 June 2014.

RBS is closely involved in the UK's improving economic performance. In partnership with Entrepreneurial Spark, RBS is opening business accelerator hubs in Birmingham, Brighton, Bristol and Leeds, with plans to open further hubs in major cities across the UK as we continue to support UK entrepreneurs and businesses providing free space, mentoring and financial support. The latest data from UK Export Finance shows that we are currently the biggest backer (by volume and value) of export contracts for 2015/16 and we are well on track to exceed our business for the previous financial year.

In the first six months of the year we have increased our UK focus by further reducing our stake in Citizens in the US and by agreeing to sell our International Private Bank. We have made excellent progress running down the parts of the business that no longer fit with our strategy.

We have also once again improved our core capital position, and have had six consecutive quarters of capital growth. RBS is now a much better capitalised bank.

The RBS of today is of course very different from the bank of 2009. It has a greater focus on the quality of earnings and the control of risks.

There have naturally been ups and downs along the way, which have required the strategy to change, but the focus on making this a stronger, simpler and fairer organisation has been the right one. The decisions to sell or run-off significant parts of the business while investing in our core customer franchises has meant we are better positioned to deal with the constraints of structural regulatory reform, notably ring-fencing.

Of course there are still some obstacles to overcome especially the resolution of outstanding conduct issues, including the investigations into our sale of residential mortgage-backed securities in the US between 2005-07, and the investigation by UK authorities into the bank's approach to distressed businesses.

Past experience at RBS and many other banks has demonstrated the readiness of regulators to impose substantial fines and costly redress schemes. These conduct and litigation costs have greatly exceeded the expectations of banks and their investors. Judging the ultimate scale of conduct costs remains extremely challenging.

Looking forward, however, making customer service, trust and advocacy the focus of our strategy is starting to deliver results and by the end of this year I am confident that shareholders will see a clearer picture of the bank that RBS will become.

This is an appropriate backdrop to the sale of shares by the UK government, which will be a significant moment for this bank.

Philip Hampton

Chairman

Note:

(1) On a non-statutory basis excluding restructuring costs of £1.1 billion (Q1 15 - £0.5 billion) and conduct charges of £0.5 billion (Q1 15 – £0.9 billion)

Analysis of results

The following table reconciles the non-statutory basis results (a non-GAAP financial measure) to the statutory basis.

	Half year ended		Quarter ended		
	30 June	30 June	**30 June**	31 March	30 June
	2015	2014	**2015**	2015	2014
Net interest income	**£m**	£m	**£m**	£m	£m
Net interest income					
- UK Personal & Business Banking	**2,290**	2,276	**1,147**	1,143	1,152
- Ulster Bank	**265**	323	**132**	133	169
- Commercial Banking	**1,108**	999	**562**	546	511
- Private Banking	**254**	344	**126**	128	174
- Corporate & Institutional Banking	**376**	365	**174**	202	186
- Central items	**150**	203	**88**	62	100
- RCR	**(25)**	(1)	**(14)**	(11)	7
- Citizens	**1,104**	987	**551**	553	499
- non-statutory basis	**5,522**	5,496	**2,766**	2,756	2,798
- Citizens	**(1,104)**	(987)	**(551)**	(553)	(499)
- RFS Holdings minority interest	**-**	(3)	**-**	-	-
	-	-	**-**	-	-
Net interest income - statutory basis	**4,418**	4,506	**2,215**	2,203	2,299
Average interest-earning assets					
- RBS	**416,207**	439,250	**417,135**	415,579	433,920
- UK Personal & Business Banking	**128,468**	126,696	**128,569**	128,366	126,964
- Ulster Bank	**27,518**	28,089	**27,404**	27,633	28,884
- Commercial Banking	**77,985**	74,749	**78,880**	77,079	74,971
- Private Banking	**15,850**	18,663	**15,729**	15,973	18,698
- Corporate & Institutional Banking	**71,269**	83,778	**69,437**	73,114	83,477
- Central items	**77,681**	70,892	**82,358**	73,270	66,393
- RCR	**17,436**	36,383	**14,758**	20,144	34,533
Net interest margin					
- RBS	**2.14%**	2.07%	**2.13%**	2.15%	2.13%
- UK Personal & Business Banking	**3.59%**	3.62%	**3.58%**	3.61%	3.64%
- Ulster Bank	**1.94%**	2.32%	**1.93%**	1.95%	2.35%
- Commercial Banking	**2.87%**	2.70%	**2.86%**	2.87%	2.73%
- Private Banking	**3.23%**	3.72%	**3.21%**	3.25%	3.73%

- Corporate & Institutional Banking	**1.06%**	0.88%		**1.00%**	1.12%	0.90%
- Central items	**0.39%**	0.58%		**0.43%**	0.34%	0.60%
- RCR	**(0.29%)**	(0.01%)		**(0.38%)**	(0.22%)	0.08%

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Analysis of results

Key points

H1 2015 compared with H1 2014

- Net interest income was stable, with asset growth in UK PBB and Commercial Banking. Segmental splits are affected by the transfer of a number of portfolios between businesses, including the transfer to Commercial Banking of the UK corporate coverage business from CIB and of the RBS International business from Private Banking.
- Net interest margin (NIM) rose 7 basis points, with progressive repricing of deposits helping to offset continuing competitive pressures on asset margins.

Q2 2015 compared with Q1 2015

- Asset growth was driven by rising mortgage volumes, supported by increased mortgage adviser capacity and increasingly competitive pricing.
- Modest downward pressure on NIM reflected competitive conditions in domestic markets and a further slight decline in the standard variable rate mortgage book, partially offset by some further small adjustments to deposit pricing.

Q2 2015 compared with Q2 2014

- Net interest income was down 4%, with good asset growth in UK mortgages and Commercial Banking partially offsetting declines in other portfolios.
- NIM remained stable, with deposit repricing offsetting continuing pressure on asset margins.

Analysis of results

The following tables reconcile the non-statutory basis results (a non-GAAP financial measure) to the statutory basis.

	Half year ended		Quarter ended		
	30 June	30 June	**30 June**	31 March	30 June
	2015	2014	**2015**	2015	2014
Non-interest income	**£m**	£m	**£m**	£m	£m
Fees and commissions receivable					
- non-statutory basis	**2,347**	2,605	**1,169**	1,178	1,314
- Citizens	**(389)**	(362)	**(200)**	(189)	(188)
Statutory basis	**1,958**	2,243	**969**	989	1,126
Fees and commissions payable					
- non-statutory basis	**(381)**	(487)	**(195)**	(186)	(251)
- Citizens	**18**	12	**9**	9	7
Statutory basis	**(363)**	(475)	**(186)**	(177)	(244)
Net fees and commissions - non-statutory basis	**1,966**	2,118	**974**	992	1,063
Net fees and commissions - statutory basis	**1,595**	1,768	**783**	812	882
Income from trading activities					
- non-statutory basis	**734**	1,482	**464**	270	626
- own credit adjustments	**210**	11	**115**	95	(84)
- Citizens	**(69)**	(43)	**(34)**	(35)	(13)
- RFS Holdings minority interest	**-**	-	**-**	-	(1)
Statutory basis	**875**	1,450	**545**	330	528
Gain on redemption of own debt - statutory basis	**-**	20	**-**	-	-
Other operating income					

- non-statutory basis	**478**	882		**165**	313	438
- own credit adjustments	**78**	(62)		**53**	25	(106)
- strategic disposals	**(135)**	191		**-**	(135)	-
- Citizens	**(53)**	(231)		**(24)**	(29)	(191)
- RFS Holdings minority interest	**-**	25		**-**	-	13
Statutory basis	**368**	805		**194**	174	154
Total non-interest income - non-statutory basis	**3,178**	4,482		**1,603**	1,575	2,127
Total non-interest income - statutory basis	**2,838**	4,043		**1,522**	1,316	1,564

Key points

H1 2015 compared with H1 2014

- Non-interest income was down 30%, principally reflecting reduced trading income, in line with CIB's risk and resource reduction.

- Losses of £69 million were recorded on the disposal of available-for-sale securities, compared with gains of £215 million in H1 2014.

Q2 2015 compared with Q1 2015

- Non-interest income was up 16% due to charges in Q1 of £122 million relating to strategic disposals in respect of International Private Banking and £13 million mainly in relation to RBS Kazakhstan. On a non-statutory basis non-interest income was up 2%, reflecting seasonal movements offset by volatile items under IFRS.

Analysis of results

Key points (continued)

Q2 2015 compared with Q2 2014

- Non-interest income was 3% lower reflecting the reduction in CIB's scale and with reductions in fees and commissions payable offset by gains in income from trading and other operating income. On a non-statutory basis non-interest income was 25% lower, principally reflecting the reduction in CIB's scale.

- A loss of £42 million on the disposal of available-for-sale securities compared with a gain of £13 million in Q2 2014.

Analysis of results

The following tables reconcile the non-statutory basis results (a non-GAAP financial measure) to the statutory basis.

	Half year ended		Quarter ended		
	30 June	30 June	**30 June**	31 March	30 June
	2015	2014	**2015**	2015	2014
Operating expenses	**£m**	£m	**£m**	£m	£m
Staff costs					
- non-statutory basis	**(3,075)**	(3,340)	**(1,517)**	(1,558)	(1,693)
- restructuring costs	**(348)**	(196)	**(293)**	(55)	(153)
- Citizens	**568**	539	**280**	288	287
- RFS Holdings minority interest	**-**	-	**-**	-	1
Statutory basis	**(2,855)**	(2,997)	**(1,530)**	(1,325)	(1,558)
Premises and equipment					
- non-statutory basis	**(859)**	(1,079)	**(372)**	(487)	(485)
- restructuring costs	**(47)**	(196)	**(37)**	(10)	(137)
- Citizens	**161**	149	**83**	78	76
Statutory basis	**(745)**	(1,126)	**(326)**	(419)	(546)
Other administrative expenses					
- non-statutory basis	**(1,133)**	(1,292)	**(622)**	(511)	(605)
- litigation and conduct costs	**(1,315)**	(250)	**(459)**	(856)	(250)
- restructuring costs	**(208)**	(119)	**(100)**	(108)	(94)
- Citizens	**290**	305	**154**	136	171
- RFS Holdings minority interest	**-**	(1)	**-**	-	(2)
Statutory basis	**(2,366)**	(1,357)	**(1,027)**	(1,339)	(780)
Depreciation and amortisation					
- non-statutory basis	**(418)**	(551)	**(186)**	(232)	(282)
- Citizens	**-**	88	**-**	-	45
- restructuring costs	**(294)**	(3)	**(14)**	(280)	(1)
- RFS Holdings minority interest	**-**		**-**		1

Statutory basis	**(712)**	(466)		**(200)**	(512)	(237)
Restructuring costs (1)						
- non-statutory basis	**(1,503)**	(514)		**(1,050)**	(453)	(385)
- staff costs	**348**	196		**293**	55	153
- premises and equipment	**47**	196		**37**	10	137
- other administrative expenses	**208**	119		**100**	108	94
- write off of intangible assets	**606**	-		**606**	-	-
- depreciation and amortisation	**294**	3		**14**	280	1
Statutory basis	**-**	-		**-**	-	-
Litigation and conduct costs (1)						
- non-statutory basis	**(1,315)**	(250)		**(459)**	(856)	(250)
- other administrative expenses	**1,315**	250		**459**	856	250
Statutory basis	**-**	-		**-**	-	-
Write down of goodwill and other intangible assets						
- non-statutory basis	**-**	(82)		**-**	-	-
- write down of goodwill and other intangible assets	**(606)**	(130)		**(606)**	-	(130)
Statutory basis	**(606)**	(212)		**(606)**	-	(130)
Operating expenses - non-statutory basis	**(8,303)**	(7,108)		**(4,206)**	(4,097)	(3,700)
Operating expenses - statutory basis	**(7,284)**	(6,158)		**(3,689)**	(3,595)	(3,251)

Note:

(1) Items reallocated to other expense lines, not reconciling items.

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Analysis of results

Key points

H1 2015 compared with H1 2014

- Operating expenses rose as a result of higher restructuring and litigation and conduct costs partially offset by the benefits of the bank's cost reduction programme. This included a 5% reduction in staff expenses, driven by a reduction in headcount, principally in higher cost businesses.

- Operating expenses excluding litigation and conduct costs of £1,315 million (H1 2014 - £250 million) and restructuring costs of £1,503 million (H1 2014 - £514 million) were 17% lower.

Q2 2015 compared with Q1 2015

- Operating expenses were 3% higher, with an increase in restructuring costs (up £597 million) partially offset by lower litigation and conduct costs (down £397 million).

- Operating expenses excluding litigation and conduct costs of £459 million (Q1 2015 - £856 million) and restructuring costs of £1,050 million (Q1 2015 - £453 million) fell by 5%, including an 8% reduction within CIB.

Q2 2015 compared with Q2 2014

- Operating expenses were 13% higher reflecting increased restructuring and litigation and conduct costs.

- Operating expenses excluding litigation and conduct costs of £459 million (Q2 2014 - £250 million) and restructuring costs of £1,050 million (Q2 2014 - £385 million) fell by 17%, driven by a reduction in staff expenses.

Restructuring costs

- Restructuring costs totalled £1,050 million for Q2 2015 and £1,503 million for H1 2015, principally relating to CIB (Q2 2015 - £734 million) and to Williams & Glyn separation (Q2 2015 - £126 million). Restructuring costs included intangible software write-offs in CIB and Private Banking totalling £606 million, which have no impact on CET1 capital or tangible net asset value.

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Total restructuring charges are still expected to total c.£5 billion over the five year period 2015-2019 including:

- Williams & Glyn separation c.£1.1 billion of which £259 million was taken in H1 2015. The remainder is expected to be incurred over the period to Q4 2016;
- Independent Commission on Banking (ICB) preparation c.£800 million. The bulk is expected to be incurred in 2016-2018; and
- Restructuring of CIB and Go-forward Bank transformation just over c.£3 billion, of which £1,244 million was taken in H1 2015, with the majority relating to CIB. Most of the CIB restructuring is expected to be incurred in 2015.

Litigation and conduct costs

- £459 million of additional litigation and conduct costs taken in Q2 2015 related principally to mortgage-backed securities litigation in the United States. An additional £69 million provision was taken in relation to interest rate hedging products redress.

Analysis of results

The following tables reconcile the non-statutory basis results (a non-GAAP financial measure) to the statutory basis.

	Half year ended			Quarter ended		
	30 June	30 June		**30 June**	31 March	30 June
	2015	2014		**2015**	2015	2014
Impairment (releases)/losses	**£m**	£m		**£m**	£m	£m
Loans						
- non-statutory basis	**(342)**	271		**(152)**	(190)	(89)
- Citizens	**(89)**	(102)		**(51)**	(38)	(29)
Statutory basis	**(431)**	169		**(203)**	(228)	(118)
Securities						
- non-statutory basis	**110**	(2)		**11**	99	(4)
- Citizens	**-**	(2)		**-**	-	(2)
Statutory basis	**110**	(4)		**11**	99	(6)
Impairment (releases)/losses - non-statutory basis	**(232)**	269		**(141)**	(91)	(93)
Impairment (releases)/losses - statutory basis	**(321)**	165		**(192)**	(129)	(124)
Loan impairment (releases)/losses						
Individually assessed						
- non-statutory basis	**(102)**	113		**(96)**	(6)	(42)
- Citizens	**(18)**	(19)		**(9)**	(9)	(5)
Statutory basis	**(120)**	94		**(105)**	(15)	(47)
Collectively assessed						
- non-statutory basis	**90**	348		**21**	69	221
- Citizens	**(84)**	(71)		**(28)**	(56)	(32)
Statutory basis	**6**	277		**(7)**	13	189

Latent						
- non-statutory basis	**(330)**	(180)		**(77)**	(253)	(258)
- Citizens	**13**	(13)		**(14)**	27	8
Statutory basis	**(317)**	(193)		**(91)**	(226)	(250)
Loan impairment (releases)/losses - non-statutory basis	**(342)**	281		**(152)**	(190)	(79)
Loan impairment (releases)/losses - statutory basis	**(431)**	178		**(203)**	(228)	(108)
Bank loans	**-**	(10)		**-**	-	(10)
Loan impairment (releases)/losses						
RBS excluding RCR	**13**	290		**43**	(30)	36
RCR	**(355)**	(19)		**(195)**	(160)	(125)
	(342)	271		**(152)**	(190)	(89)
Customer loan impairment (releases)/losses						
as a % of gross loans and advances (1)						
RBS non-statutory	**(0.2%)**	0.1%		**(0.2%)**	(0.2%)	(0.1%)
RBS	**(0.3%)**	0.1%		**(0.2%)**	(0.3%)	(0.1%)
RBS excluding RCR	**0.0%**	0.2%		**(0.0%)**	-	-
RCR	**(6.5%)**	(0.1%)		**(7.1%)**	(4.2%)	(1.7%)

For the note to this table refer to the following page.

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Analysis of results

	30 June 2015	31 March 2015	31 December 2014
Loan impairment provisions (1)			
- RBS	**£11.3bn**	£13.8bn	£18.0bn
- RBS excluding RCR	**£6.2bn**	£6.6bn	£7.1bn
- RCR	**£5.1bn**	£7.2bn	£10.9bn
Risk elements in lending (REIL) (1)			
- RBS	**£18.7bn**	£22.3bn	£28.2bn
- RBS excluding RCR	**£11.3bn**	£12.1bn	£12.8bn
- RCR	**£7.4bn**	£10.2bn	£15.4bn
Provisions as a % of REIL (1)			
- RBS	**60%**	62%	64%
- RBS excluding RCR	**54%**	55%	55%
- RCR	**69%**	70%	71%
REIL as a % of gross customer loans (1)			
- RBS	**4.8%**	5.4%	6.8%
- RBS excluding RCR	**3.0%**	3.0%	3.3%
- RCR	**67%**	68%	70%

Note:

(1) Excludes reverse repurchase agreements and includes disposal groups.

Key points

H1 2015 compared with H1 2014

- Net impairment releases of £321 million were recorded in H1 2015, compared with net impairment losses of £165 million in H1 2014. Net loan impairment releases were recorded in all operating segments except Commercial Banking and CFG, where impairments nevertheless remained low at 0.1% and 0.3% respectively of gross loans and advances.

- RCR saw loan impairment releases of £355 million, largely arising from disposals.

- REIL totalled £18.7 billion at 30 June 2015, and represented 4.8% of gross customer loans, down

£9.5 billion from 31 December 2014, when they represented 6.8% of gross customer loans.

- The £114 million increase in securities impairments related to a small number of single name exposures, predominantly an exposure in the RBS N.V. liquidity portfolio.

Q2 2015 compared with Q1 2015

- Net impairment releases of £192 million were up from net releases of £129 million in Q1 2015. Loan impairment releases were lower, reflecting reduced latent releases, but securities impairments recorded in Q1 2015 were not repeated on the same scale.

- REIL were £3.6 billion lower, representing 4.8% of gross customer loans, with the bulk of the reduction in RCR.

- Provision coverage of REIL was 60%, compared with 62% at 31 March 2015, reflecting the continuing reduction in the more heavily provisioned portfolios of RCR.

Q2 2015 compared with Q2 2014

- Net impairment releases of £192 million were up from Q2 2014, during which higher latent releases were partially offset by greater collectively assessed impairment charges.

Analysis of results

Capital and leverage ratios							
	End-point CRR basis (1)				PRA transitional basis		
	30 June	31 March	31 December		**30 June**	31 March	31 December
	2015	2015	2014		**2015**	2015	2014
Risk asset ratios	**%**	%	%		**%**	%	%
CET1	**12.3**	11.5	11.2		**12.3**	11.5	11.1
Tier 1	**12.3**	11.5	11.2		**14.3**	13.3	13.2
Total	**14.8**	14.0	13.7		**18.5**	17.0	17.1
Capital	**£m**	£m	£m		**£m**	£m	£m
Tangible equity	**43,919**	44,242	44,368		**43,919**	44,242	44,368
Expected loss less impairment provisions	**(1,319)**	(1,512)	(1,491)		**(1,319)**	(1,512)	(1,491)
Prudential valuation adjustment	**(366)**	(393)	(384)		**(366)**	(393)	(384)
Deferred tax assets	**(1,206)**	(1,140)	(1,222)		**(1,206)**	(1,140)	(1,222)
Own credit adjustments	**345**	609	500		**345**	609	500
Pension fund assets	**(250)**	(245)	(238)		**(250)**	(245)	(238)
Other deductions	**(1,070)**	(1,436)	(1,614)		**(1,047)**	(1,414)	(1,884)
Total deductions	**(3,866)**	(4,117)	(4,449)		**(3,843)**	(4,095)	(4,719)
CET1 capital	**40,053**	40,125	39,919		**40,076**	40,147	39,649
AT1 capital	**-**	-	-		**6,709**	6,206	7,468
Tier 1 capital	**40,053**	40,125	39,919		**46,785**	46,353	47,117
Tier 2 capital	**8,181**	8,689	8,717		**13,573**	12,970	13,626
Total regulatory capital	**48,234**	48,814	48,636		**60,358**	59,323	60,743
Risk-weighted assets							
Credit risk							
- non-counterparty	**245,000**	263,000	264,700		**245,000**	263,000	264,700
- counterparty	**27,500**	31,200	30,400		**27,500**	31,200	30,400
Market risk	**22,300**	22,800	24,000		**22,300**	22,800	24,000
Operational risk	**31,600**	31,600	36,800		**31,600**	31,600	36,800

Total RWAs	**326,400**	348,600	355,900		**326,400**	348,600	355,900
Leverage (2)							
Derivatives	**282,300**	391,100	354,000				
Loans and advances	**402,800**	429,400	419,600				
Reverse repos	**67,800**	69,900	64,700				
Other assets	**211,800**	214,200	212,500				
Total assets	**964,700**	1,104,600	1,050,800				
Derivatives							
- netting	**(266,600)**	(379,200)	(330,900)				
- potential future exposures	**83,500**	96,000	98,800				
Securities financing transactions gross up	**6,200**	20,200	25,000				
Undrawn commitments	**84,700**	94,900	96,400				
Regulatory deductions and other							
adjustments (3)	**2,000**	900	(600)				
Leverage exposure	**874,500**	937,400	939,500				
CET1 capital	**40,053**	40,125	39,919				
Leverage ratio %	**4.6**	4.3	4.2				

Notes:

(1) Capital Requirements Regulation (CRR) as implemented by the Prudential Regulation Authority in the UK, with effect from 1 January 2014. All regulatory adjustments and deductions to CET1 have been applied in full for the end-point CRR basis with the exception of unrealised gains on AFS securities which has been included from 2015 for the PRA transitional basis.

(2) Based on end-point CRR Tier 1 capital and leverage exposure under the revised 2014 Basel III leverage ratio framework and the CRR Delegated Act.

(3) The increase in regulatory adjustments in Q2 2015 was driven by higher disallowable settlement balances.

Analysis of results

Key points

30 June 2015 compared with 31 March 2015

- RBS’s CET1 ratio improved by 80 basis points to 12.3%, driven by good progress in RWA reduction in RCR and CIB.
- Citizens, in which RBS had a 40.8% stake at 30 June 2015, remains fully consolidated for regulatory capital purposes. Assuming the full deconsolidation of all Citizens credit and counterparty risk RWAs at 30 June 2015, the CET1 ratio would have been 300 basis points higher.
- RBS’s leverage ratio improved by 30 basis points to 4.6% at 30 June 2015, with leverage exposures down 7% to £875 billion.
- On 29 July 2015, RBS approved plans for an issue of AT1 instruments.

30 June 2015 compared with 31 December 2014

- The CET1 ratio was 110 basis points higher at 12.3%, while the leverage ratio improved by 40 basis points to 4.6%. The improvement was principally driven by continued good progress on run-off and disposals in RCR and CIB.

Segment performance

	Half year ended 30 June 2015										
	PBB			CPB			CIB				Non-
	UK PBB	Ulster Bank	Total	Commercial Banking	Private Banking	Total		Central items (1)	CFG	RCR	statutory total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement											
Net interest income	2,290	265	2,555	1,108	254	1,362	376	150	1,104	(25)	5,522
Non-interest income	631	103	734	606	167	773	948	43	490	190	3,178
Total income	2,921	368	3,289	1,714	421	2,135	1,324	193	1,594	165	8,700
Direct expenses											
- staff costs	(456)	(120)	(576)	(255)	(143)	(398)	(322)	(1,159)	(564)	(56)	(3,075)
- other costs**	(140)	(33)	(173)	(110)	(26)	(136)	(149)	(1,517)	(422)	(13)	(2,410)
Indirect expenses	(913)	(126)	(1,039)	(433)	(194)	(627)	(1,061)	2,759	-	(32)	-
Restructuring costs											
- direct	-	(18)	(18)	(10)	(3)	(13)	(211)	(1,228)	(33)	-	(1,503)
- indirect	(50)	-	(50)	(8)	(80)	(88)	(814)	952	-	-	-
Litigation and conduct costs	(364)	8	(356)	(59)	(28)	(87)	(873)	1	-	-	(1,315)
Operating expenses	(1,923)	(289)	(2,212)	(875)	(474)	(1,349)	(3,430)	(192)	(1,019)	(101)	(8,303)
Profit/(loss) before impairment losses	998	79	1,077	839	(53)	786	(2,106)	1	575	64	397
Impairment releases/(losses)	17	52	69	(27)	3	(24)	31	(48)	(89)	293	232
Operating profit/(loss)	1,015	131	1,146	812	(50)	762	(2,075)	(47)	486	357	629

Additional information											
Return on equity (3)	**23.6%**	**8.0%**	**18.4%**	**11.6%**	**(7.5%)**	**9.2%**	**(24.6%)**	**nm**	**6.8%**	**nm**	**(0.7%)**
Cost:income ratio	**66%**	**79%**	**67%**	**51%**	**113%**	**63%**	**259%**	**nm**	**64%**	**nm**	**95%**
Total assets (£bn)	**135.4**	**26.5**	**161.9**	**94.5**	**17.0**	**111.5**	**482.4**	**105.2**	**87.2**	**16.5**	**964.7**
Funded assets (£bn) (4)	**135.4**	**26.4**	**161.8**	**94.5**	**16.9**	**111.4**	**211.1**	**102.9**	**86.8**	**8.4**	**682.4**
Risk-weighted assets (RWAs) (£bn)	**41.0**	**21.2**	**62.2**	**66.9**	**9.8**	**76.7**	**88.0**	**15.3**	**69.8**	**14.4**	**326.4**
RWA equivalent (£bn) (5)	**44.6**	**20.7**	**65.3**	**72.0**	**9.8**	**81.8**	**89.7**	**15.4**	**70.0**	**17.9**	**340.1**
Employee numbers (FTEs - thousands)	**25.4**	**4.2**	**29.6**	**6.2**	**2.7**	**8.9**	**3.1**	**49.5**	**17.6**	**0.5**	**109.2**

*Operating profit/(loss) for the segments is presented before certain reconciling items, namely own credit adjustments, gain on redemption of own debt, write-down of goodwill, strategic disposals and Citizens (‘non-statutory’). The following adjustments are reallocations within segment operating profit/(loss): restructuring costs and litigation and conduct costs. These excluded or reallocated costs for the period presented reflect the following; non-interest income - £135 million loss on strategic disposals and gain on own credit adjustment of £288 million; staff costs - reallocation of £348 million loss from restructuring costs; and other costs – reallocation of £549 million loss from restructuring costs, £1,315 million loss from litigation and conduct costs and £606 million loss from write-downs of goodwill and other intangible assets.

** Other costs include the following: premises and equipment of £745 million, other administrative expenses of £2,366 million, depreciation and amortisation of £712 million and write-down of goodwill and other intangible assets of £606 million.

For the notes to this table refer to page 31. nm = not meaningful

Segment performance

	Quarter ended 30 June 2015											
	PBB			CPB			CIB				Non-	Re
	UK PBB	Ulster Bank	Total	Commercial Banking	Private Banking	Total		Central items (1)	CFG	RCR	statutory total	Oth
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Income statement												
Net interest income	1,147	132	1,279	562	126	688	174	88	551	(14)	2,766	
Non-interest income	322	46	368	330	81	411	346	173	246	59	1,603	1
Total income	1,469	178	1,647	892	207	1,099	520	261	797	45	4,369	1
Direct expenses												
- staff costs	(231)	(60)	(291)	(126)	(67)	(193)	(142)	(585)	(275)	(31)	(1,517)	(2
- other costs**	(69)	(16)	(85)	(56)	(14)	(70)	(71)	(732)	(215)	(7)	(1,180)	(1,2
Indirect expenses	(463)	(63)	(526)	(208)	(96)	(304)	(521)	1,366	-	(15)	-	
Restructuring costs												
- direct	-	(18)	(18)	(10)	(3)	(13)	(195)	(797)	(27)	-	(1,050)	1,0
- indirect	(20)	(1)	(21)	(7)	(81)	(88)	(539)	648	-	-	-	
Litigation and conduct costs	(10)	8	(2)	(59)	(26)	(85)	(373)	1	-	-	(459)	4
Operating expenses	(793)	(150)	(943)	(466)	(287)	(753)	(1,841)	(99)	(517)	(53)	(4,206)	
Profit/(loss) before impairment losses	676	28	704	426	(80)	346	(1,321)	162	280	(8)	163	1
Impairment (losses)/releases	(9)	52	43	(26)	2	(24)	(13)	2	(51)	184	141	
Operating profit/(loss)	667	80	747	400	(78)	322	(1,334)	164	229	176	304	1

Additional information														
Return on equity (3)	**32.1%**	**9.9%**	**24.7%**		**11.3%**	**(20.1%)**	**7.5%**		**(33.0%)**	**nm**	**6.5%**	**nm**	**2.7%**	
Cost:income ratio	**54%**	**84%**	**57%**		**52%**	**139%**	**69%**		**354%**	**nm**	**65%**	**nm**	**96%**	
Total assets (£bn)	**135.4**	**26.5**	**161.9**		**94.5**	**17.0**	**111.5**		**482.4**	**105.2**	**87.2**	**16.5**	**964.7**	
Funded assets (£bn) (4)	**135.4**	**26.4**	**161.8**		**94.5**	**16.9**	**111.4**		**211.1**	**102.9**	**86.8**	**8.4**	**682.4**	
Risk-weighted assets (£bn)	**41.0**	**21.2**	**62.2**		**66.9**	**9.8**	**76.7**		**88.0**	**15.3**	**69.8**	**14.4**	**326.4**	
RWA equivalent (£bn) (5)	**44.6**	**20.7**	**65.3**		**72.0**	**9.8**	**81.8**		**89.7**	**15.4**	**70.0**	**17.9**	**340.1**	
Employee numbers (FTEs - thousands)	**25.4**	**4.2**	**29.6**		**6.2**	**2.7**	**8.9**		**3.1**	**49.5**	**17.6**	**0.5**	**109.2**	

*Operating profit/(loss) for the segments is presented before certain reconciling items, namely own credit adjustments, gain on redemption of own debt, write-down of goodwill, strategic disposals and Citizens ('non-statutory'). The following adjustments are reallocations within segment operating profit/(loss): restructuring costs and litigation and conduct costs. These excluded or reallocated costs for the period presented reflect the following; non-interest income – gain on own credit adjustment of £168 million; staff costs - reallocation of £293 million loss from restructuring costs; and other costs – reallocation of £151 million loss from restructuring costs, £459 million loss from litigation and conduct costs and a loss on write-down of goodwill and other intangible assets of £606 million.

** Other costs include the following: premises and equipment of £326 million, other administrative expenses of £1,027 million, depreciation and amortisation of £200 million and write-down of goodwill and other intangible assets of £606 million.

For the notes to this table refer to page 31. nm = not meaningful

Segment performance

	Half year ended 30 June 2014											
	PBB			CPB			CIB				Non-	
		Ulster		Commercial	Private			Central			statutory	Re
	UK PBB	Bank	Total	Banking	Banking	Total		items (1)	CFG	RCR	total	Oth
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£
Income statement												
Net interest income	2,276	323	2,599	999	344	1,343	365	203	987	(1)	5,496	
Non-interest income	686	89	775	569	201	770	2,062	146	620	109	4,482	18
Total income	2,962	412	3,374	1,568	545	2,113	2,427	349	1,607	108	9,978	18
Direct expenses												
- staff costs	(469)	(125)	(594)	(266)	(151)	(417)	(487)	(1,241)	(512)	(89)	(3,340)	(19
- other costs**	(224)	(35)	(259)	(122)	(29)	(151)	(250)	(1,811)	(501)	(32)	(3,004)	(69
Indirect expenses	(958)	(126)	(1,084)	(402)	(217)	(619)	(1,180)	2,938	-	(55)	-	
Restructuring costs												
- direct	(6)	8	2	(40)	(2)	(42)	(22)	(383)	(69)	-	(514)	51
- indirect	(13)	(22)	(35)	(22)	(1)	(23)	(169)	227	-	-	-	
Litigation and conduct costs	(150)	-	(150)	(50)	-	(50)	(50)	-	-	-	(250)	25
Operating expenses	(1,820)	(300)	(2,120)	(902)	(400)	(1,302)	(2,158)	(270)	(1,082)	(176)	(7,108)	(13
Profit/(loss) before impairment losses	1,142	112	1,254	666	145	811	269	79	525	(68)	2,870	5
Impairment (losses)/releases	(148)	(57)	(205)	(31)	-	(31)	39	12	(104)	20	(269)	
Operating profit/(loss)	994	55	1,049	635	145	780	308	91	421	(48)	2,601	5

Additional information											
Return on equity (3)	21.8%	2.9%	15.5%	9.5%	12.9%	10.0%	1.6%	nm	6.9%	nm	6.9%
Cost:income ratio	61%	73%	63%	58%	73%	62%	89%	nm	67.0%	nm	71%
Total assets (£bn)	133.6	26.7	160.3	88.6	20.8	109.4	537.6	93.3	76.1	34.4	1,011.1
Funded assets (£bn) (4)	133.6	26.6	160.2	88.6	20.8	109.4	278.7	91.3	75.7	20.9	736.2
Risk-weighted assets (£bn)	47.0	27.7	74.7	63.0	11.8	74.8	127.8	19.0	60.7	35.1	392.1
RWA equivalent (£bn) (5)	48.8	23.0	71.8	69.2	11.8	81.0	129.8	19.3	60.7	43.5	406.1
Employee numbers (FTEs - thousands)	25.1	4.5	29.6	7.1	3.4	10.5	4.3	50.6	17.7	0.9	113.6

*Operating profit/(loss) for the segments is presented before certain reconciling items, namely own credit adjustments, gain on redemption of own debt, write-down of goodwill, strategic disposals, RFS Holdings minority interest and Citizens (‘non-statutory’). The following adjustments are reallocations within segment operating profit/(loss): restructuring costs and litigation and conduct costs. These excluded or reallocated costs for the period presented reflect the following; net interest income - £3 million loss on FRS Holdings minority interest; non-interest income - £191 million gain on strategic disposals, loss on own credit adjustment of £51 million, gain on RFS Holdings minority interest of £25 million and gain on redemption of own debt of £20 million; staff costs - reallocation of £196 million loss from restructuring costs; and other costs – reallocation of £318 million loss from restructuring costs, £250 million loss from litigation and conduct costs, loss on RFS Holdings minority interest of £1 million and a loss on write-down of goodwill and other intangible assets of £130 million.

** Other costs include the following: premises and equipment of £1,126 million, other administrative expenses of £1,357 million, depreciation and amortisation of £466 million and write-down of goodwill and other intangible assets of £212 million.

For the notes to this table refer to page 31. nm = not meaningful

Segment performance

	Quarter ended 31 March 2015											
	PBB			CPB			CIB				Non-	
	UK PBB	Ulster Bank	Total	Commercial Banking	Private Banking	Total		Central items (1)	CFG	RCR	statutory total	Reco ite Othe
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£r
Income statement												
Net interest income	1,143	133	1,276	546	128	674	202	62	553	(11)	2,756	-
Non-interest income	309	57	366	276	86	362	602	(130)	244	131	1,575	(15
Total income	1,452	190	1,642	822	214	1,036	804	(68)	797	120	4,331	(15
Direct expenses												
- staff costs	(225)	(60)	(285)	(129)	(76)	(205)	(180)	(574)	(289)	(25)	(1,558)	(55
- other costs**	(71)	(17)	(88)	(54)	(12)	(66)	(78)	(785)	(207)	(6)	(1,230)	(1,254
Indirect expenses	(450)	(63)	(513)	(225)	(98)	(323)	(540)	1,393	-	(17)	-	-
Restructuring costs												
- direct	-	-	-	-	-	-	(16)	(431)	(6)	-	(453)	453
- indirect	(30)	1	(29)	(1)	1	-	(275)	304	-	-	-	-
Litigation and conduct costs	(354)	-	(354)	-	(2)	(2)	(500)	-	-	-	(856)	856
Operating expenses	(1,130)	(139)	(1,269)	(409)	(187)	(596)	(1,589)	(93)	(502)	(48)	(4,097)	-
Profit/(loss) before impairment losses	322	51	373	413	27	440	(785)	(161)	295	72	234	(15
Impairment releases/(losses)	26	-	26	(1)	1	-	44	(50)	(38)	109	91	-
Operating profit/(loss)	348	51	399	412	28	440	(741)	(211)	257	181	325	(15

Additional information												
Return on equity (3)	15.4%	6.2%	12.3%	11.9%	4.4%	10.9%	(17.1%)	nm	7.2%	nm	(4.1%)	[illegible]
Cost:income ratio	78%	73%	77%	50%	87%	58%	198%	nm	63%	nm	95%	[illegible]
Total assets (£bn)	134.6	26.6	161.2	93.3	17.9	111.2	623.8	93.8	91.8	22.8	1,104.6	[illegible]
Funded assets (£bn) (4)	134.6	26.5	161.1	93.3	17.8	111.1	248.4	90.6	91.3	11.1	713.6	[illegible]
Risk-weighted assets (£bn)	42.6	22.4	65.0	65.5	10.2	75.7	102.8	15.9	72.0	17.2	348.6	[illegible]
RWA equivalent (£bn) (5)	46.4	21.5	67.9	71.0	10.2	81.2	105.1	16.2	72.2	21.7	364.3	[illegible]
Employee numbers (FTEs - thousands)	25.1	4.3	29.4	6.2	2.8	9.0	3.5	49.2	17.5	0.6	109.2	[illegible]

*Operating profit/(loss) for the segments is presented before certain reconciling items, namely own credit adjustments, gain on redemption of own debt, strategic disposals, RFS Holdings minority interest and Citizens (‘non-statutory’). The following adjustments are reallocations within segment operating profit/(loss): restructuring costs and litigation and conduct costs. These excluded or reallocated costs for the period presented reflect the following; non-interest income - £135 million loss on strategic disposals and gain on own credit adjustment of £120 million; staff costs - reallocation of £55 million loss from restructuring costs; and other costs – reallocation of £398 million loss from restructuring costs and £856 million from litigation and conduct costs.

** Other costs include the following: premises and equipment of £419 million, other administrative expenses of £1,339 million and depreciation and amortisation of £512 million.

For the notes to this table refer to page 31. nm = not meaningful

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Segment performance

	Quarter ended 30 June 2014											
	PBB			CPB			CIB				Non-	
		Ulster		Commercial	Private			Central			statutory	Recon item
	UK PBB	Bank	Total	Banking	Banking	Total		items (1)	CFG	RCR	total	Other*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement												
Net interest income	1,152	169	1,321	511	174	685	186	100	499	7	2,798	-
Non-interest income	347	42	389	287	98	385	890	44	391	28	2,127	(178)
Total income	1,499	211	1,710	798	272	1,070	1,076	144	890	35	4,925	(178)
Direct expenses												
- staff costs	(235)	(62)	(297)	(133)	(75)	(208)	(217)	(659)	(261)	(51)	(1,693)	(152)
- other costs**	(95)	(18)	(113)	(60)	(14)	(74)	(140)	(779)	(252)	(14)	(1,372)	(613)
Indirect expenses	(446)	(63)	(509)	(189)	(109)	(298)	(587)	1,426	-	(32)	-	-
Restructuring costs												
- direct	(6)	8	2	(40)	(2)	(42)	(9)	(267)	(69)	-	(385)	385
- indirect	(23)	(20)	(43)	(21)	(1)	(22)	(143)	208	-	-	-	-
Litigation and conduct costs	(150)	-	(150)	(50)	-	(50)	(50)	-	-	-	(250)	250
Operating expenses	(955)	(155)	(1,110)	(493)	(201)	(694)	(1,146)	(71)	(582)	(97)	(3,700)	(130)
Profit/(loss) before impairment losses	544	56	600	305	71	376	(70)	73	308	(62)	1,225	(308)
Impairment (losses)/releases	(60)	(10)	(70)	9	(1)	8	45	13	(31)	128	93	-
Operating profit/(loss)	484	46	530	314	70	384	(25)	86	277	66	1,318	(308)

Additional information															
Return on equity (3)	21.6%	4.9%	15.8%		9.3%	12.3%	9.7%		(1.5%)	nm	9.0%	nm	2.2%	-	
Cost:income ratio	64%	73%	65%		62%	74%	65%		107%	nm	65%	nm	75%	-	
Total assets (£bn)	133.6	26.7	160.3		88.6	20.8	109.4		537.6	93.3	76.1	34.4	1011.1	-	
Funded assets (£bn) (4)	133.6	26.6	160.2		88.6	20.8	109.4		278.7	91.3	75.7	20.9	736.2	-	
Risk-weighted assets (£bn)	47	27.7	74.7		63	11.8	74.8		127.8	19	60.7	35.1	392.1	-	
RWA equivalent (£bn) (5)	48.8	23	71.8		69.2	11.8	81		129.8	19.3	60.7	43.5	406.1	-	
Employee numbers (FTEs - thousands)	25.1	4.5	29.6		7.1	3.4	10.5		4.3	50.6	17.7	0.9	113.6	-	(

*Operating profit/(loss) for the segments is presented before certain reconciling items, namely own credit adjustments, gain on redemption of own debt, write-down of goodwill, strategic disposals, RFS Holdings minority interest and Citizens ('non-statutory'). The following adjustments are reallocations within segment operating profit/(loss): restructuring costs and litigation and conduct costs. These excluded or reallocated costs for the period presented reflect the following; non-interest income - £12 million gain on RFS Holdings minority interest and a loss on own credit adjustment of £190 million; staff costs - reallocation of £153 million loss from restructuring costs and gain on RFS Holdings minority interest of £1 million; and other costs – reallocation of £232 million loss from restructuring costs £250 million loss from litigation and conduct costs, £1 million loss on RFS Holdings minority interest and £130 million loss on write down of goodwill and other intangible assets.

** Other costs include the following: premises and equipment of £546 million, other administrative expenses of £780 million, depreciation and amortisation of £237 million and write-down of goodwill and other intangible assets of £130 million.

Notes:

(1) Central items include unallocated transactions, principally Treasury AFS portfolio sales of £69 million loss in H1 2015 (H1 2014 - £215 million gain; Q2 2015 - £42 million loss; Q1 2015 - £27 million loss; Q2 2014 - £13 million gain) and profit and loss on hedges that do not qualify for hedge accounting.
(2) Excluding restructuring costs and litigation and conduct costs.
(3) Segmental return on equity based on operating profit after tax adjusted for preference share dividends divided by average notional equity (based on 13% of the monthly average RWA equivalents (RWAe)).
(4) Total assets excluding derivatives.
(5) RWAe is an internal metric based on target CET 1 ratio of 13%, for all segments except RCR, set at 10% at creation. RWAe converts performing and non-performing exposures into a consistent capital measure comprising RWAs and capital deductions.