

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
November 06, 2009

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Report of Foreign Private Issuer

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

For November 6, 2009

Commission File Number: 001-10306

The Royal Bank of Scotland Group plc

RBS, Gogarburn, PO Box 1000
Edinburgh EH12 1HQ

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

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-

The following information was issued as Company announcements in London, England and is furnished pursuant to General Instruction B to the General Instructions to Form 6-K:

Condensed consolidated balance sheet**at 30 September 2009 - pro forma (unaudited)**

	30		31
	September	30 June	December
	2009	2009	2008
	£m	£m	£m
Assets			
Cash and balances at central banks	36,567	34,302	11,830
Net loans and advances to banks	60,274	48,624	70,728
Reverse repurchase agreements and stock borrowing	37,190	35,076	58,771
Loans and advances to banks	97,464	83,700	129,499
Net loans and advances to customers	587,996	593,277	691,976
Reverse repurchase agreements and stock borrowing	43,463	47,485	39,289
Loans and advances to customers	631,459	640,762	731,265
Debt securities	251,281	229,059	253,159
Equity shares	16,830	14,220	22,198
Settlement balances	28,634	23,244	17,812
Derivatives	552,466	555,890	991,495
Intangible assets	15,339	15,117	16,415
Property, plant and equipment	18,208	16,292	17,181
Deferred taxation	7,667	7,573	5,786
Prepayments, accrued income and other assets	19,664	20,620	21,573
Assets of disposal groups	4,737	3,666	480
Total assets	1,680,316	1,644,445	2,218,693
Liabilities			
Bank deposits	138,584	135,601	178,943
Repurchase agreements and stock lending	39,816	44,142	83,666
Deposits by banks	178,400	179,743	262,609
Customer deposits	423,769	415,267	460,318
Repurchase agreements and stock lending	69,465	75,015	58,143
Customer accounts	493,234	490,282	518,461
Debt securities in issue	266,213	248,710	269,458
Settlement balances and short positions	71,891	60,282	54,264
Derivatives	537,522	534,632	969,409
Accruals, deferred income and other liabilities	20,754	21,543	24,140
Retirement benefit liabilities	1,410	1,363	1,564
Deferred taxation	3,275	3,344	3,177
Insurance liabilities	7,480	7,186	7,480
Subordinated liabilities	33,085	32,106	43,678
Liabilities of disposal groups	8,201	7,465	138
Total liabilities	1,621,465	1,586,656	2,154,378

Equity:

Minority interests	2,185	2,123	5,436
Owners' equity*	56,666	55,666	58,879
Total equity	58,851	57,789	64,315
Total liabilities and equity	1,680,316	1,644,445	2,218,693

*Owners' equity attributable to:

Ordinary shareholders	48,820	47,820	45,525
Other equity owners	7,846	7,846	13,354
	56,666	55,666	58,879

Commentary on condensed consolidated balance sheet - pro forma

Total assets of £1,680.3 billion at 30 September 2009 were up £35.9 billion, 2%, compared with 30 June 2009, primarily due to exchange rate movements following the weakening of sterling since June.

Loans and advances to banks increased by £13.8 billion, 16%, to £97.5 billion reflecting higher reverse repurchase agreements and stock borrowing ("reverse repos"), up by £2.1 billion, 6% to £37.2 billion, and growth in bank placings, up by £11.7 billion, 24%, to £60.3 billion as a result of increased wholesale lending.

Loans and advances to customers were down £9.3 billion, 1%, at £631.5 billion. Within this, reverse repos decreased by 8%, £4.0 billion to £43.5 billion. Excluding reverse repos, customer lending declined by £5.3 billion, 1% to £588.0 billion or £3.9 billion, 1% before impairment provisions. This reflected reductions in Global Banking & Markets of £11.0 billion, Non-Core, £9.5 billion, US Retail & Commercial, £2.2 billion, and Ulster Bank, £0.8 billion, partially offset by growth in Retail, £3.8 billion, UK Corporate & Commercial, £1.3 billion, Wealth, £1.0 billion, and GTS, £0.7 billion, together with the effect of exchange rate movements, £12.5 billion.

Debt securities were up £22.2 billion, 10%, to £251.3 billion and equity shares rose by £2.6 billion, 18%, to £16.8 billion, principally due to increased holdings in Global Banking & Markets and Group Treasury, in part reflecting a £6.0 billion growth in the gilt liquidity portfolio.

Settlement balances rose by £5.4 billion, 23% to £28.6 billion as a result of increased customer activity.

Deposits by banks declined by £1.3 billion, 1% to £178.4 billion. This reflected decreased repurchase agreements and stock lending ("repos"), down £4.3 billion, 10% to £39.8 billion partially offset by increased inter-bank deposits, up £3.0 billion, 2%, to £138.6 billion.

Customer accounts were up £3.0 billion, 1% to £493.2 billion. Within this, repos declined £5.6 billion, 7% to £69.5 billion. Excluding repos, deposits increased by £8.5 billion, 2%, to £423.8 billion, with reductions in Global Banking & Markets, down £9.0 billion, more than offset by growth across all other divisions, up £11.1 billion, and the effect of exchange rate movements, £6.4 billion.

Debt securities in issue increased £17.5 billion, 7%, to £266.2 billion mainly as a result of growth in Global Banking & Markets and Group Treasury, partly to fund the growth in the gilt liquidity portfolio, together with the effect of movements in exchange rates.

Settlement balances and short positions were up £11.6 billion, 19%, to £71.9 billion reflecting increased customer activity.

Subordinated liabilities rose by £1.0 billion, 3%, to £33.1 billion, with the redemption of £0.9 billion undated loan capital more than offset by the effect of exchange rate movements and other adjustments, £1.9 billion.

Owners' equity increased by £1.0 billion, 2% to £56.7 billion. Reductions in available-for-sale reserve losses of £2.1 billion, net of tax, and exchange rate movements of £0.6 billion were offset in part by the £1.5 billion attributable loss for the period and the payment of other owners dividends of £0.2 billion.

Notes to pro forma results

1. Basis of preparation

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

Group operating profit on a pro forma basis excludes:

- amortisation of purchased intangible assets;
- write-down of goodwill and other intangible assets;
- integration and restructuring costs;
- gain on redemption of own debt; and
- gain on sale of strategic investments.

2. Taxation

The credit for taxation differs from the tax credit computed by applying the standard UK corporation tax rate of 28% (2008 - 28.5%) as follows:

	Quarter ended			Nine months ended	
	30 September	30 June	30 September	30 September	30 September
	2009 £m	2009 £m	2008 £m	2009 £m	2008 £m
(Loss)/profit before tax	(2,077)	59	1,903	(2,062)	1,177

Expected tax (credit)/charge at 28%

(2008 - 28.5%)	(582)	16	542	(578)	335
Unrecognised timing differences	(223)	(73)	84	(207)	88
Other non-deductible items	35	38	41	108	203
Non-taxable items:					
- Gain on redemption of own debt	-	(692)	-	(692)	-
- Other	(27)	(93)	(34)	(203)	(259)
Taxable foreign exchange movements	9	(23)	9	(14)	16
Foreign profits taxed at other rates	126	(18)	87	173	65
Losses/(gains) in year not recognised	83	181	(5)	267	35
Other	(6)	(25)	-	(29)	-
Adjustments in respect of prior periods	9	49	-	187	(62)
Actual tax (credit)/charge	(576)	(640)	724	(988)	421

The Group has recognised a deferred tax asset at 30 September 2009 of £7,667 million (30 June 2009 - £7,573 million; 31 December 2008 - £5,786 million), of which £6,032 million (30 June 2009 - £5,639 million; 31 December 2008 - £4,706 million) relates to carried forward trading losses in the UK. Under the HM Revenue & Customs rules, these UK losses can be carried forward indefinitely to be utilised against profits arising in the future. The Group has considered the carrying value of this asset as at 30 September and concluded that it is recoverable based on the base case future profit projection.

Notes to pro forma results

3. Loan impairment provisions

Operating (loss)/profit is stated after charging loan impairment losses for 3Q09 of £3,262 million (2Q09 - £4,520 million; 3Q08 - £1,023 million; YTD09 - £10,058 million; YTD08 - £2,429 million). The balance sheet loan impairment provisions increased in the three months ended 30 September 2009 from £13,773 million to £

15,124 million, and the movements thereon were:

	30 September 2009			30 June 2009	31 December 2008
	Core £m	Non-Core £m	Total £m	£m	£m
At beginning of period	5,575	8,198	13,773	9,451	4,956
Transfers to disposal groups	-	(312)	(312)	-	-

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Currency translation and other adjustments	283	(206)	77	(505)	1,023
Disposals	-	-	-	-	(178)
Amounts written-off	(438)	(1,252)	(1,690)	(1,932)	(2,897)
Recoveries of amounts previously written-off	53	61	114	140	261
Charge to income statement	1,107	2,155	3,262	6,796	6,478
Unwind of discount	(17)	(83)	(100)	(177)	(192)
	6,563	8,561	15,124	13,773	9,451

Provisions at 30 September 2009 include £151 million (30 June 2009 - £126 million; 31 December 2008 - £127 million) in respect of loans and advances to banks.

4. Strategic disposals

	Quarter ended		Nine months ended
	30	30	30
	September	June	September
	2009	2009	2008