

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
July 21, 2014

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 July 21, 2014

Commission File Number: 001-10306

The Royal Bank of Scotland Group plc

RBS, Gogarburn, PO Box 1000
Edinburgh EH12 1HQ

(Address of principal executive offices)

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

Form 20-F X

Form 40-F ___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ___

No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

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

Restatement Document
Q2 2014

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Forward-looking statements

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include the words 'expect', 'estimate', 'project', 'anticipate', 'believes', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'target', 'goal', 'objective', 'will', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions. 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 Royal Bank of Scotland Group plc ("RBS")

Divisional Reorganisation and Reporting Changes

This announcement provides further details of the changes to the RBS structure announced in February 2014 and includes restated financial results for the year ended 31 December 2013 on the basis of the new segments. To aid comparison of RBS's second quarter 2014 results with prior periods, restated financial information for the periods ended 31 March 2014 and 30 June 2013 is also contained within.

While these restatements affect the segmental results, they do not affect RBS's overall statutory income statement, balance sheet, other primary statements or regulatory capital measures.

Divisional Reorganisation

Organisational change

On 27 February 2014, RBS announced a refreshed strategic direction with the ambition of building a bank which earns its customers' trust by serving them better than any other bank.

Business structure

RBS is now structured to deliver this ambition by organising itself around the needs of its customers, so as to combine customer groups with similar needs into franchises able to deliver co-ordinated services.

The reorganised bank will be a UK-focused retail and corporate bank with an international footprint to drive its corporate business. The previously reported operating divisions are now realigned into three franchises:

- Personal & Business Banking (PBB) serves individual and mass affluent customers together with small businesses (generally up to £2 million turnover), with more business bankers moving back into branches. PBB comprises two reportable segments, UK Personal & Business Banking, including Williams & Glyn, (UK PBB) and Ulster Bank.
- Commercial & Private Banking (CPB) serves commercial and mid-corporate customers and high net worth individuals, deepening relationships with commercial clients, operating overseas through its market-leading trade and foreign exchange services, while connecting our private banking brands more effectively to successful business owners and entrepreneurs. CPB comprises two reportable segments, Commercial Banking and Private Banking.

- Corporate & Institutional Banking (CIB) serves our corporate and institutional clients primarily in the UK and Western Europe, as well as those US and Asian multinationals with substantial trade and investment links in the region, with debt financing, risk management and trade services, focusing on core product capabilities that are of most relevance to our clients. CIB is a single reportable segment.

In addition to the segments noted above, RBS will continue to manage and report Citizens Financial Group (CFG) and RBS Capital Resolution (RCR) separately until disposal or wind-down. Residual unallocated costs will continue to be reported within Central items.

RBS's first quarter 2014 results announcement provided details of transfers between Non-Core, the divisions and RCR which were effective 1 January 2014; no restatements were made in respect of these transfers. The realignment of previously reported operating divisions into three franchises does not impact RCR.

In the new reporting structure, US Retail & Commercial (US R&C) is now referred to as CFG and Wealth is now referred to as Private Banking.

The Royal Bank of Scotland Group plc ("RBS")

Reporting Changes

In order to present a more complete picture of funding, operational and business costs of the franchises and operating segments, the following reporting changes have been implemented:

One-off and other items

To improve the transparency of the operating performance of the reporting segments, a number of previously centrally reported items (Payment Protection Insurance costs, Interest Rate Hedging Products redress and related costs, regulatory and legal actions, Restructuring costs, amortisation of purchased intangible assets and bank levy) have now been allocated to the reporting segments. Only the following one-off and other items will be now reported as central items:

- Own credit adjustments
- Gain/(loss) on redemption of own debt
- Write-down of goodwill
- Strategic disposals
- RFS Holdings minority interest

Revised allocation of costs

As part of its internal reorganisation, RBS has centralised all services and functions. The costs relating to Services and Functions previously reported as direct expenses in the divisions are now reallocated to businesses using appropriate drivers and reported as indirect expenses in the segmental income statements.

The costs and drivers of functions and services will be discussed in RBS's second quarter 2014 results announcement.

Treasury allocations

The basis of allocation of Treasury costs has been amended to align the recovery of funding and hedging costs across RBS and for the transfer of certain assets and their associated costs out of Treasury.

Revised segmental return on equity

For the purposes of computing segmental return on equity, notional equity is calculated as a percentage of the monthly average of segmental risk-weighted assets (RWAs). Previously, notional equity was allocated at 10% of RWAs after capital deductions (RWAE). This has been revised to 12% of RWAs across all businesses.

Interim results 2014

RBS's results for the first half of 2014 will be announced on Friday 1 August 2014. These results will be reported on the new structure and reporting basis as described above.

In conjunction with this Q2 Restatement Document, a financial supplement showing restated financial information for the last nine quarters will be available at www.investors.rbs.com/restatement.

For further information please contact:

Richard O'Connor
Head of Investor Relations
+ 44 (0)20 7672 1758

Group Media Centre
+44 (0) 131 523 4205

Document roadmap

Pages 4 to 11 show the income statements, key metrics and balance sheets for the new customer franchises. These reflect the re-presentation of certain one-off and other items that were previously reported below operating profit and the impact of changes to the allocation of costs from Services and Functions.

Appendix 1 shows the adjustments to the consolidated income statement as previously reported to the new restated basis. This reflects the re-presentation of one-off and other items, including Restructuring costs and Litigation and conduct costs that were previously reported below operating profit. As discussed under 'Reporting Changes' on page 2, only a limited number of items are now shown below operating profit.

Operating results on a statutory basis are not affected by the changes described in this document. Reconciliations between the revised basis and the statutory basis are included on pages 13 to 16.

Appendix 2 summarises the performance of each of the new reportable segments and shows how the previously reported divisions have been allocated to the new reportable segments. These tables include more detailed key metrics (ROE, cost:income ratio) and balance sheet items.

Appendix 3 shows the adjustments to the previously reported divisional results to the new restated basis and shows how these divisions have been allocated to the new reportable segments. These tables include more detailed key metrics (cost:income ratio) and balance sheet items.

Customer franchises

Total RBS

PBB

Quarter ended 31 March 2014

CPB

CIB

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	Ulster			Commercial Private			Central				Total
	UK			Banking	Banking	Total	items				RBS
PBB	Bank	Total	(1)				CFG	RCR	RBS		
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement (2)											
Net interest income	1,124	154	1,278	488	170	658	179	103	488	(8)	2,698
Non-interest income	339	47	386	282	103	385	1,172	102	229	81	2,355
Total income	1,463	201	1,664	770	273	1,043	1,351	205	717	73	5,053
Direct expenses											
- staff	(225)	(63)	(288)	(133)	(80)	(213)	(272)	(585)	(251)	(38)	(1,647)
- other	(130)	(17)	(147)	(63)	(18)	(81)	(113)	(1,024)	(249)	(18)	(1,632)
Indirect expenses	(520)	(63)	(583)	(212)	(101)	(313)	(588)	1,507	-	(23)	-
Restructuring costs											
- direct	-	-	-	-	-	-	(15)	(114)	-	-	(129)
- indirect	10	(2)	8	(1)	-	(1)	(24)	17	-	-	-
Total expenses	(865)	(145)	(1,010)	(409)	(199)	(608)	(1,012)	(199)	(500)	(79)	(3,408)
Operating profit/(loss) before impairment losses											
Impairment (losses)/recoveries	598	56	654	361	74	435	339	6	217	(6)	1,645
Operating profit/(loss)	(88)	(47)	(135)	(40)	1	(39)	(6)	(1)	(73)	(108)	(362)
Operating profit/(loss)	510	9	519	321	75	396	333	5	144	(114)	1,283