

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
September 28, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

28 September 2007

The Royal Bank of Scotland Group plc

Gogarburn
PO Box 1000
Edinburgh EH12 1HQ
Scotland
United Kingdom

(Address of principal executive offices)

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

Form 20-F

Form 40-F

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

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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

Yes

No

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

THE ROYAL BANK OF SCOTLAND plc

RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2007

The Royal Bank of Scotland plc (the 'Royal Bank' or the 'Group') is a wholly-owned subsidiary of The Royal Bank of Scotland Group plc.

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THE ROYAL BANK OF SCOTLAND plc

FINANCIAL REVIEW

Operating profit before tax

Operating profit before tax increased by 16% from £4,075 million to £4,721 million reflecting strong organic growth in Corporate Markets, Wealth Management and Ulster Bank.

Total income

The Group achieved strong growth in income during the first half of 2007. Total income was £11,421 million compared with £10,457 million, an increase of £964 million, 9%.

Net interest income increased by 3% to £5,250 million and represents 46% of total income (2006 – 49%).

Non-interest income increased by 15% to £6,171 million and represents 54% of total income (2006 – 51%).

Operating expenses increased by £327 million, 6% to £5,829 million.

Impairment losses fell 1% to £871 million, compared with £880 million in 2006.

Business transfers

Divisional results for the first half of 2006 have been restated to reflect transfers of businesses between divisions in the second half of 2006 and the first half of 2007. These changes are not material to the segmental disclosures and do not affect the Group's results.

Overview of consolidated balance sheet

Total assets of £987.8 billion at 30 June 2007 were up £139.6 billion, 16%, compared with 31 December 2006.

Treasury and other eligible bills increased by £2.5 billion, 46% to £8.0 billion, due to higher trading activity.

Loans and advances to banks increased by £9.4 billion, 12%, to £87.9 billion. Reverse repurchase agreements and stock borrowing ("reverse repos") increased by £10.5 billion, 19% to £64.7 billion, but were offset by a reduction in bank placings of £1.1 billion, 5%, to £23.2 billion.

Loans and advances to customers were up £35.7 billion, 8%, to £504.2 billion. Within this, reverse repos increased by 26%, £16.6 billion to £79.5 billion. Excluding reverse repos, lending rose by £19.1 billion, 5% to £424.7 billion reflecting organic growth across all divisions.

Debt securities increased by £14.8 billion, 12%, to £136.0 billion, principally due to increased holdings in Global Banking & Markets.

Settlement balances rose by £13.9 billion to £21.4 billion as a result of increased customer activity in Global Banking & Markets.

Movements in the value of derivatives, assets and liabilities, primarily reflect significant changes in interest rates since the year end and growth in trading volumes.

Prepayments, accrued income and other assets were down £1.2 billion, 20% to £4.8 billion.

Deposits by banks rose by £7.3 billion, 6% to £139.1 billion to fund business growth. This reflected increased repurchase agreements and stock lending ("repos"), up £5.0 billion, 6% to £81.4 billion combined with higher inter-bank deposits, up £2.3 billion, 4% at £57.7 billion.

Customer accounts were up £34.3 billion, 9% to £419.0 billion. Within this, repos increased £17.7 billion, 28% to £81.7 billion. Excluding repos, deposits rose by £16.6 billion, 5%, to £337.3 billion reflecting organic growth in all divisions.

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FINANCIAL REVIEW (continued)

Overview of consolidated balance sheet (continued)

Debt securities in issue increased by £9.3 billion, 11%, to £91.9 billion.

The increase in settlement balances and short positions, up £22.5 billion, 45%, to £72.0 billion reflected growth in customer activity.

Accruals, deferred income and other liabilities increased £0.4 billion, 3% to £11.9 billion.

Subordinated liabilities were down £0.6 billion, 2% to £27.2 billion. The issue of £1.0 billion dated loan capital was more than offset by the redemption of £0.3 billion dated and undated loan capital and £0.6 billion non-cumulative preference shares and the effect of exchange rates and other adjustments, £0.7 billion.

Deferred taxation liabilities decreased by £0.3 billion to £1.6 billion, due in part to the change in the UK corporation tax rate from 30% to 28% from 1 April 2008.

Shareholders' equity increased by £1.4 billion, 4% to £39.3 billion. The profit for the six months of £3.5 billion and the issue of £0.5 billion non-cumulative fixed rate equity preference shares were partially offset by the payment of the ordinary dividend of £2.0 billion and preference dividends of £0.2 billion, together with movements in currency translation and cash flow hedging reserves of £0.3 billion and £0.1 billion respectively.

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**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2007 (unaudited)**

| | First half 2007 | First half 2006 |
|---|----------------------------|--------------------|
| | £m | £m |
| Interest receivable | 13,254 | 11,745 |
| Interest payable | 8,004 | 6,643 |
| Net interest income | 5,250 | 5,102 |
| Fees and commissions receivable | 3,564 | 3,519 |
| Fees and commissions payable | (713) | (732) |
| Income from trading activities | 1,857 | 1,384 |
| Other operating income | 1,463 | 1,184 |
| Non-interest income | 6,171 | 5,355 |
| Total income | 11,421 | 10,457 |
| Staff costs | 3,279 | 3,008 |
| Premises and equipment | 736 | 655 |
| Other administrative expenses | 1,104 | 1,118 |
| Depreciation and amortisation | 710 | 721 |
| Operating expenses | 5,829 | 5,502 |
| Profit before impairment losses | 5,592 | 4,955 |
| Impairment losses | 871 | 880 |
| Operating profit before tax | 4,721 | 4,075 |
| Tax | 1,232 | 1,258 |
| Profit for the period | 3,489 | 2,817 |
| Minority interests | 28 | 21 |
| Preference dividends | 161 | 123 |
| Profit attributable to ordinary shareholders | 3,300 | 2,673 |

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**CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2007 (unaudited)**

| | 30 June 2007 £m | 31 December 2006 £m |
|---|--------------------------------|---------------------------|
| Assets | | |
| Cash and balances at central banks | 4,080 | 6,121 |
| Treasury and other eligible bills | 8,015 | 5,498 |
| Loans and advances to banks | 87,926 | 78,536 |
| Loans and advances to customers | 504,175 | 468,506 |
| Debt securities | 135,962 | 121,178 |
| Equity shares | 5,660 | 5,443 |
| Settlement balances | 21,372 | 7,425 |
| Derivatives | 183,350 | 116,723 |
| Intangible assets | 17,723 | 17,771 |
| Property, plant and equipment | 14,806 | 15,050 |
| Prepayments, accrued income and other assets | 4,764 | 5,976 |
| Total assets | 987,833 | 848,227 |
| Liabilities | | |
| Deposits by banks | 139,084 | 131,742 |
| Customer accounts | 419,015 | 384,720 |
| Debt securities in issue | 91,947 | 82,606 |
| Settlement balances and short positions | 71,969 | 49,476 |
| Derivatives | 183,471 | 118,113 |
| Accruals, deferred income and other liabilities | 11,930 | 11,563 |
| Retirement benefit liabilities | 1,969 | 1,971 |
| Deferred taxation | 1,572 | 1,918 |
| Subordinated liabilities | 27,213 | 27,786 |
| Total liabilities | 948,170 | 809,895 |
| Equity: | | |
| Minority interests | 357 | 396 |
| Shareholders' equity | | |
| Called up share capital | 5,482 | 5,482 |
| Reserves | 33,824 | 32,454 |
| Total equity | 39,663 | 38,332 |
| Total liabilities and equity | 987,833 | 848,227 |

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**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE HALF YEAR ENDED 30 JUNE 2007 (unaudited)**

| | First half 2007 | First half 2006 |
|---|----------------------------|--------------------|
| | £m | £m |
| Net movements in reserves: | | |
| Available-for-sale | (133) | (410) |
| Cash flow hedges | (126) | 148 |
| Currency translation | (227) | (661) |
| Tax on items recognised direct in equity | 39 | 86 |
| Net expense recognised direct in equity | (447) | (837) |
| Profit for the period | 3,489 | 2,817 |
| Total recognised income and expense for the period | 3,042 | 1,980 |
| Attributable to: | | |
| Equity shareholders | 3,024 | 1,976 |
| Minority interests | 18 | 4 |
| | 3,042 | 1,980 |

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 30 JUNE 2007 (unaudited)**

| | First half 2007 £m | First half 2006 £m |
|--|-----------------------------------|--------------------------|
| Operating activities | | |
| Operating profit before tax | 4,721 | 4,075 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 710 | 721 |
| Interest on subordinated liabilities | 730 | 533 |
| Charge for defined benefit pension schemes | 234 | 267 |
| Cash contribution to defined benefit pension schemes | (236) | (255) |
| Elimination of foreign exchange differences and other non-cash items | (2,327) | 1,133 |
| Net cash inflow from trading activities | 3,832 | 6,474 |
| Changes in operating assets and liabilities | 3,811 | (2,938) |
| Net cash flows from operating activities before tax | 7,643 | 3,536 |
| Income taxes paid | (1,012) | (931) |
| Net cash flows from operating activities | 6,631 | 2,605 |
| Investing activities | | |
| Sale and maturity of securities | 8,594 | 14,447 |
| Purchase of securities | (6,977) | (11,337) |
| Sale of property, plant and equipment | 2,010 | 806 |
| Purchase of property, plant and equipment | (1,964) | (1,770) |
| Net investment in business interests and intangible assets | (249) | (91) |
| Net cash flows from investing activities | 1,414 | 2,055 |
| Financing activities | | |
| Issue of equity preference shares | 475 | 360 |
| Issue of subordinated liabilities | 1,009 | 1,990 |
| Proceeds of minority interests issued | - | 10 |
| Redemption of minority interests | (33) | - |
| Repayment of subordinated liabilities | (877) | (962) |
| Dividends paid | (2,177) | (1,991) |
| Interest paid on subordinated liabilities | (689) | (553) |
| Net cash flows from financing activities | (2,292) | (1,146) |
| Effects of exchange rate changes on cash and cash equivalents | (356) | (1,386) |
| Net increase in cash and cash equivalents | 5,397 | 2,128 |
| Cash and cash equivalents at beginning of period | 70,147 | 52,685 |
| Cash and cash equivalents at end of period | 75,544 | 54,813 |

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NOTES (unaudited)

1. Basis of preparation

There have been no changes to the Group's principal accounting policies as set out on pages 13 to 19 of the 2006 Annual Report on Form 6-K (the "2006 Form 6-K"). These accounting policies have been consistently applied in the preparation of these interim consolidated financial statements. In the opinion of management, all normal and recurring adjustments considered necessary for a fair presentation of the Group's interim consolidated financial statements have been made.

These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2006 included in the 2006 Form 6-K. The balance sheet as at 31 December 2006 has been extracted from the audited financial statements included in the 2006 Form 6-K.

2. Recent accounting developments

The Group is considering the implications of the following International Financial Reporting Interpretations Committee ('IFRIC') interpretations issued during 2007:

- IFRIC 13 'Customer Loyalty Programmes' was issued in June 2007. The interpretation requires revenue to be allocated to loyalty award credits as part of a sales transaction. Revenue is recognised when the credits are redeemed or when the obligation for redemption is passed to a third party. The interpretation is effective for annual accounting periods beginning on or after 1 July 2008.
- IFRIC 14 'IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' was issued in July 2007. IFRIC 14 clarifies the circumstances in which refunds and contribution reductions for a defined benefit plan are available to an entity for the purpose of recognising a net benefit asset. It also covers the effect of a minimum funding requirement ('MFR') on the asset and when an MFR may result in an additional liability. The interpretation is effective for annual accounting periods beginning on or after 1 January 2008.

The International Accounting Standards Board revised International Accounting Standard 1 'Presentation of Financial Statements' ('IAS 1(R)') in September 2007. IAS 1(R) allows the statement of comprehensive income to be presented as a single statement or as an income statement followed by a statement of comprehensive income, requires disclosure of the tax effect on all items of comprehensive income and renames the primary financial statements. The standard applies to annual periods beginning on or after 1 January 2009.

The Group is reviewing the above interpretations and revised standard to determine their effect on its financial reporting.

3. Loan impairment provisions

Operating profit is stated after charging loan impairment losses of £851 million (first half 2006 - £882 million). The balance sheet loan impairment provisions increased in the half year ended 30 June 2007 from

£3,929 million to £4,062 million, and the movements thereon were:

| | First half 2007 £m | First half 2006 £m |
|--|-----------------------------------|--------------------------|
| At 1 January | 3,929 | 3,886 |
| Currency translation and other adjustments | (6) | (34) |
| Acquisitions | 7 | - |
| Amounts written-off | (762) | (736) |
| Recoveries of amounts previously written-off | 126 | 96 |
| Charge to the income statement | 851 | 882 |
| Unwind of discount | (83) | (63) |
| At 30 June | 4,062 | 4,031 |

The provision at 30 June 2007 includes provision against loans and advances to banks of £2 million (31 December 2006 - £2 million; 30 June 2006 - £3 million).

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NOTES (continued)**3. Loan impairment provisions (continued)**

| | First half 2007 | First half 2006 |
|--|----------------------------|--------------------|
| | £m | £m |
| Loans and receivables and finance leases | 851 | 882 |
| Available-for-sale securities | 20 | (2) |
| Impairment losses | 871 | 880 |

4. Taxation

The actual tax charge differs from the tax charge computed by applying the standard UK corporation tax rate of 30% as follows:

| | First half 2007 | First half 2006 |
|---|----------------------------|--------------------|
| | £m | £m |
| Operating profit before tax | 4,721 | 4,075 |
| Expected tax charge at 30% | 1,416 | 1,222 |
| Non-deductible items | 78 | 122 |
| Non-taxable items | (79) | (43) |
| Taxable foreign exchange movements | 3 | (13) |
| Reduction in deferred tax liability following change in the rate of UK Corporation Tax | (117) | - |
| Foreign profits taxed at other rates | 25 | 31 |
| Other | (6) | - |
| Adjustments in respect of prior periods | (88) | (61) |
| Actual tax charge | 1,232 | 1,258 |
| Overseas tax included above | | 560 606 |

5. Segmental analysis

The results of each division before amortisation of purchased intangible assets, integration costs and, where appropriate, allocation of Manufacturing costs ("Contribution") and after allocation of Manufacturing costs ("Operating profit before tax") are detailed on page 10. The Group continues to manage costs where they arise, with customer-facing divisions controlling their direct expenses whilst Manufacturing is responsible for shared costs. The Group does not allocate these shared costs between divisions in the day-to-day management of its businesses, and the way in which divisional results are presented reflects this. The results under the heading "Operating profit before tax" include an allocation of Manufacturing costs to the relevant customer-facing divisions on a basis the management considers reasonable.

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NOTES (continued)

5. Segmental analysis (continued)

The revenues for each division in the table below are gross of intra-group transactions.

| | First half 2007 | | | First half 2006 | | |
|---|-----------------|------------------------|-------------|----------------------------|----------------------------|-------------|
| | External £m | Inter Segment £m | Total £m | External £m | Inter Segment £m | Total £m |
| Total revenue | | | | | | |
| Global Banking & Markets | 6,443 | 4,298 | 10,741 | 5,236 | 3,121 | 8,357 |
| UK Corporate Banking | 3,455 | 15 | 3,470 | 2,771 | 13 | 2,784 |
| Retail | 5,462 | 814 | 6,276 | 5,084 | 722 | 5,806 |
| Wealth Management | 465 | 1,015 | 1,480 | 539 | 688 | 1,227 |
| Ulster Bank | 1,277 | 43 | 1,320 | 1,162 | 65 | 1,227 |
| Citizens | 2,824 | - | 2,824 | 2,896 | 1 | 2,897 |
| Manufacturing | 26 | - | 26 | 15 | (8) | 7 |
| Central items | 186 | 4,124 | 4,310 | 129 | 2,886 | 3,015 |
| Elimination of intra-group transactions | - | (10,309) | (10,309) | - | (7,488) | (7,488) |
| | 20,138 | - | 20,138 | 17,832 | - | 17,832 |
| | | | | First half 2007 | First half 2006 | |
| Operating profit before tax | | | | £m | £m | |
| Global Banking & Markets | | | | 2,117 | 1,776 | |
| UK Corporate Banking | | | | 981 | 879 | |
| Retail | | | | 1,132 | 1,067 | |
| Wealth Management | | | | 202 | 159 | |
| Ulster Bank | | | | 238 | 198 | |
| Citizens | | | | 752 | 812 | |
| Manufacturing | | | | - | - | |
| Central items | | | | (611) | (724) | |
| | | | | 4,811 | 4,167 | |
| Amortisation of purchased intangible assets | | | | (43) | (49) | |
| Integration costs | | | | (47) | (43) | |
| | | | | 4,721 | 4,075 | |
| | | | | First half 2007 | First half 2006 | |
| Contribution | | | | £m | £m | |

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| | | |
|---|----------------|---------|
| Global Banking & Markets | 2,188 | 1,846 |
| UK Corporate Banking | 1,195 | 1,088 |
| Retail | 1,918 | 1,834 |
| Wealth Management | 273 | 228 |
| Ulster Bank | 345 | 303 |
| Citizens | 752 | 812 |
| Manufacturing | (1,321) | (1,292) |
| Central items | (539) | (652) |
| | 4,811 | 4,167 |
| Amortisation of purchased intangible assets | (43) | (49) |
| Integration costs | (47) | (43) |
| Operating profit before tax | 4,721 | 4,075 |

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NOTES (continued)

5. Segmental analysis (continued)

Goodwill

| | Global Banking & Corporate Markets £m | UK Banking £m | Retail £m | Wealth Management £m | Ulster Bank £m | Citizens £m | Central items £m | Total £m |
|--|---|---------------------|--------------|----------------------------|----------------------|----------------|------------------------|---------------|
| At 1 January 2007 | 35 | 55 | 255 | 127 | 405 | 6,533 | 9,424 | 16,834 |
| Transfer of business | - | - | (50) | - | 50 | - | - | - |
| Currency translation and other adjustments | - | - | - | (4) | 1 | (132) | - | (135) |
| Additions | - | - | - | - | - | 68 | - | 68 |
| At 30 June 2007 | 35 | 55 | 205 | 123 | 456 | 6,469 | 9,424 | 16,767 |

6. Dividend

| | First half 2007 £m | First half 2006 £m |
|---|--------------------------|--------------------------|
| Ordinary dividend paid to holding company | 2,000 | 1,850 |

7. Litigation

Proceedings, including consolidated class actions on behalf of former Enron securities holders, have been brought in the United States against a large number of defendants, including the Group, following the collapse of Enron. The claims against the Group could be significant; the class plaintiff's position is that each defendant is responsible for an entire aggregate damage amount less settlements – they have not quantified claimed damages against the Group in particular. The Group considers that it has substantial and credible legal and factual defences to these claims and it continues to defend them vigorously. A number of other defendants have reached settlements in the principal class action. The Group is unable reliably to estimate the possible loss to it in relation to these matters or the effect that the possible loss might have on the Group's consolidated net assets or its operating results or cashflows in any particular period. In addition, pursuant to requests received from the US Securities and Exchange Commission and the Department of Justice, the Group has provided copies of Enron-related materials to these authorities and has co-operated fully with them.

On 27 July 2007, following discussions between the Office of Fair Trading ('OFT'), the Financial Ombudsman Service, the Financial Services Authority and all the

major UK banks (including the Group) in the first half of 2007, the OFT issued proceedings in a test case against the banks including the Group to determine the legal status and enforceability of certain charges relating to unauthorised overdrafts. The Group maintains that its charges are fair and enforceable and intends to defend its position vigorously. The Group cannot predict with any certainty the outcome of the test case and is unable reliably to estimate the liability, if any, that may arise or its effect on the Group's consolidated net assets, operating results or cash flows in any particular period.

Members of the Group are engaged in other litigation in the United Kingdom and a number of overseas jurisdictions, including the United States, involving claims by and against them arising in the ordinary course of business. The Group has reviewed these other actual, threatened and known potential claims and proceedings and, after consulting with its legal advisers, is satisfied that the outcome of these other claims and proceedings will not have a material adverse effect on its consolidated net assets, operating results or cash flows in any particular period.

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NOTES (continued)**8. Analysis of consolidated equity**

| | First half 2007 | First half 2006 | Full year 2006 (Audited) |
|--|----------------------------|--------------------|--------------------------------|
| | £m | £m | £m |
| Called-up share capital | | | |
| At beginning of period | 5,482 | 5,481 | 5,481 |
| Shares issued during the period | - | - | 1 |
| At end of period | 5,482 | 5,481 | 5,482 |
| Share premium account | | | |
| At beginning of period | 12,526 | 11,435 | 11,435 |
| Shares issued during the period | 475 | 360 | 1,091 |
| Redemption of preference shares classified as debt | - | 271 | - |
| At end of period | 13,001 | 12,066 | 12,526 |
| Merger reserve | | | |
| At beginning and end of period | 10,881 | 10,881 | 10,881 |
| Available-for-sale reserves | | | |
| At beginning of period | (65) | (198) | (198) |
| Currency translation adjustments | 6 | 28 | 25 |
| Unrealised (losses)/gains in the period | (28) | (334) | 340 |
| Realised gains in the period | (105) | (76) | (196) |
| Taxation | 63 | 146 | (36) |
| At end of period | (129) | (434) | (65) |
| Cash flow hedging reserve | | | |
| At beginning of period | (142) | 68 | 68 |
| Amount recognised in equity during the period | (26) | 207 | (108) |
| Amount transferred from equity to earnings in the period | (100) | (69) | (143) |
| Taxation | 24 | (60) | 41 |
| At end of period | (244) | 146 | (142) |
| Foreign exchange reserve | | | |
| At beginning of period | (833) | 469 | 469 |
| Retranslation of net assets, net of related hedges | (223) | (662) | (1,302) |
| At end of period | (1,056) | (193) | (833) |
| Retained earnings | | | |
| At beginning of period | 10,087 | 6,374 | 6,374 |
| Profit attributable to ordinary and equity preference shareholders | 3,461 | 2,796 | 5,876 |
| Ordinary dividends paid | (2,000) | (1,850) | (3,250) |
| Equity preference dividends paid | (161) | (123) | (252) |
| Redemption of preference shares classified as debt | - | (271) | - |

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| | | | |
|--|---------------|--------|--------|
| Actuarial (losses)/gains recognised in post-retirement benefit schemes, net of tax (1) | (48) | - | 1,259 |
| Share-based payments, net of tax | 32 | 20 | 80 |
| At end of period | 11,371 | 6,946 | 10,087 |
| Shareholders' equity at end of period | 39,306 | 34,893 | 37,936 |

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NOTES (continued)**8. Analysis of consolidated equity (continued)**

| | First half 2007 | First half 2006 | Full year 2006 (Audited) |
|--|----------------------------|--------------------|--------------------------------|
| | £m | £m | £m |
| Minority interests | | | |
| At beginning of period | 396 | 104 | 104 |
| Currency translation adjustments and other movements | (10) | (17) | (70) |
| Profit attributable to minority interests | 28 | 21 | 45 |
| Dividends paid | (16) | (18) | (29) |
| Equity raised | - | 10 | 427 |
| Equity withdrawn and disposals | (41) | - | (81) |
| At end of period | 357 | 100 | 396 |
| Total equity at end of period | 39,663 | 34,993 | 38,332 |

(1) The movement of £48 million in the first half of 2007 reflects the reduction in deferred tax asset on actuarial losses recognised in retirement benefit schemes following the change in the rate of UK Corporation Tax.

9. Contingent liabilities and commitments

| | 30 June 2007 |
|---|-------------------------|
| | £m |
| Contingent liabilities | |
| Guarantees and assets pledged as collateral security | 10,996 |
| Other contingent liabilities | 9,633 |
| Total | 20,629 |
| Commitments | |
| Undrawn formal standby facilities, credit lines and other commitments to lend | 262,076 |
| Other commitments | 2,932 |
| Total | 265,008 |

10. Significant differences between IFRS and US generally accepted accounting principles

The consolidated accounts of the Group have been prepared in accordance with IFRS issued and extant at 30 June 2007 which differ in certain significant respects from US generally accepted accounting principles ("US GAAP"). The significant differences which affect the Group are summarised below in two separate sections.

Section (i) covers ongoing significant differences between IFRS and US GAAP.

Section (ii) summarises those adjustments that, although the applicable IFRS and US GAAP standards are substantially the same, arise because their effective dates for the Group differ.

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NOTES (continued)

10. Significant differences between IFRS and US GAAP (continued)

| (i) | Ongoing GAAP differences |
|---|---|
| IFRS | US GAAP |
| (a) Acquisition accounting | |
| All integration costs relating to acquisitions are expensed as post-acquisition expenses. | Certain restructuring and exit costs incurred in the acquired business are treated as liabilities assumed on acquisition and taken into account in the calculation of goodwill. |
| On the acquisition of NatWest in 2000, the fair value of the pension scheme surplus was restricted to the amount expected to be realised through reduced contributions or refunds. | The full surplus was recognised as a fair value adjustment on acquisition. As a result goodwill recognised under US GAAP on the acquisition of NatWest was lower than under IFRS. |
| (b) Investment properties | |
| Investment properties are carried at fair value; changes in fair value are included in profit or loss. | Revaluations of property are not permitted. Depreciation is charged, and gains or losses on disposal are based on the depreciated cost. |
| (c) Leasehold property provisions | |
| Provisions are recognised on leasehold properties when there is a commitment to vacate the property. | Provisions are recognised on leasehold properties at the time the property is vacated. |
| (d) Loan origination | |
| Only costs that are incremental and directly attributable to the origination of a loan are deferred over the period of the related loan or facility. | Certain direct (but not necessarily incremental) costs are deferred and recognised over the period of the related loan or facility. |
| (e) Pension costs | |
| Pension scheme assets are measured at their fair value. Scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. Any surplus or deficit of scheme assets compared with liabilities is recognised in the balance sheet as an asset (surplus) or liability (deficit). An asset is only recognised to the extent that the surplus can be recovered through reduced contributions in the future or through refunds from the scheme. | For US GAAP reporting purposes, The Royal Bank of Scotland Group plc is the sponsor of the main scheme. However, as substantially all of participants in this scheme are employees or former employees of the Group, the plan has been accounted for by the Group as a single employer defined benefit plan in its US GAAP information. |

The current service cost and any past service costs together with the expected return on scheme assets less the unwinding of the discount on the scheme liabilities is charged to the income statement.

US GAAP requires similar measurement of pension assets and liabilities as IFRS. Any surplus or deficit is recognised on the balance sheet of the sponsor (and the Group, as discussed above) with effect from 31 December 2006 and changes in the funded status are recognised through comprehensive income. In the income statement of the sponsor (and the Group, as discussed above), a certain portion of actuarial gains and losses are deferred over the average remaining lives of active employees expected to receive benefits. Prior to 31 December 2006, an additional minimum liabilities was recognised in comprehensive income as the accumulated benefit obligation (the current value of accrued benefits without the allowance for future salary increases) exceeded the fair value of plan assets and a prepayment was recorded.

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NOTES (continued)

10. Significant differences between IFRS and US GAAP for the Group

(i) Ongoing GAAP differences (continued)

IFRS

US GAAP

(f) Sale and leaseback transactions

If a sale and leaseback transaction results in an operating lease and it is clear that the transaction is established at fair value, any profit is recognised immediately.

If a sale and leaseback transaction results in an operating lease, the seller recognises any profit on the sale in proportion to the related gross rental charged to expense over the lease term unless;

- (a) the seller relinquishes the right to substantially all the remaining use of the property sold in which case the sale and leaseback is accounted for as separate transactions; or
- (b) the seller retains more than a minor part but less than substantially all of the use of the property through the leaseback in which case the profit on sale in excess of the present value of minimum lease payments is recognised at the date of sale.

(g) Financial instruments

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities held for trading are measured at fair value with changes in fair value recognised in profit or loss. Financial assets and liabilities may also be designated on initial recognition as at fair value through profit or loss subject to certain conditions.

Trading securities and derivatives, certain hybrid financial instruments subject to a fair value election, and securities held by the Group's private equity business are carried at fair value with changes in fair value recognised in net income.

Debt securities classified as loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables except those that are classified as held-to-maturity, held-for-trading, available-for-sale or designated as at fair value through profit or loss. Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at adjusted cost using the effective interest method less any impairment losses. The Group has classified some debt securities as loans and receivables.

These debt securities are classified as available-for-sale securities with unrealised gains and losses reported in a separate component of equity, except when the unrealised loss is considered other than temporary in which case the loss is included in net income.

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NOTES (continued)

10. Significant differences between IFRS and US GAAP for the Group

(i) Ongoing GAAP differences (continued)

IFRS

US GAAP

(g) Financial instruments (continued)

Available-for-sale securities

Financial assets classified as available-for-sale may take any legal form.

Debt and equity securities having a readily determinable fair value are classified as available-for-sale. Such securities are measured at fair value with unrealised gains and losses reported in a separate component of equity.

Equity shares, the sale of which is restricted by contractual requirements (restricted stock) are carried at fair value.

Restricted stock are recorded at cost.

Loans classified as held-for-trading

Loans classified as held-for-trading are carried at fair value.

Collateralised loans arising from reverse repurchase and stock borrowing agreements and cash collateral given are measured at cost. Other held-for-trading loans are measured at the lower of cost and fair value except those held by the Group's broker-dealer and its affiliates which are recorded at fair value.

Foreign exchange gains and losses on monetary available-for-sale financial assets

For the purposes of recognising foreign exchange gains and losses, a monetary available-for-sale debt security is treated as if it were carried at amortised cost in the foreign currency. Accordingly, for such financial assets, exchange differences resulting from retranslating amortised cost are recognised in profit or loss.

Exchange differences are included with other unrealised gains and losses on available-for-sale securities and reported in a separate component of equity.

(h) Derivatives and hedging activities

Gains and losses arising from changes in fair value of a derivative are recognised as they arise in profit or loss unless the derivative is the hedging instrument in a qualifying hedge. The Group enters into three types of hedge relationship: hedges of changes in the fair value of a recognised asset or liability or firm commitment (fair value hedges); hedges of the variability in cash flows from a recognised asset or liability or a forecast

US GAAP principles are similar to IFRS. There are however differences in their detailed application. The Group has not recognised any hedge relationships for US GAAP purposes except hedges of net investments in overseas operations. All derivatives are measured at fair value with changes in fair value recognised in net income.

transaction (cash flow hedges); and hedges of the net investment in a foreign entity.

(i) Liabilities and equity

Certain preference shares issued by the company where distributions are not discretionary are classified as debt. Preference shares issued by the company are classified as equity, as they are perpetual and redeemable only at the option of the company.

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NOTES (continued)

10. Significant differences between IFRS and US GAAP for the Group

(i) Ongoing GAAP differences (continued)

(j) Consolidation

All entities controlled by the Group are consolidated including those special purpose entities (SPEs) where the substance of the relationship between the reporting entity and the SPE indicates that it is controlled by the Group.

US GAAP requires consolidation by the primary beneficiary of a variable interest entity (VIE). An enterprise is the primary beneficiary of a VIE if it will absorb the majority of the VIE's expected losses, receive a majority of expected residual returns, or both.

This GAAP difference has no effect on net income or shareholders' equity.

(k) Offset arrangements

A financial asset and a financial liability are offset and the net amount reported in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debit and credit balances with the same counterparty may be offset only where there is a legally enforceable right of set-off and the intention to settle on a net basis. However, fair value amounts for forward, interest rate swap, currency swap, option, and other conditional or exchange contracts executed with the same counterparty under a master netting agreement may be offset as may repurchase and reverse repurchase agreements that are executed under a master netting agreement with the same counterparty and have the same settlement date.

Arrangements such as master netting agreements do not generally provide a basis for offsetting.

This GAAP difference has no effect on net income or shareholders' equity.

(ii) Implementation timing differences

IFRS

US GAAP

(a) Properties occupied for own use

Prior to the implementation of IFRS, the Group annually revalued freehold and long leasehold property occupied for its own use. On transition to IFRS, as permitted by IFRS 1 valuations of these properties at 31 December 2003 were deemed to be their cost.

Revaluations of property are not permitted. Depreciation is charged, and gains or losses on disposal are based on depreciated cost.

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NOTES (continued)

10. Significant differences between IFRS and US GAAP for the Group (continued)

(ii) Implementation timing differences (continued)

(b) Intangible assets

Purchased goodwill

Purchased goodwill is recorded at cost less any accumulated impairment losses. Goodwill is tested annually (at 30 September) for impairment or more frequently if events or changes in circumstances indicate that it might be impaired.

US GAAP requires the same treatment of purchased goodwill. This was adopted by the Group from 1 July 2001. Prior to this goodwill was recognised as an asset and amortised over periods of up to 25 years. No amortisation was written back on this change of policy.

Goodwill arising on acquisitions after 1 October 1998 was capitalised and amortised over its estimated useful economic life. Goodwill arising on acquisitions before 1 October 1998 was deducted from equity. The carrying amount of goodwill in the Group's opening IFRS balance sheet was its carrying value under UK GAAP as at 31 December 2003.

There was no restatement of previous acquisitions in 1998.

Other intangibles

Until 2004 intangible assets acquired in a business combination were recognised separately from goodwill only if they were separable and reliably measurable. From 1 January 2004 intangible assets are recognised if they are separable or arise from contractual or other legal rights. All intangible assets are amortised over their useful economic lives.

For US GAAP purposes the Group recognised intangible assets separately from goodwill from 1 July 2001. This has resulted in the recognition of additional intangible assets and consequently a higher amortisation charge under US GAAP.

The Group implemented SFAS 155 'Accounting for Certain Hybrid Financial Instruments' with effect from 1 January 2007. The standard permits an irrevocable election on initial recognition to measure at fair value any hybrid financial instrument containing an embedded derivative that otherwise would require bifurcation under SFAS 133. The Group has elected to fair value certain instruments, principally structured notes, issued after 31 December 2006. In addition, the Group elected to fair value such instruments existing at 1 January 2007 resulting in a £75 million cumulative effect increase in retained earnings (comprising gains of £84m less losses of £9m).

The Group implemented FIN 48 'Accounting for Uncertainty in Income Taxes' on 1 January 2007. The effect was not material. The Group does not expect any material change in unrecognised tax benefits relating to uncertain tax positions as at 30 June 2007 within the next 12 months.

Recent developments in US GAAP

As discussed in the Annual Report on Form 20-F for the year ended 31 December 2006, the Group is evaluating the implications of SFAS 157 'Fair Value Measurements' and SFAS 159 'The Fair Value Option for Financial Assets and Financial Liabilities' on its US GAAP reporting.

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NOTES (continued)**10. Significant differences between IFRS and US GAAP for the Group (continued)****Selected figures in accordance with US GAAP**

The following tables summarise the significant adjustments to consolidated net income available for ordinary shareholders and shareholders' equity, which would result from the application of US GAAP instead of IFRS. Where applicable, the adjustments are stated gross of tax with the tax effect shown separately in total.

| Consolidated statement of income (unaudited) | First half 2007 £m | First half 2006 £m |
|--|-----------------------------------|--------------------------|
| Profit attributable to ordinary shareholders - IFRS | 3,300 | 2,673 |
| Investment properties | (231) | (63) |
| Leasehold property provisions | (10) | 7 |
| Loan origination | (22) | 65 |
| Pensions costs | (102) | (168) |
| Sale and leaseback transactions | (36) | (28) |
| Financial instruments | (154) | (46) |
| Derivatives and hedging | (235) | (398) |
| Liabilities and equity | 2 | 32 |
| Implementation timing differences | | |
| - properties occupied for own use | 9 | (5) |
| - intangible assets | (20) | (24) |
| | (11) | (29) |
| Other | 36 | 3 |
| Taxation | | |
| - change of rate of UK Corporation Tax* | (117) | - |
| - other | 219 | 197 |
| | 102 | 197 |
| Net income available for ordinary shareholders – US GAAP | 2,639 | 2,245 |

Income statement presentation under US GAAP does not differ significantly from IFRS except that under US GAAP impairment losses are included in total income.

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NOTES (continued)**10. Significant differences between IFRS and US GAAP for the Group (continued)**

| Consolidated shareholders' equity (unaudited) | 30 June 2007 £m | 31 December 2006 £m |
|--|--------------------------------|------------------------------|
| Shareholders' equity - IFRS | 39,306 | 37,936 |
| Acquisition accounting | | |
| - restructuring costs | 490 | 490 |
| - pension surplus | (1,555) | (1,555) |
| | (1,065) | (1,065) |
| Investment properties | (865) | (634) |
| Leasehold property provisions | 74 | 84 |
| Loan origination | 497 | 520 |
| Pensions costs | (168) | (168) |
| Sale and leaseback transactions | (114) | (82) |
| Financial instruments | (556) | (372) |
| Derivatives and hedging | (54) | 55 |
| Liabilities and equity | 1,509 | 1,528 |
| Implementation timing differences | | |
| - properties occupied for own use | (218) | (227) |
| - intangible assets | 1,786 | 1,809 |
| | 1,568 | 1,582 |
| Other | (33) | (34) |
| Taxation | | |
| - change of rate of UK Corporation Tax* | (63) | - |
| - other | 319 | 135 |
| | 256 | 135 |
| Shareholders' equity – US GAAP | 40,355 | 39,485 |

* IFRS requires tax rates changes to be recognised on substantive enactment of relevant legislation. The Group recognised a reduction in deferred tax liability to reflect a change in the rate of UK Corporation Tax with effect from 1 April 2008. Under US GAAP the effect of changes on tax rates are recognised only when the relevant legislation is enacted.

Total assets under US GAAP of £827.6 billion (31 December 2006 - £752.3 billion) primarily reflects the effect of certain arrangements that can be netted under US GAAP together with the effects of adjustments made to shareholders' equity.

11. Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 ("the Act"). The statutory accounts for the year ended 31 December 2006 have been filed with the Registrar of Companies and have been reported on by the auditors under section 235 of the Act. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of

the Act.

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SELECTED FINANCIAL DATA

The dollar financial information included below has been translated for convenience at the rate of £1.00 to US\$2.0063, the Noon Buying Rate on 29 June 2007 (the last business day of the period).

Summary consolidated income statement

| Amounts in accordance with IFRS | First half 2007 | | First half |
|--|------------------------|---------------|-------------------|
| | \$m | £m | 2006 |
| | | | £m |
| Net interest income | 10,533 | 5,250 | 5,102 |
| Non-interest income | 12,381 | 6,171 | 5,355 |
| Total income | 22,914 | 11,421 | 10,457 |
| Operating expenses | 11,695 | 5,829 | 5,502 |
| Profit before impairment losses | 11,219 | 5,592 | 4,955 |
| Impairment losses | 1,747 | 871 | 880 |
| Operating profit before tax | 9,472 | 4,721 | 4,075 |
| Tax | 2,472 | 1,232 | 1,258 |
| Profit for the period | 7,000 | 3,489 | 2,817 |
| Profit attributable to: | | | |
| Minority interests | 56 | 28 | 21 |
| Preference shareholders | 323 | 161 | 123 |
| Ordinary shareholders | 6,621 | 3,300 | 2,673 |
| | 7,000 | 3,489 | 2,817 |
| Ordinary dividends | 4,013 | 2,000 | 1,850 |
| Amounts in accordance with US GAAP | | | |
| Net income available for ordinary shareholders | 5,295 | 2,639 | 2,245 |

Summary consolidated balance sheet

| Amounts in accordance with IFRS | 30 June 2007 | | 31 December |
|--|---------------------|-----------|--------------------|
| | \$m | £m | 2006 |
| | | | £m |
| Loans and advances | 1,187,932 | 592,101 | 547,042 |
| Debt securities and equity shares | 284,136 | 141,622 | 126,621 |
| Derivatives and settlement balances | 410,734 | 204,722 | 124,148 |
| Other assets | 99,087 | 49,388 | 50,416 |
| Total assets | 1,981,889 | 987,833 | 848,227 |
| Shareholders' equity | 78,860 | 39,306 | 37,936 |
| Minority interests | 716 | 357 | 396 |
| Subordinated liabilities | 54,597 | 27,213 | 27,786 |
| Deposits | 1,119,714 | 558,099 | 516,462 |
| Derivatives, settlement balances and short positions | 512,489 | 255,440 | 167,589 |
| Other liabilities | 215,513 | 107,418 | 98,058 |
| Total liabilities and equity | 1,981,889 | 987,833 | 848,227 |

Amounts in accordance with US GAAP

| | | | |
|----------------------|------------------|---------|---------|
| Shareholders' equity | 80,964 | 40,355 | 39,485 |
| Total assets | 1,660,382 | 827,584 | 752,273 |

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SELECTED FINANCIAL DATA (continued)**Other financial data**

| | First half 2007 | First half 2006 |
|--|----------------------------|--------------------|
| Based upon IFRS | | |
| Return on average total assets - % | 0.72 | 0.68 |
| Return on average ordinary shareholders' equity - % | 20.2 | 17.9 |
| Average shareholders' equity as a percentage of average total assets - % | 4.2 | 4.4 |
| Ratio of earnings to fixed charges and preference dividends | | |
| - including interest on deposits | 1.55 | 1.58 |
| - excluding interest on deposits | 6.96 | 6.50 |
| Ratio of earnings to fixed charges only | | |
| - including interest on deposits | 1.58 | 1.61 |
| - excluding interest on deposits | 8.82 | 7.84 |
| Based upon US GAAP | | |
| Return on average total assets - % | 0.67 | 0.69 |
| Return on average ordinary shareholders' equity - % | 15.5 | 12.8 |
| Average shareholders' equity as a percentage of average total assets - % | 5.1 | 5.7 |
| Ratio of earnings to fixed charges and preference dividends | | |
| - including interest on deposits | 1.44 | 1.46 |
| - excluding interest on deposits | 5.32 | 4.82 |
| Ratio of earnings to fixed charges only | | |
| - including interest on deposits | 1.49 | 1.51 |
| - excluding interest on deposits | 7.55 | 6.79 |

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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', 'should', 'intend', 'plan', 'probability', 'risk', 'Value-at-Risk ("VaR")', 'target', 'goal', 'objective', 'will', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions and sections such as 'Financial review'.

In particular, this document includes forward-looking statements relating, but not limited, to the Group's potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. For example, certain of the market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: general economic conditions in the UK and in other countries in which the Group has significant business activities or investments, including the United States; the monetary and interest rate policies of the Bank of England, the Board of Governors of the Federal Reserve System and other G-7 central banks; inflation; deflation; unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices; changes in UK and foreign laws, regulations and taxes; changes in competition and pricing environments; natural and other disasters; the inability to hedge certain risks economically; the adequacy of loss reserves; acquisitions or restructurings; technological changes; changes in consumer spending and saving habits; and the success of the Group in managing the risks involved in the foregoing.

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

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

**The Royal Bank of Scotland Group plc
Registrant**

/s/ Guy Whittaker

Guy Whittaker
Group Finance Director
28 September 2007

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