ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
May 06, 2011

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 May 6, 2011

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):_________

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-________

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:

First Quarter 2011 Results

Contents

Contents (continued)

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', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'will', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited to: the Group's restructuring plans, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk weighted assets, return on equity (ROE), cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; the Group's future financial performance; the level and extent of future impairments and write-downs; the protection provided by the Asset Protection Scheme (APS); and the Group's potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates 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 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: the full nationalisation of the Group or other resolution procedures under the Banking Act 2009; the global economy and instability in the global financial markets, and their impact on the financial industry in general and on the Group in particular; the financial stability of other financial institutions, and the Group's counterparties and borrowers; the ability to complete restructurings on a timely basis, or at all, including the disposal of certain Non-Core assets and assets and businesses required as part of the EC State Aid restructuring plan; organisational restructuring; the ability to access sufficient funding to meet liquidity needs; the extent of future write-downs and impairment charges caused by depressed asset valuations; the inability to hedge certain risks economically; costs or exposures borne by the Group arising out of the origination or sale of mortgages or mortgage-backed securities in the United States; the value and effectiveness of any credit protection purchased by the Group; unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices and basis, volatility and correlation risks; changes in the credit ratings of the Group; ineffective management of capital or changes to capital adequacy or liquidity requirements; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; HM Treasury exercising influence over the operations of the Group; the ability of the Group to attract or retain senior management or other key employees; regulatory or legal changes (including those requiring any restructuring of the Group's operations) in the United Kingdom, the United States and other countries in which the Group operates or a change in United Kingdom Government policy; changes to regulatory requirements relating to capital and liquidity; changes to the monetary and interest rate policies of the Bank of England, the Board of Governors of the Federal Reserve System and other G7 central banks; impairments of goodwill; pension fund shortfalls; litigation and government and regulatory investigations; general operational risks; insurance claims; reputational risk; general geopolitical and economic conditions in the UK and in other countries in which the Group has significant business activities or investments, including the United States; the ability to achieve revenue benefits and cost savings from the integration of certain of RBS Holdings N.V.'s (formerly ABN AMRO Holding N.V.) businesses and assets; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; the recommendations made by the UK Independent Commission on Banking and their potential implications; the participation of the Group in the APS and the effect of the APS on the Group's financial and capital position; the ability to access the contingent capital arrangements with HM Treasury; the conversion of the B Shares in accordance with their terms; limitations on, or additional requirements imposed on, the Group's activities as a result of HM Treasury's investment in the Group; 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 announcement, and the Group does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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

Presentation of information

The financial information on pages 5 to 56, prepared using the Group's accounting policies, shows the underlying performance of the Group on a managed basis which excludes certain one-off and other items. This information is provided to give a better understanding of the results of the Group's operations. Group operating profit on this basis excludes:

- movements in the fair value of own debt;
- Asset Protection Scheme credit default swap - fair value changes;
- amortisation of purchased intangible assets;
- integration and restructuring costs;
- strategic disposals;
- bonus tax;
- write-down of goodwill and other intangible assets; and
- RFS Holdings minority interest (RFS MI).

Net interest margin

The basis of calculating the net interest margin (NIM) has been refined and now reflects the actual number of days in each quarter. Group and divisional NIMs for prior periods have been re-computed on the new basis.

Results summary

	Quarter ended		
	31 March 2011 £m	31 December 2010 £m	31 March 2010 £m
Core			
Total income (1)	7,547	7,138	8,206
Operating expenses (2)	(3,798)	(3,600)	(3,791)
Insurance net claims	(784)	(937)	(1,003)
Operating profit before impairment losses (3)	2,965	2,601	3,412
Impairment losses	(872)	(930)	(971)
Operating profit (3)	2,093	1,671	2,441
Non-Core			
Total income (1)	486	321	917
Operating expenses (2)	(323)	(481)	(639)
Insurance net claims	(128)	(245)	(133)

Operating profit/(loss) before impairment losses (3)	35	(405)	145
Impairment losses	(1,075)	(1,211)	(1,704)
Operating loss (3)	(1,040)	(1,616)	(1,559)
Total			
Total income (1)	8,033	7,459	9,123
Operating expenses (2)	(4,121)	(4,081)	(4,430)
Insurance net claims	(912)	(1,182)	(1,136)
Operating profit before impairment losses (3)	3,000	2,196	3,557
Impairment losses	(1,947)	(2,141)	(2,675)
Operating profit (3)	1,053	55	882
Fair value of own debt	(480)	582	(169)
Asset Protection Scheme credit default swap - fair value changes	(469)	(725)	(500)
Other items	(220)	80	(218)
Loss before tax	(116)	(8)	(5)
Memo: Profit before tax, pre APS	353	717	495

For definitions of the notes refer to page 7.

Results summary

	Quarter ended		
Key metrics	31 March 2011	31 December 2010	31 March 2010
Performance ratios			
Core			
- Net interest margin	2.26%	2.25%	2.15%
- Cost:income ratio (4)	56%	58%	53%
- Return on equity	15.1%	12.1%	17.1%
- Adjusted earnings per ordinary and B share from continuing operations	0.6p	0.4p	1.3p
- Adjusted earnings per ordinary and B share from continuing operations assuming a normalised tax rate of 26.5% (2010 - 28.0%)	1.4p	1.1p	1.5p
Non-Core			
- Net interest margin	0.90%	1.09%	1.27%
- Cost:income ratio (4)	90%	633%	82%
Group			
- Net interest margin	2.03%	2.02%	1.95%
- Cost:income ratio (4)	58%	65%	55%
Continuing operations			
- Basic loss per ordinary and B share (5)	(0.5p)	-	(0.2p)

For definitions of the notes refer to page 7.

Results summary

	31 March 2011	31 December 2010	Change	31 March 2010(12)	Change
Capital and balance sheet					
Total assets	£1,413bn	£1,454bn	(3%)	£1,583bn	(11%)
Funded balance sheet (6)	£1,052bn	£1,026bn	3%	£1,121bn	(6%)
Loan:deposit ratio - Core (7)	96%	96%	-	102%	(600bp)
Loan:deposit ratio - Group (7)	115%	117%	(200bp)	131%	(1,600bp)
Risk-weighted assets - gross	£538bn	£571bn	(6%)	£586bn	(8%)
Benefit of Asset Protection Scheme (APS)	(£98bn)	(£106bn)	(7%)	(£125bn)	(21%)
Risk-weighted assets - net of APS	£440bn	£465bn	(6%)	£461bn	(5%)
Total equity	£76bn	£77bn	(1%)	£81bn	(6%)
Core Tier 1 ratio*	11.2%	10.7%	50bp	10.6%	60bp
Tier 1 ratio	13.5%	12.9%	60bp	13.7%	(20bp)
Risk elements in lending (REIL)	£41bn	£39bn	5%	£37bn	11%
REIL as a % of gross loans and advances(8)	7.9%	7.3%	60bp	6.3%	160bp
Provision balance as % of REIL and potential problem loans (PPL)	46%	46%	-	45%	100bp
Tier 1 leverage ratio (9)	17.4x	16.8x	4%	17.6x	(1%)
Tangible equity leverage ratio (10)	5.3%	5.5%	(20bp)	5.1%	20bp
Tangible equity per ordinary and B share(11)	50.1p	51.1p	(2%)	51.5p	(3%)

* Benefit of APS in Core Tier 1 ratio is 1.3% at 31 March 2011 (31 December 2010 - 1.2%; 31 March 2010 - 1.4%).

Notes:
(1) Excluding movements in the fair value of own debt, Asset Protection Scheme credit default swap - fair value changes, strategic disposals and RFS Holdings minority interest.
(2) Excluding amortisation of purchased intangible assets, integration and restructuring costs, bonus tax, write-down of goodwill and other intangible assets and RFS Holdings minority interest.
(3) Operating profit/(loss) before tax, movements in the fair value of own debt, Asset Protection Scheme credit default swap - fair value changes, amortisation of purchased intangible assets, integration and restructuring costs, strategic disposals, bonus tax, write-down of goodwill and other intangible assets and RFS Holdings minority interest.
(4) Cost:income ratio is based on total income and operating expenses as defined in (1) and (2) above and after netting insurance claims against income.
(5) (Loss)/profit from continuing operations attributable to ordinary and B shareholders divided by weighted average number of ordinary and B shares in issue. Refer to page 72.
(6) Funded balance sheet represents total assets less derivatives.
(7) Net of provisions.
(8) Gross loans and advances to customers including disposal groups, excluding reverse repurchase agreements (reverse repos).

(9) Tier 1 leverage ratio is total tangible assets (after netting derivatives) divided by Tier 1 capital.
(10) Tangible equity leverage ratio is total tangible equity divided by total tangible assets (after netting derivatives).
(11) Tangible equity per ordinary and B share is total tangible equity divided by number of ordinary and B shares in issue.
(12) Excluding RFS Holdings minority interest for comparability.

Results summary - statutory

Highlights

- Income of £7,058 million for Q1 2011.

- Operating loss before tax of £116 million for Q1 2011.

- Core Tier 1 ratio 11.2%.

	Quarter ended		
	31 March 2011	31 December 2010	31 March 2010
	£m	£m	£m
Continuing operations:			
Total income	7,058	7,822	8,523
Operating expenses	(4,315)	(4,507)	(4,717)
Operating profit before impairment losses	1,831	2,133	2,670
Impairment losses	(1,947)	(2,141)	(2,675)
Operating loss before tax	(116)	(8)	(5)
(Loss)/profit attributable to ordinary and B shareholders	(528)	12	(248)

A reconciliation between statutory and managed view income statements is shown in Appendix 1 to this announcement.

Summary consolidated income statement
for the quarter ended 31 March 2011

In the income statement set out below, movements in the fair value of own debt, Asset Protection Scheme credit default swap - fair value changes, amortisation of purchased intangible assets, integration and restructuring costs, strategic disposals, bonus tax, write-down of goodwill and other intangible assets and RFS Holdings minority interest are shown separately. In the statutory condensed consolidated income statement on page 57, these items are included in income and operating expenses as appropriate.

	Quarter ended		
	31 March 2011	31 December 2010	31 March 2010
Core	£m	£m	£m

Net interest income	3,052	3,220	3,035
Non-interest income (excluding insurance net premium income)	3,484	2,827	4,050
Insurance net premium income	1,011	1,091	1,121
Non-interest income	4,495	3,918	5,171
Total income (1)	7,547	7,138	8,206
Operating expenses (2)	(3,798)	(3,600)	(3,791)
Profit before other operating charges	3,749	3,538	4,415
Insurance net claims	(784)	(937)	(1,003)
Operating profit before impairment losses (3)	2,965	2,601	3,412
Impairment losses	(872)	(930)	(971)
Operating profit (3)	2,093	1,671	2,441
Non-Core			
Net interest income	250	358	499
Non-interest income (excluding insurance net premium income)	98	(218)	250
Insurance net premium income	138	181	168
Non-interest income	236	(37)	418
Total income (1)	486	321	917
Operating expenses (2)	(323)	(481)	(639)
Profit/(loss) before other operating charges	163	(160)	278
Insurance net claims	(128)	(245)	(133)
Operating profit/(loss) before impairment losses (3)	35	(405)	145
Impairment losses	(1,075)	(1,211)	(1,704)
Operating loss (3)	(1,040)	(1,616)	(1,559)

For definitions of the notes refer to page 7.

Summary consolidated income statement
for the quarter ended 31 March 2011 (continued)

	Quarter ended		
	31 March 2011	31 December 2010	31 March 2010
Total	£m	£m	£m

Net interest income	3,302	3,578	3,534
Non-interest income (excluding insurance net premium income)	3,582	2,609	4,300
Insurance net premium income	1,149	1,272	1,289
Non-interest income	4,731	3,881	5,589
Total income (1)	8,033	7,459	9,123
Operating expenses (2)	(4,121)	(4,081)	(4,430)
Profit before other operating charges	3,912	3,378	4,693
Insurance net claims	(912)	(1,182)	(1,136)
Operating profit before impairment losses (3)	3,000	2,196	3,557
Impairment losses	(1,947)	(2,141)	(2,675)
Operating profit (3)	1,053	55	882
Fair value of own debt	(480)	582	(169)
Asset Protection Scheme credit default swap - fair value changes	(469)	(725)	(500)
Amortisation of purchased intangible assets	(44)	(96)	(65)
Integration and restructuring costs	(145)	(299)	(168)
Strategic disposals	(23)	502	53
Bonus tax	(11)	(15)	(54)
Write-down of goodwill and other intangible assets	-	(10)	-
RFS Holdings minority interest	3	(2)	16
Loss before tax	(116)	(8)	(5)
Tax (charge)/credit	(423)	3	(107)
Loss from continuing operations	(539)	(5)	(112)
Profit from discontinued operations, net of tax	10	55	313
(Loss)/profit for the period	(529)	50	201
Non-controlling interests	1	(38)	(344)
Preference share and other dividends	-	-	(105)
(Loss)/profit attributable to ordinary and B shareholders	(528)	12	(248)

For definitions of the notes refer to page 7.

Summary consolidated balance sheet at 31 March 2011

	31 March 2011 £m	31 December 2010 £m

Loans and advances to banks (1)	59,304	57,911
Loans and advances to customers (1)	494,148	502,748
Reverse repurchase agreements and stock borrowing	105,659	95,119
Debt securities and equity shares	253,596	239,678
Other assets	139,498	131,043
Funded assets	1,052,205	1,026,499
Derivatives	361,048	427,077
Total assets	1,413,253	1,453,576
Owners' equity	74,076	75,132
Non-controlling interests	1,710	1,719
Subordinated liabilities	26,515	