Hyatt Hotels Corp
Form 8-K
February 13, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
Date of report (Date of earliest event reported): February 13, 2019

HYATT HOTELS CORPORATION
(Exact Name of Registrant as Specified in Charter)

Delaware	001-34521	20-1480589
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

150 North Riverside Plaza Chicago, IL	60606
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (312) 750-1234
Former Name or Former Address, if Changed Since Last Report: Not Applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:
o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933
(§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).
Emerging growth company o
If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for
complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Item 2.02. Results of Operations and Financial Condition.

On February 13, 2019, Hyatt Hotels Corporation (the "Company") issued a press release announcing its results for its fiscal quarter and fiscal year ended December 31, 2018. The full text of the press release is attached as Exhibit 99.1 to this Form 8-K and is incorporated herein by reference.

The information in this Form 8-K and Exhibit 99.1 attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section and shall not be deemed incorporated by reference in any filing made by Hyatt Hotels Corporation under the Securities Act of 1933 or the Securities Exchange Act of 1934, except as set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Hyatt Hotels Corporation Press Release, dated February 13, 2019 (furnished pursuant to Item 2.02)

SIGNATURES

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 hereunto duly authorized.

	Hyatt Hotels Corporation
Date: February 13, 2019	By: /s/ Joan Bottarini
	Joan Bottarini
	Executive Vice President, Chief Financial Officer

/font>

Net fees and commissions

172
180

84
88
91

Other non-interest income

29
34

14
15
19

Non-interest income

201
214

98
103
110

Total income	
	545
	531
	272
	273
	269
Direct expenses	
- staff	
	(159)
	(173)
	(79)
	(80)
	(88)
- other	
	(33)
	(30)
	(15)
	(18)
	(17)
Indirect expenses	
	(205)
	(228)
	(104)
	(101)
	(112)
Restructuring costs	

- direct	
	(2)
	(1)
	(2)
	-
	(1)
- indirect	
	(1)
	(4)
	(1)
	-
	(2)
Operating expenses	
	(400)
	(436)
	(201)
	(199)
	(220)
Profit before impairment losses	
	145
	95
	71
	74
	49
Impairment (losses)/recoveries	
	-
	(7)
	(1)
	1
	(2)

Operating profit	
	145
	88
	70
	75
	47

Operating profit - adjusted (1)	
	148
	93
	73
	75
	50

	Half year ended		Quarter ended		
	30 June 2014	30 June 2013	30 June 2014	31 March 2014	30 June 2013
	£m	£m	£m	£m	£m
Analysis of income by business					
Investments	90	97	45	45	49
Banking	455	434	227	228	220
Total income	545	531	272	273	269

Key metrics

	Half year ended		Quarter ended		
	30 June 2014	30 June 2013	30 June 2014	31 March 2014	30 June 2013
Performance ratios					
Return on equity (2)	15.0%	8.9%	14.5%	15.3%	9.4%
Return on equity - adjusted (1,2)	15.3%	9.4%	15.1%	15.3%	10.0%
Net interest margin	3.72%	3.33%	3.73%	3.70%	3.34%
Cost:income ratio	73%	82%	74%	73%	82%
Cost:income ratio - adjusted (1)	73%	81%	73%	73%	81%

Notes:
(1) Excluding restructuring costs and litigation and conduct costs.
(2) Return on equity is based on segmental operating profit after tax divided by average notional equity (based on 12% of the monthly average of segmental RWAs).

Private Banking

	30 June 2014 £bn	31 March 2014 £bn	Change	31 December 2013 £bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)					
- personal	5.5	5.5	-	5.5	-
- mortgages	8.7	8.7	-	8.7	-
- other	2.4	2.6	(8%)	2.6	(8%)
	16.6	16.8	(1%)	16.8	(1%)
Loan impairment provisions	(0.1)	(0.1)	-	(0.1)	-
Net loans and advances to customers	16.5	16.7	(1%)	16.7	(1%)
Funded assets	20.8	21.1	(1%)	21.0	(1%)
Assets under management	28.7	28.5	1%	29.7	(3%)
Risk elements in lending	0.2	0.3	(33%)	0.3	(33%)
Provision coverage (1)	39%	45%	(600bp)	43%	(400bp)
Customer deposits (excluding repos)	35.9	36.6	(2%)	37.2	(3%)
Loan:deposit ratio	46%	45%	100bp	45%	100bp
Risk-weighted assets (2)					
- Credit risk					
- non-counterparty	9.7	10.1	(4%)	10.0	(3%)
- counterparty	0.1	-	-	-	-
- Market risk	0.1	-	-	0.1	-
- Operational risk	1.9	1.9	-	1.9	-
	11.8	12.0	(2%)	12.0	(2%)

Notes:
(1) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.
(2) Risk-weighted assets at 31 December 2013 are on a Basel 2.5 basis.

Key points
The Private Banking business continues to invest in expanding its product offering in response to client demand for global, integrated solutions. Enhancements in the first half of 2014 included the introduction of an around-the-clock

weekday dealing capability for foreign exchange products, serving Coutts's UK and international client-base.

We are currently reviewing our strategy, focusing on options for our non-UK related activities. The review is expected to complete later in the year.

In the UK, further refinements to Coutts's Retail Distribution Review compliant advice framework have improved efficiency, with total assets under advice now standing at £4.5 billion.

Private Banking

Key points (continued)

H1 2014 compared with H1 2013

· Operating profit was £145 million for the first half of 2014, delivering a return on equity of 15.0%. Excluding restructuring costs, adjusted operating profit increased by £55 million and the adjusted return on equity was 15.3%, driven by improved income, lower expenses and lower impairments.

· Total income was £14 million, or 3%, higher. Net interest income increased by £27 million due to a combination of improved deposit margins following a re-pricing exercise in the UK and lower treasury charges. Non-interest income declined by £13 million reflecting the impact of adverse foreign exchange movements and lower transactional activity in the international business.

· Total expenses declined by 8% to £400 million. Adjusted expenses were down £34 million, 8%, at £397 million reflecting savings from the streamlining of the property footprint, favourable foreign exchange movements, reduced headcount and the continued management of discretionary costs.

· Impairment charges declined by £7 million as a result of fewer specific impairments.

· Client assets and liabilities were 7% lower than the previous year, with the decrease in assets under management driven by low margin custody asset outflows, adverse foreign exchange movements, portfolio exits and reduced balances in the UK. Deposits were £3.0 billion lower, largely as a result of re-pricing action in the UK. Lending declined by £0.5 billion as repayments outstripped new lending in the latter part of 2013.

Q2 2014 compared with Q1 2014

· Operating profit was £70 million for the quarter, £5 million lower, largely as a result of a small increase in impairments and expenses, with income broadly flat.

· Total expenses were up £2 million, wholly as a result of increased restructuring costs.

· Client assets and liabilities were 1% lower than the prior quarter, wholly driven by a £0.7 billion reduction in deposits following the UK re-pricing exercise and outflows in the international business. Assets under management increased by £0.2 billion due to positive market movements. Lending remained broadly flat.

Q2 2014 compared with Q2 2013

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Operating profit increased by £23 million benefitting from higher income, lower costs and lower impairments.

- Total income was £3 million, 1%, higher. Net interest income rose by £15 million due to improved deposit margins following a re-pricing exercise in the UK and lower treasury charges. Non-interest income declined by £12 million largely as a result of adverse foreign exchange movements and lower transactional activity in the international business.

- Total expenses declined by £19 million reflecting savings from the streamlining of the property footprint, reduced headcount, beneficial foreign exchange movements and the continued tight management of discretionary costs.

Corporate & Institutional Banking

	Half year ended		Quarter ended		
	30 June 2014 £m	30 June 2013 £m	30 June 2014 £m	31 March 2014 £m	30 June 2013 £m
Income statement					
Net interest income from banking activities	365	314	186	179	142
Net fees and commissions	490	556	247	243	275
Income from trading activities	1,482	1,753	597	885	787
Other operating income	90	85	46	44	32
Non-interest income	2,062	2,394	890	1,172	1,094
Total income	2,427	2,708	1,076	1,351	1,236
Direct expenses					
- staff	(488)	(580)	(216)	(272)	(247)
- other	(260)	(284)	(147)	(113)	(154)
Indirect expenses	(1,169)	(1,325)	(581)	(588)	(657)
Restructuring costs					
- direct	(28)	(37)	(13)	(15)	(24)
- indirect	(163)	(46)	(139)	(24)	(20)
Litigation and conduct costs	(50)	(410)	(50)	-	(385)
Operating expenses	(2,158)	(2,682)	(1,146)	(1,012)	(1,487)
Profit/(loss) before impairment losses	269	26	(70)	339	(251)
Impairment recoveries/(losses)	39	(223)	45	(6)	(144)
Operating profit/(loss)	308	(197)	(25)	333	(395)
Operating profit - adjusted (1)	549	296	177	372	34

Note:
(1) Excluding restructuring costs and litigation and conduct costs.

	Half year ended		Quarter ended		
	30 June 2014 £m	30 June 2013 £m	30 June 2014 £m	31 March 2014 £m	30 June 2013 £m
Analysis of income by product					
Rates	656	467	297	359	255
Currencies	351	479	159	192	282
Credit	774	992	309	465	315
Global Transaction Services	421	425	214	207	211
Portfolio	318	323	156	162	167
Total (excluding revenue share and run-off businesses)	2,520	2,686	1,135	1,385	1,230
Inter-segment revenue share	(119)	(141)	(59)	(60)	(68)
Run-off businesses	26	163	-	26	74
Total income	2,427	2,708	1,076	1,351	1,236

Corporate & Institutional Banking

Key metrics	Half year ended		Quarter ended		
	30 June 2014	30 June 2013	30 June 2014	31 March 2014	30 June 2013
Performance ratios					
Return on equity (1)	2.7%	(1.6%)	(0.5%)	5.6%	(6.8%)
Return on equity - adjusted (1,2)	4.8%	2.5%	3.3%	6.2%	0.6%
Net interest margin	0.88%	0.72%	0.90%	0.85%	0.67%
Cost:income ratio	89%	99%	107%	75%	120%
Cost:income ratio - adjusted (2)	79%	81%	88%	72%	86%

Notes:
(1) Return on equity is based on segmental operating profit after tax divided by average notional equity (based on 12% of the monthly average of segmental RWAs).
(2) Excluding restructuring costs and litigation and conduct costs.

	30 June 2014 £bn	31 March 2014 £bn	Change	31 December 2013 £bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)	69.2	70.7	(2%)	69.1	-

Loan impairment provisions	(0.2)	(0.2)	-	(0.9)	(78%)
Net loans and advances to customers	69.0	70.5	(2%)	68.2	1%
Net loans and advances to banks (1)	19.4	20.0	(3%)	20.5	(5%)
Reverse repos	78.8	78.1	1%	76.2	3%
Securities	67.9	75.0	(9%)	72.1	(6%)
Cash and eligible bills	18.7	21.0	(11%)	20.6	(9%)
Other	24.9	22.0	13%	11.0	126%
Funded assets	278.7	286.6	(3%)	268.6	4%
Provision coverage (2)	168%	199%	(3,100bp)	59%	10,900bp
Repos	73.1	77.5	(6%)	74.8	(2%)
Customer deposits (excluding repos)	55.5	57.1	(3%)	64.8	(14%)
Bank deposits (excluding repos)	31.7	29.5	7%	30.2	5%
Debt securities in issue	17.3	18.1	(4%)	21.5	(20%)
Risk-weighted assets (3)					
- Credit risk					
- non-counterparty	58.4	59.0	(1%)	61.8	(6%)
- counterparty	28.9	34.0	(15%)	17.5	65%
- Market risk	28.7	35.3	(19%)	26.4	9%
- Operational risk	11.8	11.9	(1%)	14.7	(20%)
	127.8	140.2	(9%)	120.4	6%

Notes:

(1) Excludes disposal groups.

(2) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.

(3) Risk-weighted assets at 31 December 2013 are on a Basel 2.5 basis. On a fully loaded Basel 3 basis risk-weighted assets at 1 January 2014 were £147.1 billion.

Corporate & Institutional Banking

Key points

The creation of Corporate & Institutional Banking (CIB) (which comprises the former Markets and International Banking divisions) is largely complete. The new franchise will continue to focus on the corporate and institutional client base while maintaining the same vigorous levels of cost reduction and capital management. The commitment to clients was highlighted this quarter when the business was awarded Global Finance's Best Supply Chain Finance provider in Western Europe for the seventh consecutive year and also received The Banker's Loans Deal of the Year Europe award.

The low interest rate and low volatility trading environment continues to be challenging. Investor activity remains subdued and excess client liquidity has curtailed lending. Opportunities for income generation were limited in comparison to the same period last year, when central bank intervention generated significant volatility.

H1 2014 compared with H1 2013

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Operating profit increased by £505 million, reflecting lower impairments, cost reductions and lower litigation and conduct costs, partially offset by lower income as the business continued to reduce in size to focus on core activities. Restructuring costs were also higher. Adjusted operating profit increased by £253 million or 85% to £549 million.

· Rates income increased by £189 million, 40%, compared with a weak H1 2013. Income associated with continued deleveraging and de-risking of the business supported the result.

· Currencies income was £128 million or 27% lower than in H1 2013, when the business took advantage of volatility caused by central bank intervention in the United States and Japan.

· Credit income was £218 million or 22% lower in H1 2014 compared with H1 2013, which benefited from the general credit market rally. This, combined with a reduced deployment of risk-weighted assets, resulted in lower income. Within Credit income, Asset Backed Product (ABP) income was £510 million, compared with £617 million in H1 2013.

· Global Transaction Services and Portfolio were both flat compared with H1 2013, reflecting the subdued levels of client activity and continued low margin market environment.

· Total expenses were down by 20%, reflecting lower litigation and conduct costs partly offset by higher restructuring costs. Adjusted expenses fell by 12%, driven by headcount reductions and tight control of discretionary expenditure.

· Impairments represented a net recovery of £39 million, compared with a loss of £223 million in H1 2013, driven by the release of latent provisions, reflecting the creation of RCR and improving credit conditions and the non-repeat of significant individual cases.

· Funded assets increased compared with 31 December 2013 as activity levels picked up. Compared with 30 June 2013, however, funded assets fell significantly, down from £328 billion to £279 billion, reflecting the refocusing of the business on core activities.

· Risk-weighted assets increased following the introduction of CRD IV on 1 January 2014. On a like-for-like Basel III basis, risk-weighted assets fell significantly from £172 billion at 30 June 2013, to £128 billion at 30 June 2014. This was driven by a range of mitigation and de-risking actions and the transfer of £13 billion of risk-weighted assets to RCR.

Corporate & Institutional Banking

Key points (continued)

Q2 2014 compared with Q1 2014

· An operating loss of £25 million was driven by restructuring costs and litigation and conduct costs of £202 million. Excluding these items, adjusted operating profit was £177 million, down £195 million, reflecting lower income principally in Credit and Rates.

- Client activity in Rates weakened compared with Q1 2014, and trading gains were lower. As a result, income declined by £62 million.

- Currencies income, down £33 million, continued to be impacted by limited volume and volatility in a highly competitive market environment.

- Credit income decreased by 34%, driven by a lower level of gains in asset backed products following more favourable market movements in Q1 2014. ABP income was £188 million compared with £322 million in Q1 2014.

- Global Transaction Services and Portfolio remained stable as they continued to be impacted by the low margin environment and subdued client activity.

- Total expenses increased by 13% due to restructuring and litigation and conduct costs. Adjusted expenses were down 3%, driven by lower staff costs.

- Funded assets remained broadly stable in a subdued market environment. The small reduction was driven by debt securities in the Rates business.

- Risk-weighted assets fell by £12 billion, reflecting continued mitigation actions and reduced risk exposures.

Q2 2014 compared with Q2 2013

- Rates increased by £42 million, 16%, despite a low volatility environment, benefiting from income associated with de-risking the business in contrast to Q2 2013, which was impacted by difficult trading conditions.

- Currencies income was £123 million or 44% lower, reflecting the subdued market conditions, compared to greater volatility in Q2 2013 following central bank intervention in the United States and Japan.

- Income from Portfolio fell £11 million or 7%. Q2 2013 included a gain on an asset sale.

- Total expenses fell by £341 million, 23%, driven by lower litigation and conduct costs and the ongoing cost reduction programme, partially offset by a £108 million increase in restructuring costs.

Central items

	Half year ended		Quarter ended		
	30 June 2014 £m	30 June 2013 £m	30 June 2014 £m	31 March 2014 £m	30 June 2013 £m
Central items not allocated	91	553	86	5	352

Funding and operating costs have been allocated to operating divisions based on direct service usage, the requirement for market funding and other appropriate drivers where services span more than one division.

Residual unallocated items relate to volatile corporate items that do not naturally reside within a division.

Key points

H1 2014 compared with H1 2013

- Central items not allocated represented a credit of £91 million compared with a credit of £553 million in H1 2013. The change was principally driven by lower gains on the disposal of available-for-sale securities in Treasury, which were down £245 million to £215 million for H1 2014, along with a £150 million restructuring charge relating to the Williams & Glyn franchise.

Q2 2014 compared with Q1 2014

- Central items not allocated represented a credit of £86 million compared with a credit of £5 million in Q1 2014. The improvement principally reflects lower restructuring costs relating to Williams & Glyn and favourable movements in respect of fair value movements on derivatives not qualifying for hedge accounting in Treasury partially offset by lower AFS gains.

Q2 2014 compared with Q2 2013

- Central items not allocated represented a credit of £86 million compared with a credit of £352 million in
Q2 2013. The change was principally driven by lower gains on the disposal of available-for-sale securities in Treasury, which were down £342 million to £13 million for Q2 2014.

Citizens Financial Group (£ Sterling)

	Half year ended		Quarter ended		
	30 June 2014 £m	30 June 2013 £m	30 June 2014 £m	31 March 2014 £m	30 June 2013 £m
Income statement					
Net interest income	987	939	499	488	469
Net fees and commissions	350	382	181	169	192
Other non-interest income	270	188	210	60	86
Non-interest income	620	570	391	229	278
Total income	1,607	1,509	890	717	747
Direct expenses					
- staff	(512)	(572)	(261)	(251)	(286)
- other	(501)	(482)	(252)	(249)	(233)
Indirect expenses	-	(48)	-	-	(27)
Restructuring costs	(69)	(3)	(69)	-	(2)

Operating expenses	(1,082)	(1,105)	(582)	(500)	(548)
Profit before impairment losses	525	404	308	217	199
Impairment losses	(104)	(51)	(31)	(73)	(32)
Operating profit	421	353	277	144	167
Operating profit - adjusted (1)	490	356	346	144	169
Average exchange rate - US$/£	1.669	1.544	1.683	1.655	1.536
Analysis of income by product					
Mortgages and home equity	223	249	111	112	123
Personal lending and cards	204	204	106	98	104
Retail deposits	376	379	190	186	189
Commercial lending	333	335	168	165	167
Commercial deposits	216	200	109	107	98
Other	255	142	206	49	66
Total income	1,607	1,509	890	717	747
Analysis of impairments by sector					
Residential mortgages	1	12	6	(5)	10
Home equity	34	37	15	19	18
SBO home equity	4	-	(17)	21	-
Corporate and commercial	8	(35)	(1)	9	(11)
Other consumer	55	37	26	29	15
Securities	2	-	2	-	-
Total impairment losses	104	51	31	73	32
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector					
Residential mortgages	-	0.4%	0.4%	(0.3%)	0.7%
Home equity	0.6%	0.5%	0.5%	0.6%	0.5%
SBO home equity	0.6%	-	(5.6%)	6.5%	-
Corporate and commercial	0.1%	(0.3%)	-	0.1%	(0.2%)
Other consumer	1.2%	0.8%	1.2%	1.3%	0.7%
Total	0.4%	0.2%	0.2%	0.5%	0.2%

Note:
(1) Excluding restructuring costs.

Citizens Financial Group (£ Sterling)

Key metrics	Half year ended		Quarter ended		
	30 June 2014	30 June 2013	30 June 2014	31 March 2014	30 June 2013

Performance ratios					
Return on equity (1)	7.5%	6.6%	9.8%	5.1%	6.3%
Return on equity - adjusted (1,2)	8.7%	6.7%	12.2%	5.1%	6.4%
Net interest margin	2.94%	2.90%	2.93%	2.94%	2.89%
Cost:income ratio	67%	73%	65%	70%	73%
Cost:income ratio - adjusted (2)	63%	73%	58%	70%	73%

Notes:
(1) Return on equity is based on segmental operating profit after tax divided by average notional equity (based on 12% of monthly average of segmental RWAs).
(2) Excluding restructuring costs.

	30 June 2014 £bn	31 March 2014 £bn	Change	31 December 2013 £bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)					
- residential mortgages	6.4	6.2	3%	5.8	10%
- home equity	11.3	12.0	(6%)	12.1	(7%)
- SBO home equity	1.2	1.3	(8%)	-	100%
- corporate and commercial	24.2	24.7	(2%)	24.1	-
- other consumer	9.1	9.0	1%	8.6	6%
	52.2	53.2	(2%)	50.6	3%
Loan impairment provisions	(0.5)	(0.5)	-	(0.3)	67%
Net loans and advances to customers	51.7	52.7	(2%)	50.3	3%
Funded assets	75.7	75.7	-	71.3	6%
Investment securities	14.5	14.9	(3%)	12.9	12%
Risk elements in lending					
- retail	1.1	1.1	-	0.9	22%
- commercial	0.2	0.2	-	0.1	100%
Total risk elements in lending	1.3	1.3	-	1.0	30%
Provision coverage (1)	38%	41%	(300bp)	26%	1,200bp
Customer deposits (excluding repos)	52.9	54.9	(4%)	55.1	(4%)
Bank deposits (excluding repos)	4.7	3.4	38%	2.0	135%
Loan:deposit ratio (excluding repos)	98%	96%	200bp	91%	700bp
Risk-weighted assets (2)					
- Credit risk					
- non-counterparty	54.8	55.4	(1%)	50.7	8%
- counterparty	0.8	0.8	-	0.5	60%
- Operational risk	5.1	5.1	-	4.9	4%
	60.7	61.3	(1%)	56.1	8%

Spot exchange rate - US$/£	1.711	1.668		1.654	

Notes:
(1) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.
(2) Risk-weighted assets at 31 December 2013 are on a Basel 2.5 basis.

Key points
Sterling strengthened against the US dollar during the first half of 2014, with the spot exchange rate at 30 June 2014 increasing 3% compared with 31 December 2013.
Performance is described in full in the US dollar-based financial statements set out on pages 56 to 60.

Citizens Financial Group (US dollar)

	Half year ended		Quarter ended		
	30 June 2014	30 June 2013	30 June 2014	31 March 2014	30 June 2013
	$m	$m	$m	$m	$m
Income statement					
Net interest income	1,647	1,449	838	809	720
Net fees and commissions	584	590	305	279	295
Other non-interest income	452	291	353	99	133
Non-interest income	1,036	881	658	378	428
Total income	2,683	2,330	1,496	1,187	1,148
Direct expenses					
- staff	(855)	(883)	(439)	(416)	(439)
- other	(835)	(744)	(423)	(412)	(359)
Indirect expenses	-	(74)	-	-	(40)
Restructuring costs	(115)	(5)	(115)	-	(3)
Operating expenses	(1,805)	(1,706)	(977)	(828)	(841)
Profit before impairment losses	878	624	519	359	307
Impairment losses	(174)	(78)	(53)	(121)	(48)
Operating profit	704	546	466	238	259
Operating profit - adjusted (1)	819	551	581	238	262
Analysis of income by product					
Mortgages and home equity	373	384	188	185	189
Personal lending and cards	340	314	178	162	159
Retail deposits	627	586	319	308	291

Commercial lending	556	518	283	273	257
Commercial deposits	360	309	183	177	151
Other	427	219	345	82	101
Total income	2,683	2,330	1,496	1,187	1,148
Analysis of impairments by sector					
Residential mortgages	1	19	10	(9)	16
Home equity	57	56	25	32	27
SBO home equity	6	-	(28)	34	-
Corporate and commercial	13	(53)	(2)	15	(17)
Other consumer	94	56	45	49	22
Securities	3	-	3	-	-
Total impairment losses	174	78	53	121	48
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector					
Residential mortgages	-	0.4%	0.4%	(0.3%)	0.7%
Home equity	0.6%	0.5%	0.5%	0.6%	0.5%
SBO home equity	0.6%	-	(5.6%)	6.5%	-
Corporate and commercial	0.1%	(0.3%)	-	0.1%	(0.2%)
Other consumer	1.2%	0.8%	1.2%	1.3%	0.7%
Total	0.4%	0.2%	0.2%	0.5%	0.2%

Note:
(1) Excluding restructuring costs.

Citizens Financial Group (US dollar)

Key metrics

	Half year ended		Quarter ended		
	30 June 2014	30 June 2013	30 June 2014	31 March 2014	30 June 2013
Performance ratios					
Return on equity (1)	7.5%	6.6%	9.8%	5.1%	6.3%
Return on equity - adjusted (1,2)	8.7%	6.7%	12.2%	5.1%	6.4%
Net interest margin	2.94%	2.90%	2.93%	2.94%	2.89%
Cost:income ratio	67%	73%	65%	70%	73%
Cost:income ratio - adjusted (2)	63%	73%	58%	70%	73%

Notes:
(1) Return on equity is based on segmental operating profit after tax divided by average notional equity (based on 12% of monthly average of segmental RWAs).
(2) Excluding restructuring costs.

The results of Citizens Financial Group on a comparable basis are set out below. These include Non-Core operations and exclude Group allocations.

	Half year ended		Quarter ended		
	30 June 2014 $m	30 June 2013 $m	30 June 2014 $m	31 March 2014 $m	30 June 2013 $m
Total income	2,683	2,401	1,496	1,187	1,183
Operating expenses	(1,805)	(1,656)	(977)	(828)	(815)
Impairment losses	(174)	(202)	(53)	(121)	(112)
Operating profit	704	543	466	238	256
Operating profit - adjusted (1)	819	548	581	238	259
Return on equity	7.5%	5.9%	9.8%	5.1%	5.7%
Return on equity - adjusted (1,2)	8.7%	6.0%	12.2%	5.1%	5.7%

Notes:
(1) Excluding restructuring costs.
(2) Return on equity is based on segmental operating profit after tax divided by average notional equity (based on 12% of monthly average of segmental RWAs).

Citizens Financial Group (US dollar)

	30 June 2014 $bn	31 March 2014 $bn	Change	31 December 2013 $bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)					
- residential mortgages	10.9	10.3	6%	9.6	14%
- home equity	19.4	20.0	(3%)	20.1	(3%)
- SBO home equity	2.0	2.1	(5%)	-	100%
- corporate and commercial	41.4	41.2	-	39.8	4%
- other consumer	15.6	15.2	3%	14.1	11%
	89.3	88.8	1%	83.6	7%
Loan impairment provisions	(0.9)	(0.9)	-	(0.4)	125%
Net loans and advances to customers	88.4	87.9	1%	83.2	6%
Funded assets	129.5	126.2	3%	117.9	10%
Investment securities	24.9	24.9	-	21.3	17%
Risk elements in lending					
- retail	1.9	1.9	-	1.5	27%

- commercial	0.3	0.3	-	0.2	50%
Total risk elements in lending	2.2	2.2	-	1.7	29%
Provision coverage (1)	38%	41%	(300bp)	26%	1,200bp
Customer deposits (excluding repos)	90.5	91.6	(1%)	91.1	(1%)
Bank deposits (excluding repos)	8.0	5.7	40%	3.3	142%
Loan:deposit ratio (excluding repos)	98%	96%	200bp	91%	700bp
Risk-weighted assets (2)					
- Credit risk					
- non-counterparty	93.8	92.4	2%	83.8	12%
- counterparty	1.3	1.3	-	0.8	63%
- Operational risk	8.7	8.5	2%	8.2	6%
	103.8	102.2	2%	92.8	12%

Notes:
(1) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.
(2) Risk-weighted assets at 31 December 2013 are on a Basel 2.5 basis.

Key points
H1 2014 and Q2 2014 results are not directly comparable with prior year periods; prior year results exclude Non-Core operations and include Group allocations. In the context of the planned disposal of Citizens Financial Group, central Group costs are no longer allocated to the division.

H1 2014 compared with H1 2013
· Operating profit increased by $158 million, or 29%, to $704 million, reflecting the sale of the Illinois retail branches and small business and select middle market relationships in the Illinois market. Excluding the impact of the sale, $283 million net gain, and restructuring costs, $115 million (H1 2013 - $5 million), operating profit was down 3% driven by lower non-interest income and higher impairment losses partially offset by higher net interest income.

· The former Non-Core portfolio is now included on a prospective basis from 1 January 2014. On a comparable basis, operating profit excluding the impact of the sale, $283 million net gain, and restructuring costs, $115 million (H1 2013 - $5 million), was down 2% driven by lower non-interest income and higher expenses partially offset by higher net interest income and lower impairment losses.

Citizens Financial Group (US dollar)

Key points (continued)

H1 2014 compared with H1 2013 (continued)
· The branch sale comprised retail branches located in Illinois, including certain customer deposits of $4.8 billion and selected loans of $1.0 billion (primarily middle market, small business, home equity and credit card balances). The transaction which completed on 20 June 2014 and resulted in a net gain of $283 million and restructuring costs of $17

million.

- The operating environment and market conditions remained challenging, with intense competition for loans. An extended period of low short-term rates limited net interest margin expansion and the rise in long-term rates dramatically slowed mortgage refinance volumes.

- Net interest income was up $198 million, or 14%, to $1,647 million driven by a larger investment portfolio, loan growth including the transfer of assets from Non-Core, the benefit of interest rate swaps and deposit pricing discipline.

- Higher rates led to investment security purchases resulting in average portfolio growth of $6.3 billion over the year.

- Average loans and advances were up 9%, driven by the $3.6 billion transfer of assets from Non-Core, commercial and auto loan growth, a strategic initiative to purchase residential mortgages and to hold more originations on the balance sheet. This was partially offset by home equity run-off.

- Average customer deposits were down 3%, with planned run-off of high priced deposits. Consumer and small business checking balances both grew by 3% over the year.

- Excluding the gain on the sale of the Illinois branches of $283 million, non-interest income was down $128 million, or 15%, to $753 million reflecting lower securities gains of $69 million, lower mortgage banking fees of $49 million, as refinancing volumes have slowed, and lower deposit fees of $31 million due to a change in the posting order of customer transactions, partially offset by higher commercial banking fee income of $21 million. Mortgage origination activity has slowed as market rates have risen, leading to lower applications combined with lower levels of gains on sales of mortgages.

- Excluding restructuring costs of $115 million (H1 2013 - $5 million), total expenses were down $11 million, or 1%, to $1,690 million driven by the removal of indirect costs in 2014, incentive reversals for prior year plans and lower retirement costs partially offset by lower mortgage servicing rights impairment recapture and higher consumer regulatory compliance costs.

- Restructuring costs include costs related to the sale of the Illinois branches and other initiatives intended to improve the overall effectiveness and efficiency of the franchise.

- Impairment losses increased by $96 million to $174 million due to a reserve build of $15 million in H1 2014 compared with a reserve release of $58 million in H1 2013 and higher charge-offs including those related to assets transferred from Non-Core.

Q2 2014 compared with Q1 2014

- Operating profit increased by $228 million, or 96%, to $466 million largely due to the sale of the Illinois retail branches and small business and select middle market relationships. Excluding the impact of the sale, $283 million, and restructuring costs, $115 million, operating profit was up $60 million, or 25%, to $298 million driven by lower impairment losses.

· Net interest income was up $29 million, or 4% at $838 million driven by a larger investment portfolio, loan growth and the impact of day count.

Citizens Financial Group (US dollar)

Key points (continued)

Q2 2014 compared with Q1 2014 (continued)

· Average loans and advances were up 2%, driven by higher commercial loans, auto loan organic growth and purchases and a strategic initiative to purchase residential mortgages.

· Excluding the gain on the sale of the Illinois retail branches of $283 million in Q2 2014, non-interest income was broadly in line with the prior quarter.

· Excluding restructuring costs of $115 million, total expenses were up $34 million, or 4%, at $862 million due to higher incentives as Q1 2014 included incentive reversals for prior year plans.

· Impairment losses decreased by $68 million to $53 million for the quarter due to lower charge-offs of $19 million and a reserve release in Q2 2014 of $19 million reflecting asset quality improvements, compared to a reserve build in Q1 2014 of $34 million.

Q2 2014 compared with Q2 2013

· Excluding the impact of the Illinois retail branch sale, $283 million net gain, and restructuring costs, $115 million (Q2 2013 - $3 million), operating profit increased by $36 million, or 14%, driven by higher net interest income partially offset by higher expenses.

· Income and expense drivers are consistent with H1 2014 compared with H1 2013.

· Impairment losses were broadly in line with prior year despite the Non-Core transfer.

RBS Capital Resolution

RCR is managed and analysed by four business pillars - Ulster Bank, Real Estate Finance, Corporate and Markets. Real Estate Finance excludes commercial real estate lending in Ulster Bank.

	Half year ended	Quarter ended	
	30 June 2014	30 June 2014	31 March 2014
	£m	£m	£m
Income statement			
Net interest income/(expense)	11	16	(5)
Net fees and commissions	31	17	14
Income from trading activities (1)	(53)	(69)	16

Other operating income (1)	119	71	48
Non-interest income	97	19	78
Total income	108	35	73
Direct expenses			
- staff	(89)	(51)	(38)
- other	(32)	(14)	(18)
Indirect expenses	(55)	(32)	(23)
Operating expenses	(176)	(97)	(79)
Operating loss before impairment losses	(68)	(62)	(6)
Impairment recoveries/(losses) (1)	20	128	(108)
Operating (loss)/profit	(48)	66	(114)
Total income			
Ulster Bank	1	14	(13)
Real Estate Finance	96	13	83
Corporate	(14)	(12)	(2)
Markets	25	20	5
Total income	108	35	73
Impairment (recoveries)/losses			
Ulster Bank	(15)	(67)	52
Real Estate Finance	(34)	(123)	89
Corporate	39	73	(34)
Markets	(10)	(11)	1
Total impairment (recoveries)/losses	(20)	(128)	108
Loan impairment charge as % of gross customer loans and advances (2)			
Ulster Bank	(0.2%)	(1.9%)	1.3%
Real Estate Finance	(0.9%)	(6.6%)	4.1%
Corporate	1.0%	3.7%	(1.5%)
Markets	(2.0%)	(3.6%)	-
Total	(0.1%)	(1.7%)	1.2%

Notes:

(1) Q2 2014 results included £225 million (Q1 2014 - £56 million) of net gains from the disposal of assets, comprising £6 million gain (Q1 2014 - £5 million loss) in income from trading activities, £38 million of losses (Q1 2014 - £3 million) in other operating income and £257 million (Q1 2014 - £64 million) release of impairment provisions.

(2) Includes disposal groups.

	30 June 2014 £bn	31 March 2014 £bn
Capital and balance sheet		
Loans and advances to customers (gross) (1)	30.0	34.0
Loan impairment provisions	(14.4)	(15.7)
Net loans and advances to customers	15.6	18.3
Debt securities	1.9	2.2
Total funded assets	20.9	24.3
Total third party assets (including derivatives)	34.4	38.8
Risk elements in lending	20.4	23.0
Provision coverage (2)	71%	68%
Risk-weighted assets (3)		
- Credit risk		
- non-counterparty	22.6	29.6
- counterparty	8.2	5.7
- Market risk	4.3	5.2
	35.1	40.5
Gross loans and advances to customers (1)		
Ulster Bank	13.9	15.5
Real Estate Finance	7.4	8.6
Corporate	7.8	9.1
Markets	0.9	0.8
	30.0	34.0
Funded assets		
Ulster Bank	3.5	4.4
Real Estate Finance (3)	6.7	7.7
Corporate	7.4	8.6
Markets	3.3	3.6
	20.9	24.3
Risk weighted assets (4)		
Ulster Bank	2.3	2.8
Real Estate Finance	6.4	11.5
Corporate	15.1	14.7
Markets	11.3	11.5
	35.1	40.5

RWA equivalent (RWAe) (5)		
Ulster Bank	4.5	6.7
Real Estate Finance	10.5	13.4
Corporate	16.6	17.0
Markets	11.9	13.8
	43.5	50.9

Notes:
(1) Includes disposal groups.
(2) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.
(3) Real Estate Finance funded assets comprise those in the UK (£4.4 billion), Germany (£1.0 billion), Spain (£0.5 billion) and other geographies (£0.8 billion).
(4) On a fully loaded Basel 3 basis risk-weighted assets at 1 January 2014 were £46.7 billion.
(5) RWA equivalent (RWAe) is an internal metric that measures the equity capital employed in divisions. RWAe converts both performing and non-performing exposures into a consistent capital measure, being the sum of the regulatory RWAs and the regulatory capital deductions, the latter converted to RWAe by applying a multiplier. The Group applies a CET 1 ratio of 10%; this results in an end point CRR RWAe conversion multiplier of 10.

RBS Capital Resolution

Funded assets and RWAe

	Non-performing (1)					Performing (1)					Total				
	Funded assets				Capital	Funded assets				Capital deducts	Funded assets				Capital
	Gross	Net	RWAe	RWA	deducts	Gross	Net	RWAe	RWA	(2)	Gross	Net	RWAe	RWA	deducts
30 June 2014	£bn	£bn	£bn	£bn	£m	£bn	£bn	£bn	£bn	£m	£bn	£bn	£bn	£bn	£m
Ulster Bank	13.0	2.6	4.4	-	446	1.1	0.9	0.1	2.3	(229)	14.1	3.5	4.5	2.3	217
Real Estate Finance	5.0	2.7	4.1	0.3	389	4.1	4.0	6.4	6.1	16	9.1	6.7	10.5	6.4	405
Corporate	2.6	1.2	1.8	-	184	6.3	6.2	14.8	15.1	(28)	8.9	7.4	16.6	15.1	156
Markets	0.1	0.1	0.5	0.2	34	3.2	3.2	11.4	11.1	30	3.3	3.3	11.9	11.3	64
Total RCR	20.7	6.6	10.8	0.5	1,053	14.7	14.3	32.7	34.6	(211)	35.4	20.9	43.5	35.1	842
31 March 2014															
Ulster Bank	14.6	3.6	6.3	0.1	622	1.1	0.8	0.4	2.7	(235)	15.7	4.4	6.7	2.8	387
Real Estate Finance	5.4	2.9	2.9	0.3	260	4.9	4.8	10.5	11.2	(76)	10.3	7.7	13.4	11.5	184
Corporate	2.9	1.2	2.1	0.1	209	7.5	7.4	14.9	14.6	28	10.4	8.6	17.0	14.7	237

Markets	0.2	0.2	0.3	-	26	3.4	3.4	13.5	11.5	205	3.6	3.6	13.8	11.5	231
Total RCR	23.1	7.9	11.6	0.5	1,117	16.9	16.4	39.3	40.0	(78)	40.0	24.3	50.9	40.5	1,039
1 January 2014															
Ulster Bank	14.8	3.7	7.6	0.2	738	1.4	1.1	1.3	3.1	(179)	16.2	4.8	8.9	3.3	559
Real Estate Finance	7.2	4.2	6.1	0.3	580	5.8	5.3	12.5	13.2	(75)	13.0	9.5	18.6	13.5	505
Corporate	3.3	1.7	2.9	0.2	269	8.1	8.1	18.2	16.2	208	11.4	9.8	21.1	16.4	477
Markets	0.2	0.1	0.6	-	58	4.7	4.7	15.8	13.5	233	4.9	4.8	16.4	13.5	291
Total RCR	25.5	9.7	17.2	0.7	1,645	20.0	19.2	47.8	46.0	187	45.5	28.9	65.0	46.7	1,832

Notes:

(1) Performing assets are those with an internal asset quality band of AQ1 - 9; and non-performing assets are in AQ10 with a probability of default being 100%.

(2) The negative capital deductions are a result of the latent loss provisions held in respect of the performing portfolio.

(3) Capital deductions relating to expected loss less impairment provisions were £823 million (31 March 2014 - £960 million; 1 January 2014 - £1,774 million).

RBS Capital Resolution

Funded assets

Quarter ended 30 June 2014	1 April 2014 £bn	Net run-off £bn	Disposals (1) £bn	Impairments £bn	Other £bn	30 June 2014 £bn
Ulster Bank	4.4	(0.1)	(0.8)	0.1	(0.1)	3.5
Real Estate Finance	7.7	(0.4)	(0.6)	0.1	(0.1)	6.7
Corporate	8.6	(0.8)	(0.2)	(0.1)	(0.1)	7.4
Markets	3.6	(0.1)	(0.2)	-	-	3.3
Total	24.3	(1.4)	(1.8)	0.1	(0.3)	20.9

Quarter ended 31 March 2014	1 January 2014 £bn	Net run-off £bn	Disposals (1) £bn	Impairments £bn	Other £bn	31 March 2014 £bn
Ulster Bank	4.8	(0.1)	(0.2)	(0.1)	-	4.4
Real Estate Finance	9.5	(1.2)	(0.5)	(0.1)	-	7.7
Corporate	9.8	(0.7)	(0.5)	-	-	8.6
Markets	4.8	(0.5)	(0.7)	-	-	3.6

Total	28.9	(2.5)	(1.9)	(0.2)	-	24.3

Risk-weighted assets

Quarter ended 30 June 2014	1 April 2014	Net run-off	Disposals (1)	Risk parameters (2)	Impairments	Other (3)	30 June 2014
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Ulster Bank	2.8	-	(0.1)	(0.4)	-	-	2.3
Real Estate Finance	11.5	(0.2)	(0.6)	(4.2)	-	(0.1)	6.4
Corporate	14.7	(0.6)	(0.5)	2.2	(0.4)	(0.3)	15.1
Markets	11.5	(1.6)	(0.7)	2.2	-	(0.1)	11.3
Total	40.5	(2.4)	(1.9)	(0.2)	-	(0.5)	35.1

Quarter ended 31 March 2014	1 January 2014	Net run-off	Disposals (1)	Risk parameters (2)	Impairments	Other (3)	31 March 2014
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Ulster Bank	3.3	(0.5)	-	-	-	-	2.8
Real Estate Finance	13.5	(1.6)	(0.1)	(0.3)	-	-	11.5
Corporate	16.4	(0.3)	(0.5)	(0.8)	-	(0.1)	14.7
Markets	13.5	(0.2)	(0.6)	(1.2)	-	-	11.5
Total	46.7	(2.6)	(1.2)	(2.3)	-	(0.1)	40.5

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

RBS Capital Resolution

Capital deductions

Quarter ended 30 June 2014	1 April 2014	Net run-off	Disposals (1)	Risk parameters (2)	Impairments	Other (3)	30 June 2014
	£m	£m	£m	£m	£m	£m	£m
Ulster Bank	387	(26)	(103)	17	(46)	(12)	217
Real Estate Finance	184	(81)	(29)	242	101	(12)	405
Corporate	237	(23)	(62)	97	(83)	(10)	156
Markets	231	(9)	(79)	(79)	-	-	64
Total	1,039	(139)	(273)	277	(28)	(34)	842

	1 January	Net run-off		Risk	Impairments		

						Other (3)	31 March
	2014		Disposals (1)	parameters (2)			2014
Quarter ended 31 March 2014	£m	£m	£m	£m	£m	£m	£m
Ulster Bank	559	(2)	(14)	(135)	(17)	(4)	387
Real Estate Finance	505	(211)	(59)	31	(78)	(4)	184
Corporate	477	(71)	17	(159)	(27)	-	237
Markets	291	-	-	(56)	-	(4)	231
Total	1,832	(284)	(56)	(319)	(122)	(12)	1,039

RWA equivalent

	1 April 2014	Net run-off	Disposals (1)	Risk parameters (2)	Impairments	Other (3)	30 June 2014
Quarter ended 30 June 2014	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Ulster Bank	6.7	(0.3)	(1.1)	(0.2)	(0.5)	(0.1)	4.5
Real Estate Finance	13.4	(1.0)	(0.9)	(1.8)	1.0	(0.2)	10.5
Corporate	17.0	(0.8)	(1.1)	3.2	(1.2)	(0.5)	16.6
Markets	13.8	(1.7)	(1.5)	1.4	-	(0.1)	11.9
Total	50.9	(3.8)	(4.6)	2.6	(0.7)	(0.9)	43.5

	1 January 2014	Net run-off	Disposals (1)	Risk parameters (2)	Impairments	Other (3)	31 March 2014
Quarter ended 31 March 2014	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Ulster Bank	8.9	(0.5)	(0.1)	(1.4)	(0.2)	-	6.7
Real Estate Finance	18.6	(3.7)	(0.7)	-	(0.8)	-	13.4
Corporate	21.1	(1.0)	(0.3)	(2.4)	(0.3)	(0.1)	17.0
Markets	16.4	(0.2)	(0.6)	(1.7)	-	(0.1)	13.8
Total	65.0	(5.4)	(1.7)	(5.5)	(1.3)	(0.2)	50.9

Notes:
(1) Includes all aspects relating to disposals, including associated removal of deductions from regulatory capital.
(2) Principally reflects credit migration and other technical adjustments.
(3) Includes fair value adjustments and foreign exchange movements.

Gross loans and advances, REIL and related impairments

30 June 2014	Gross loans (1) £bn	REIL £bn	Provisions £bn	Credit metrics REIL as a % of gross loans %	Provisions as a % of REIL %	Provisions as a % of gross loans %	YTD Impairment charge/ (gain) (2) £m	YTD Amounts written-off £m
By sector:								
Commercial real estate								
- investment	10.7	8.2	4.4	77	54	41	(35)	839
- development	7.6	7.0	6.1	92	87	80	(65)	222
Asset finance	2.5	0.9	0.4	36	44	16	19	21
Other corporate	9.1	4.3	3.5	47	81	38	71	532
Other	0.1	-	-	-	-	-	-	5
	30.0	20.4	14.4	68	71	48	(10)	1,619
By donating segment and sector								
Ulster Bank								
Commercial real estate								
- investment	4.5	4.3	2.7	96	63	60	(42)	126
- development	6.5	6.4	5.8	98	91	89	(79)	192
Other corporate	2.9	2.3	2.1	79	91	72	106	157
Total Ulster Bank	13.9	13.0	10.6	94	82	76	(15)	475
Commercial Banking								
Commercial real estate								
- investment	2.2	1.3	0.5	59	38	23	33	51
- development	0.8	0.5	0.2	63	40	25	15	11
Asset finance	-	-	-	-	-	-	-	3
Other corporate	1.2	0.6	0.4	50	67	33	30	113
Other	-	-	-	-	-	-	-	4
Total Commercial Banking	4.2	2.4	1.1	57	46	26	78	182
CIB								
Commercial real estate								
- investment	4.0	2.6	1.2	65	46	30	(26)	662
- development	0.3	0.1	0.1	33	100	33	(1)	19
Asset finance	2.5	0.9	0.4	36	44	16	19	18

Other corporate	5.0	1.4	1.0	28	71	20	(65)	262
Other	0.1	-	-	-	-	-	-	1
Total CIB	11.9	5.0	2.7	42	54	23	(73)	962
Total	30.0	20.4	14.4	68	71	48	(10)	1,619
Of which:								
UK	13.9	8.0	5.0	58	63	36	(71)	1,057
Europe	15.0	12.0	9.2	80	77	61	78	553
US	0.3	0.1	-	33	-	-	(8)	2
RoW	0.8	0.3	0.2	38	67	25	(9)	7
	30.0	20.4	14.4	68	71	48	(10)	1,619
Banks	0.6	-	-	-	-	-	(10)	-

Notes:
(1) Includes disposal groups.
(2)
Impairment losses include those relating to AFS securities; sector analyses above include allocation of latent impairment charges.
Impairment losses include those relating to AFS securities; sector analyses above include allocation of latent impairment charges.

RBS Capital Resolution

Gross loans and advances, REIL and related impairments (continued)

31 March 2014	Gross loans (1) £bn	Provisions £bn	Impairment charge/ (gain) (2) £m	Amounts written-off £m
By donating segment and sector				
Ulster Bank				
Commercial real estate				
- investment	5.4	3.1	47	3
- development	7.1	6.2	(29)	31
Other corporate	3.0	2.0	34	25
Total Ulster Bank	15.5	11.3	52	59
Commercial Banking				
Commercial real estate				
- investment	2.4	0.5	52	1
- development	0.7	0.3	13	1

Other corporate	1.7	0.5	16	25
Other	-	-	-	5
Total Commercial Banking	4.8	1.3	81	32
CIB				
Commercial real estate				
- investment	5.1	1.4	34	370
- development	0.3	0.1	10	3
Asset finance	2.5	0.4	8	-
Other corporate	5.6	1.2	(47)	326
Other	0.2	-	(30)	-
Total CIB	13.7	3.1	(25)	699
Total	34.0	15.7	108	790
Banks	0.7	-	-	-

Notes:
(1)Includes disposal groups.
(2)Impairment losses include those relating to AFS securities; sector analyses above include allocation of latent impairment charges.

RBS Capital Resolution

Key points

H1 2014

- Funded assets have reduced by £8 billion, or 28%, to £21 billion since inception on 1 January 2014, driven by disposals and run-off.

- RWA equivalent decreased by £21 billion, or 33%, to £44 billion during H1 2014. This primarily reflects disposals and run-off, supplemented by methodology changes and lower operational and market risk RWAs.

- The operating loss of £48 million benefited from £281 million of disposal gains and recoveries in H1 2014 with underlying impairments of £301 million.

- The net effect of the operating loss and RWA equivalent (RWAe) reduction resulted in net CET1 accretion of £2 billion.

Q2 2014 compared with Q1 2014
Capital

- RWAe reduction of £7 billion, to £44 billion, reflects a combination of disposals, run-off and lower market risk RWAs.

- The operating focus in the quarter was on capital intensive positions to maximise the capital accretion benefit. Reductions in these positions were achieved in a capital accretive manner and consistent with our asset management principles. Disposal activity was spread across all sectors, with the most notable reductions in the Ulster Bank and Real Estate business pillars.

Funded assets

- Funded assets fell to £21 billion, a reduction of £3 billion, or 14%, during the quarter.

- The reduction was achieved by a mixture of run-off and disposals, and continued to benefit from a combination of strong liquidity in the market and asset demand in specific sectors. The first major disposal in Ireland was completed in Q2 2014 which reduced funded assets by £0.5 billion.

- The percentage mix of assets across each of the business pillars remained broadly stable.

Operating performance

- Operating profit for the second quarter was £66 million, a £180 million improvement compared with Q1 2014 and included a £36 million latent provision release reflecting improving credit conditions. The operating performance also benefited from a number of disposal gains and recoveries with good pricing in the market and efficient execution.

- The favourable market conditions were reflected in higher than anticipated sale prices for assets disposed of in the quarter, resulting in disposal gains of £225 million, primarily through the write back of impairment provisions, compared with £56 million in Q1 2014.

- The net effect of the operating profit of £66 million and RWAe reduction of £7 billion(1) resulted in net CET1 accretion of £0.8 billion in the quarter.

Funding employed

- RCR continues to be funded primarily by RBS Treasury and has no material third party deposits.

- A run off profile of 85% over three years has been assumed for RCR’s asset base with the associated funding cost being calculated from Treasury issuance maturing in line with the run down of the RCR balance sheet.

Note

(1) Capital equivalent - £0.7 billion at an internal CET1 ratio of 10%.

Signatures

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 authorized.

Date: 1 August 2014

THE ROYAL BANK OF
SCOTLAND GROUP plc
(Registrant)

By: /s/ Jan Cargill

Name: Jan Cargill
Title: Deputy Secretary