ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
February 24, 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 February 24, 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:

Annual Results 2010

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', 'obje '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 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 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

Pro forma results

Pro forma results have been prepared to include only those business units of ABN AMRO that have been retained by RBS and to reclassify certain non-operating items. The business and strategic update, divisional performance and discussion of risk and capital management in this announcement focus on the pro forma results. The basis of preparation of the pro forma results is detailed on page 74.

Statutory results

RFS Holdings is the entity that acquired ABN AMRO and is now 98% owned by RBS and is fully consolidated in its financial statements. The interests of Fortis, and its successor the State of the Netherlands, and Santander in RFS Holdings are included in non-controlling interests. Following legal separation on 1 April 2010, the interests of other Consortium Members in RFS Holdings relate only to shared assets. In future years, there will be no significant differences between pro forma and statutory results in respect of ABN AMRO.

Results summary - pro forma

	Quarter ended			Year ended	
	31 December 2010 £m	30 September 2010 £m	31 December 2009 £m	31 December 2010 £m	31 December 2009 £m
Core					
Total income (1)	7,121	7,029	7,162	29,629	31,868
Operating expenses (2)	(3,583)	(3,517)	(3,788)	(14,385)	(14,954)
Insurance net claims	(937)	(998)	(1,173)	(4,046)	(3,769)
Operating profit before impairment losses and fair value of own debt (3)	2,601	2,514	2,201	11,198	13,145
Impairment losses	(930)	(782)	(1,288)	(3,780)	(4,678)
Operating profit before fair value of own debt	1,671	1,732	913	7,418	8,467
Fair value of own debt	582	(858)	270	174	(142)
Operating profit (3)	2,253	874	1,183	7,592	8,325
Non-Core					
Total income (1)	338	888	108	3,033	(2,301)
Operating expenses (2)	(498)	(579)	(685)	(2,325)	(2,447)
Insurance net claims	(245)	(144)	(148)	(737)	(588)
Operating (loss)/profit before impairment losses (3)	(405)	165	(725)	(29)	(5,336)
Impairment losses	(1,211)	(1,171)	(1,811)	(5,476)	(9,221)
Operating loss (3)	(1,616)	(1,006)	(2,536)	(5,505)	(14,557)
Total					
Total income (1)	7,459	7,917	7,270	32,662	29,567
Operating expenses (2)	(4,081)	(4,096)	(4,473)	(16,710)	(17,401)
Insurance net claims	(1,182)	(1,142)	(1,321)	(4,783)	(4,357)
Operating profit before impairment losses	2,196	2,679	1,476	11,169	7,809

and fair value of own debt (3)					
Impairment losses	(2,141)	(1,953)	(3,099)	(9,256)	(13,899)
Operating profit/(loss) before fair value of own debt	55	726	(1,623)	1,913	(6,090)
Fair value of own debt	582	(858)	270	174	(142)
Operating profit/(loss) (3)	637	(132)	(1,353)	2,087	(6,232)
Integration and restructuring costs	(299)	(311)	(228)	(1,032)	(1,286)
Gain on redemption of own debt	-	-	-	553	3,790
Asset Protection Scheme credit default swap - fair value changes	(725)	(825)	-	(1,550)	-
Other non-operating items	391	(111)	1,715	(297)	1,800
Profit/(loss) before tax (4)	4	(1,379)	134	(239)	(1,928)
Memo: Profit/(loss) before tax, pre APS	729	(554)	134	1,311	(1,928)

For definitions of the notes refer to page 7.

Results summary - pro forma

	Quarter ended			Year ended	
Key metrics	31 December 2010	30 September 2010	31 December 2009	31 December 2010	31 December 2009
Performance ratios					
Core					
- Net interest margin	2.27%	2.30%	2.06%	2.23%	2.12%
- Cost:income ratio (5)	58%	58%	63%	56%	53%
- Return on equity	12.1%	12.6%	6.2%	13.3%	13.5%
- Adjusted earnings/(loss) per ordinary and B share from continuing operations	1.3p	(0.2p)	2.2p	2.7p	11.7p
- Adjusted earnings per ordinary and B share from continuing operations assuming normalised tax rate of 28%	1.5p	0.6p	1.2p	5.0p	9.5p
Non-Core					
- Net interest margin	1.10%	1.05%	1.17%	1.16%	0.69%
- Cost:income ratio (5)	535%	78%	(1,713%)	101%	(85%)
Group					
- Net interest margin	2.04%	2.05%	1.83%	2.01%	1.76%
- Cost:income ratio (5)	65%	60%	75%	60%	69%
Continuing operations					
	-	(1.1p)	(1.2p)	(0.5p)	(6.3p)

Basic (loss)/earnings per ordinary and B share (6)

For definitions of the notes refer to page 7.

Results summary - pro forma

	31 December 2010	30 September 2010	Change	31 December 2009	Change
Capital and balance sheet					
Total assets	£1,453bn	£1,629bn	(11%)	£1,522bn	(5%)
Funded balance sheet (7)	£1,026bn	£1,080bn	(5%)	£1,084bn	(5%)
Loan:deposit ratio (Core - net of provisions)	96%	101%	(500bp)	104%	(800bp)
Loan:deposit ratio (Group - net of provisions)	117%	126%	(900bp)	135%	(1,800bp)
Risk-weighted assets - gross	£568bn	£592bn	(4%)	£566bn	-
Benefit of Asset Protection Scheme (APS)	(£106bn)	(£117bn)	(9%)	(£128bn)	(17%)
Risk-weighted assets - net of APS	£462bn	£475bn	(3%)	£438bn	5%
Total equity	£76bn	£77bn	(1%)	£80bn	(5%)
Core Tier 1 ratio*	10.7%	10.2%	50bp	11.0%	(30bp)
Tier 1 ratio	12.9%	12.5%	40bp	14.4%	(150bp)
Risk elements in lending (REIL)	£39bn	£38bn	3%	£35bn	11%
REIL as a % of gross loans and advances (8)	7.3%	7.0%	30bp	6.1%	120bp
Provision balance as % of REIL and potential problem loans (PPL)	46%	46%	-	42%	400bp
Tier 1 leverage ratio (9)	16.9x	18.0x	(6%)	17.0x	(1%)
Tangible equity leverage ratio (10)	5.5%	5.3%	20bp	5.2%	30bp
Net tangible equity per ordinary and B share	51.1p	51.8p	(1%)	51.3p	-

* Benefit of APS in Core Tier 1 ratio is 1.2% at 31 December 2010 (30 September 2010 - 1.2%; 31 December 2009 - 1.6%).

Notes:

(1) Excluding fair value of own debt, gain on redemption of own debt, strategic disposals and Asset Protection Scheme credit default swap - fair value changes.

(2) Excluding amortisation of purchased intangible assets, integration and restructuring costs, bonus tax, gains on pensions curtailment and write-down of goodwill and other intangible assets.

(3) Operating profit/(loss) before tax, amortisation of purchased intangible assets, integration and restructuring costs, gain on redemption of own debt, strategic

disposals, bonus tax, Asset Protection Scheme credit default swap - fair value changes, gains on pensions curtailment and write-down of goodwill and other intangible assets.
(4) Excluding write-down of goodwill and other intangible assets.
(5) 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.
(6) Adjusted (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 81.
(7) Funded balance sheet represents total assets less derivatives.
(8) Gross loans and advances to customers 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).

Results summary - statutory

Highlights

· Income of £7,822 million for Q4 2010 and £31,868 million for full year 2010.

· Operating loss before tax of £8 million for Q4 2010 and £399 million for full year 2010.

· Core Tier 1 ratio 10.7%.

	Quarter ended			Year ended	
	31 December 2010 £m	30 September 2010 £m	31 December 2009* £m	31 December 2010 £m	31 December 2009* £m
Continuing operations					
Total income	7,822	6,086	7,199	31,868	33,026
Operating expenses	(4,507)	(4,551)	(2,867)	(18,228)	(17,417)
Operating profit before impairment losses	2,133	393	3,011	8,857	11,252
Impairment losses	(2,141)	(1,953)	(3,099)	(9,256)	(13,899)
Operating loss before tax	(8)	(1,560)	(88)	(399)	(2,647)
Profit/(loss) attributable to ordinary and B shareholders	12	(1,146)	(765)	(1,125)	(3,607)

* Restated for the reclassification of the results attributable to other Consortium Members as discontinued operations.

For an explanation of the statutory presentation refer to page 4.

A reconciliation between statutory and pro forma results is shown in Appendix 1 to this announcement.

Summary consolidated income statement
for the quarter and year ended 31 December 2010 - pro forma

In the income statement set out below, fair value of own debt, amortisation of purchased intangible assets, integration and restructuring costs, gain on redemption of own debt, strategic disposals, bonus tax, Asset Protection Scheme credit default swap - fair value changes, gains on pensions curtailment and write-down of goodwill and other intangible assets are shown separately. In the statutory condensed consolidated income statement on page 143, these items are included in income and operating expenses as appropriate.

	Quarter ended			Year ended	
	31 December 2010 £m	30 September 2010 £m	31 December 2009 £m	31 December 2010 £m	31 December 2009 £m
Core					
Net interest income	3,220	3,050	2,935	12,517	12,319
Non-interest income (excluding insurance net premium income)	2,810	2,870	3,090	12,686	15,067
Insurance net premium income	1,091	1,109	1,137	4,426	4,482
Non-interest income	3,901	3,979	4,227	17,112	19,549
Total income (1)	7,121	7,029	7,162	29,629	31,868
Operating expenses (2)	(3,583)	(3,517)	(3,788)	(14,385)	(14,954)
Profit before other operating charges	3,538	3,512			