ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
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FORM 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Report of Foreign Issuer

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

7 August 2002

The Royal Bank of Scotland Group plc

42 St Andrew Square
Edinburgh EH2 2YE
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 X   Form 40-F ___

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-(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-______

This report on Form 6-K shall be deemed incorporated by reference into the company's Registration Statement on Form F-3 (File No. 333-73950) and to be a part thereof from the date which it was filed, to the extent not superseded by documents or reports subsequently filed or furnished.

THE ROYAL BANK OF SCOTLAND GROUP plc

SIX MONTHS ENDED 30 JUNE 2002 - FINANCIAL HIGHLIGHTS

	First half 2002 £m	First half 2001 £m	**Increase**	Full year 2001 (restated) £m
Total income	**8,182**	6,822	**20%**	14,558
Operating expenses	**3,740**	3,284	**14%**	6,841
Profit before tax, goodwill amortisation and integration costs	**3,151**	2,751	**15%**	5,778
Profit before tax	**2,325**	2,072	**12%**	4,252
Cost:income ratio	**45.7%**	48.1%	-	47.0%
Adjusted earnings per ordinary share	**69.8p**	62.6p	**12%**	127.9p
Dividends per ordinary share	**12.7p**	11.0p	**15%**	38.0p

Sir George Mathewson, Chairman of The Royal Bank of Scotland Group plc, said:-

"Strong income growth and improved efficiency are key factors in these results. Our focus on satisfying customers continues to reap rewards with increased customer numbers across the Group and in particular in Citizens, Direct Line, Retail Banking and Retail Direct.

Provisions remain at a level consistent with the second half of 2001, influenced both by growth in our book and particular corporate situations. Overall credit quality remains strong.

The strength, diversity and flexibility of our Group has enabled us to grow our profit before tax, goodwill amortisation and integration costs by 15% and the Board is pleased to increase the interim dividend also by 15%."

THE ROYAL BANK OF SCOTLAND GROUP plc

FIRST HALF 2002 HIGHLIGHTS

- Profit up 15% to £3,151 million*.
- Income up 20% to £8,182 million, expenses up 14% to £3,740 million.
- Excluding acquisitions, income up 15%, expenses up 8%.
- Customer growth in all divisions.
- Net interest margin stable at 3.1%.
- Further efficiency gains - cost:income ratio 45.7%, improved from 48.1%.
- Profit and loss charge for provisions £652 million, against £622 million in the second half of 2001 and £369 million in the first half of 2001.
- Credit quality remains strong.
- Balance sheet provision coverage of risk elements in lending maintained at 80%.
- Increased targets for NatWest integration being met.
- Accelerated delivery of Mellon Regional Franchise integration benefits.
- Adjusted earnings per share up 12%, basic earnings per share up 13%.
- Interim dividend 12.7p per share, up 15%.

* before tax, goodwill amortisation and integration costs

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REVIEW OF RESULTS

The Royal Bank of Scotland Group ("RBS") continued to make substantial progress in the first half of 2002. Key features of these interim results include strong growth in income and further improvements in efficiency and margins. The charge for bad debt provisions is similar to the second half of 2001. The increased targets for NatWest integration benefits are being met and excellent progress is being made by Citizens on the integration of the Mellon Regional Franchise.

Profit

RBS increased its first half profit before tax, goodwill amortisation and integration costs by 15%, or £400 million, from £2,751 million to £3,151 million. All divisions contributed to this increase.

After goodwill amortisation and integration costs, profit before tax was up by 12%, from £2,072 million to £2,325 million. Integration costs relating to NatWest and the Mellon Regional Franchise were £461 million in the first half of 2002, against £361 million in the first half of 2001.

Total income

RBS continued to achieve strong growth in income. Total income was up by 20%, or £1,360 million, to £8,182 million. Excluding acquisitions, total income was up by 15%.

Of the £1,360 million growth in total income, £620 million was net interest income and £740 million non-interest income.

Citizens increased its income by 69% (17% underlying growth, excluding the Mellon Regional Franchise), Direct Line Group by 46% and Retail Direct by 19%.

Corporate Banking and Financial Markets income was up by 15% over the first half of 2001 and maintained the level achieved in the second half of 2001, when Financial Markets benefited from market volatility and falling interest rates.

Retail Banking grew its income by 8% and Ulster Bank by 11%. The small fall in Wealth Management income reflected lower stock market values.

Net interest income

Net interest income increased by 19%, or £620 million, to £3,873 million. Net interest income accounted for 47% of first half total income. Average interest-earning assets of the banking business increased by 15%.

Net interest margin
The Group net interest margin increased slightly, from 3.0% to 3.1%. Improved lending margins offset the downward pressure on deposit margins arising from lower interest rates.

Non-interest income
Non-interest income increased by 21%, or £740 million, to £4,309 million. Non-interest income accounted for 53% of first half total income.

Fees and commissions receivable were up 18%, or £400 million. General insurance premium income, after reinsurance, rose by 47%, or £284 million reflecting Direct Line Group's organic growth and acquisitions in Continental Europe. Continued strong growth in fee paying current accounts also contributed to the increase in fees and commissions.

Operating expenses
Operating expenses, excluding goodwill amortisation and integration costs, rose by 14%, or £456 million, to £3,740 million. Excluding acquisitions, operating expenses were up by 8%, £263 million in support of strong growth in business volumes.

REVIEW OF RESULTS (continued)

Cost:income ratio
As a result of the relative movements in total income and operating expenses, the Group achieved a further improvement in its cost:income ratio, to 45.7% from 48.1%.

Net insurance claims
General insurance claims, after reinsurance, increased by 53%, or £221 million, to £639 million. This reflects significant increases in customer numbers.

Provisions
The profit and loss charge for provisions was £652 million in the first half of 2002, against £622 million in the second half of 2001 and £369 million in the first half of 2001.

The charge for bad debt provisions amounted to £611 million in the first half of 2002, compared with £617 million in the second half of 2001 and £367 million in the first half of 2001. The charge for bad debts reflects overall growth in lending and is particularly influenced by provisions required against a number of specific corporate situations. Amounts written off fixed asset investments were £41 million in the first half of 2002, against £5 million in the second half of 2001 and £2 million in the first half of 2001.

Total balance sheet provisions amounted to £3,856 million at 30 June 2002, up from £3,653 million at 31 December 2001 and £3,236 million at 30 June 2001.

Credit quality

Overall credit quality remains strong, with no material change to the distribution by grade of the Group's total risk assets compared with the position at the previous year end.

Risk elements in lending amounted to £4,791 million at 30 June 2002, against £4,493 million at 31 December 2001 and £4,045 million at 30 June 2001.

Total provision coverage (the ratio of total balance sheet provisions to risk elements in lending) was 80% at 30 June 2002, against 81% at 31 December 2001 and 80% at 30 June 2001.

Integration

The integration of NatWest continues on track and the increased targets for integration benefits, announced in February 2002, are being met.

In the first half of 2002, the contribution to profit before tax of revenue benefits amounted to £222 million, against the revised target of £460 million for the full year, and the effect of cost savings amounted to £618 million, against the revised target of £1,280 million for the full year.

By June 2002, the cumulative total of integration costs was £1,767 million - up from £1,394 million at December 2001. It is still expected that the full amount of integration costs will be £2.3 billion, as indicated in February 2002.

Excellent progress is being made by Citizens on the integration of the Mellon Regional Franchise and the transaction benefits are being delivered more quickly than was envisaged. RBS is on track to achieve the full amount of the expected transaction benefits.

REVIEW OF RESULTS (continued)

Earnings and dividends

Earnings per share, adjusted for goodwill amortisation and integration costs, increased by 12%, from 62.6p to 69.8p.

Basic earnings per share increased by 13%, from 41.1p to 46.6p.

An interim dividend of 12.7p per ordinary share has been declared, an increase of 15%. The interim dividend is covered 5.4 times by earnings before goodwill amortisation and integration costs.

Balance sheet

Total assets were £397 billion at 30 June 2002, 8% higher than total assets of £369 billion at 31 December 2001 and 16% higher than total assets of £341 billion at 30 June 2001. Within the 30 June 2002 total, £294 billion (74%) related to banking business and £103 billion (26%) to trading business.

Loans and advances to customers amounted to £210 billion at 30 June 2002, up 10% from £190 billion at 31 December 2001. Compared with 30 June 2001, loans and advances to customers were up 17%, £30 billion. Customer deposits increased by 3%, from £199 billion at 31 December 2001 to £205 billion at 30 June 2002 and were up 13% from £181 billion at 30 June 2001.

Capital ratios at 30 June 2002 were 7.4% (tier 1) and 11.8% (total), against 7.1% (tier 1) and 11.5% (total) at 31 December 2001 and 7.2% (tier 1) and 11.4% (total) at 30 June 2001.

Acquisitions
In May 2002, Lombard completed the acquisition of Dixon Motors PLC for a consideration of £118 million.

In June 2002, Citizens announced the acquisition of the Massachusetts savings bank, Medford Bancorp, Inc, for a cash consideration of US$273 million. It is expected that this acquisition will be completed in the final quarter of 2002.

Outlook
As ever, the outlook for the economies in which we operate is difficult to predict with any certainty. However, as our interim results have demonstrated, the strength, diversity and flexibility of our Group enables us to adopt a cautious stance relative to market conditions, whilst still being able to deliver superior business performance through the provision to our customers of the support, products and services which they want and need.

We anticipate continuing with a cautious stance in the short term, however we remain confident in our ability to continue to deliver superior performance for our shareholders.

RESTATEMENTS AND RECENT DEVELOPMENTS

Restatements
The Group has implemented Financial Reporting Standard 19 'Deferred Tax' ("FRS 19") which requires recognition of deferred tax assets and liabilities on all timing differences, with specified exceptions. Previously, provision was made for deferred tax only to the extent that timing differences were expected to reverse and the deferred tax liability crystallise in the foreseeable future. Prior periods have been restated resulting in a decrease in profit and loss account reserves of £117 million at 30 June 2001 and 31 December 2001; an increase in the deferred tax liability of £182 million at 30 June 2001 and £194 million at 31 December 2001; and an increase in the deferred tax asset of £65 million at 30 June 2001 and £77 million at 31 December 2001. The tax charge for 2001 is unchanged.

Following the issuance of Urgent Issues Task Force Abstract 33 Obligations in capital instruments ("UITF 33") in February 2002, the Group has reclassified its perpetual regulatory tier one securities, issued in August 2001, from non-equity shareholders funds to subordinated liabilities and the interest on these securities is now included in interest payable rather than non-equity dividends. Comparative figures have been restated resulting in an increase in interest payable of £23 million in the second half of 2001, a reduction in non-equity shareholders funds of £835 million, an increase in undated loan capital of £820 million and an increase in accruals and deferred income of £15 million as at 31 December 2001.

Following the transfer of certain businesses from Ulster Bank to Corporate Banking and Financial Markets with effect from 1 January 2002, prior period information for these divisions has been restated. The Group results are not affected.

Recent developments

The Competition Commission published its report on the supply of banking services by clearing banks to small and medium-sized enterprises (SME's) in March 2002. The report recommended a number of pricing and behavioural remedies.

The Group has, along with three other major clearing banks, given undertakings to implement the pricing remedies with effect from 1 January 2003. These undertakings require the Group to offer its SME customers either interest on current accounts at a prescribed rate or free core money transmission services or a choice between the two. The Group is also actively discussing with the Office of Fair Trading the proposed behavioural remedies with a view to reaching agreement on these expeditiously.

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SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 JUNE 2002 (unaudited)

The profit and loss account set out below shows goodwill amortisation and integration costs separately. In the statutory profit and loss account on page 23, these items are included in the captions prescribed by the Companies Act.

	First half 2002	First half 2001 (restated)	Full year 2001 (restated)
	£m	£m	£m
Net interest income	**3,873**	3,253	6,846
Dividend income	**29**	24	54
Fees and commissions receivable	**2,609**	2,209	4,735
Fees and commissions payable	**(481)**	(459)	(930)
Dealing profits	**724**	689	1,426
Other operating income	**543**	505	1,052
	3,424	2,968	6,337
General insurance premium income	**885**	601	1,375
Non-interest income	**4,309**	3,569	7,712
Total income	**8,182**	6,822	14,558
Staff costs	**1,930**	1,659	3,461
Other operating expenses	**1,810**	1,625	3,380

Operating expenses	**3,740**	3,284	6,841
Profit before other operating charges	**4,442**	3,538	7,717
General insurance claims	**639**	418	948
Operating profit before provisions	**3,803**	3,120	6,769
Provisions for bad and doubtful debts	**611**	367	984
Amounts written off fixed asset investments	**41**	2	7
Profit before goodwill amortisation and integration costs	**3,151**	2,751	5,778
Goodwill amortisation	**365**	318	651
Integration costs	**461**	361	875
Profit before tax	**2,325**	2,072	4,252
Tax	**781**	746	1,537
Profit after tax	**1,544**	1,326	2,715
Minority interests (including non-equity)	**49**	44	90
Preference dividends	**159**	178	358
	1,336	1,104	2,267
Additional Value Shares dividend	**-**	-	399
Profit attributable to ordinary shareholders	**1,336**	1,104	1,868
Ordinary dividends	**368**	313	1,085
Retained profit	**968**	791	783
Basic earnings per ordinary share (Note 4)	**46.6p**	41.1p	67.6p
Adjusted earnings per ordinary share (Note 4)	**69.8p**	62.6p	127.9p

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DIVISIONAL PERFORMANCE

The contribution of each division before goodwill amortisation and integration costs and, where appropriate, Manufacturing costs is detailed below.

	First half 2002 £m	First half 2001 £m	Increase %	Full year 2001 £m
Corporate Banking and Financial Markets*	**1,554**	1,509	3	3,024
Retail Banking	**1,488**	1,377	8	2,807
Retail Direct	**330**	241	37	551
Manufacturing	**(850)**	(778)	(9)	(1,568)
Wealth Management	**235**	234	-	459
Direct Line Group	**153**	112	37	261
Ulster Bank*	**125**	115	9	229
Citizens	**384**	233	65	501
Central items	**(268)**	(292)	8	(486)**
Group operating profit before goodwill amortisation and integration costs	**3,151**	2,751	15	5,778

* Prior periods have been restated to reflect the transfer of certain businesses from Ulster Bank to Corporate Banking and Financial Markets.

** Restated following the implementation of UITF 33.

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CORPORATE BANKING AND FINANCIAL MARKETS

	First half 2002 £m	First half 2001 (restated) £m	Full year 2001 (restated) £m
Net interest income	**1,179**	1,011	2,138
Non-interest income	**1,755**	1,531	3,319
Total income	**2,934**	2,542	5,457
Direct expenses			
- staff costs	**622**	552	1,131
- other	**185**	154	366
- operating lease depreciation	**217**	193	434
Contribution before provisions	**1,910**	1,643	3,526
Provisions	**356**	134	502
Contribution	**1,554**	1,509	3,024

Direct cost:income ratio (%)		**34.9**	35.4	35.4
Total assets	- Corporate Banking (£bn)	**100.6**	91.3	96.1
	- Financial Markets (£bn)	**135.7**	115.6	120.4
Loans and advances to customers - gross (£bn)		**110.8**	93.5	95.1
Customer deposits excluding repos (£bn)		**58.0**	54.6	56.4
Weighted risk assets (£bn)		**130.0**	110.8	118.3

Corporate Banking and Financial Markets ("**BFM**") *is the largest provider of banking services to medium and large businesses in the UK and the leader in the UK in asset finance. It provides an integrated range of products and services to mid-sized and large corporate and institutional customers in the UK and overseas, including corporate and commercial banking, treasury and capital markets products, structured and leveraged finance, trade finance, leasing and factoring. In May 2002, Lombard, the leasing arm of CBFM, completed the acquisition of Dixon Motors PLC. Lombard and Ulster was transferred to CBFM from Ulster Bank on 1 January 2002; prior periods have been restated to reflect this.*

Contribution increased over the first half of 2001 by 3% or £45 million to £1,554 million. Contribution before provisions was up by 16%, £267 million to £1,910 million.

Total income was up by 15% or £392 million to £2,934 million. Excluding acquisitions, which added £22 million, total income was still up by 15%.

Net interest income rose by 17% or £168 million to £1,179 million, reflecting lending growth in Corporate Banking and continued good performance by Financial Markets. Average loans and advances to customers of the banking business increased by 15% or £10.8 billion to £85.1 billion.

Non-interest income rose by 15% or £224 million to £1,755 million, mainly as a result of fees earned on higher customer advances and on increased payments and electronic banking activities. There were also significant increases in operating lease income and in rental income from investment properties.

Direct expenses increased by 14% or £125 million to £1,024 million. Excluding acquisitions, which added £20 million, expenses were up by £105 million or 12%. Of this increase of £105 million, £24 million was higher operating lease depreciation, and the balance reflects support for higher business volumes and expansion of offices in Continental Europe.

The direct cost:income ratio improved from 35.4% to 34.9%.

Provisions amounted to £356 million in the first half of 2002 compared with £368 million in the second half of 2001 and £134 million in the first half of 2001.

RETAIL BANKING

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Net interest income	**1,376**	1,280	2,622
Non-interest income	**661**	609	1,277
Total income	**2,037**	1,889	3,899
Direct expenses			
- staff costs	**349**	339	702
- other	**98**	89	226
Contribution before provisions	**1,590**	1,461	2,971
Provisions	**102**	84	164
Contribution	**1,488**	1,377	2,807
Direct cost:income ratio (%)	**21.9**	22.7	23.8
Total assets (£bn)	**62.7**	59.2	61.1
Loans and advances to customers - gross			
- mortgages (£bn)	**30.0**	26.8	28.5
- other (£bn)	**21.4**	19.2	20.5
Customer deposits (£bn)	**59.3**	55.0	56.8
Weighted risk assets (£bn)	**36.5**	33.2	35.2

Retail Banking *provides a wide range of banking, insurance and related financial services to individuals and small businesses. These services are delivered from a network of Royal Bank of Scotland and NatWest branches throughout Great Britain and through the telephone, ATMs and the internet.*

Contribution increased over the first half of 2001 by 8% or £111 million to £1,488 million.

Total income was up by 8% or £148 million to £2,037 million. This increase in income was supported by continued growth in customer numbers. The number of personal current accounts increased by 130,000 to 10.43 million over the first half of the year. Similarly, the number of small business customers increased by 13,000 to 1.09 million.

Net interest income rose by 8% or £96 million to £1,376 million, reflecting strong growth in customer loans and deposits. Average loans to customers, excluding mortgages, grew by 10% or £2.0 billion to £20.8 billion. Average mortgage lending grew by 11% or £2.9 billion to £29.0 billion. Average customer deposits increased by 6% or £3.4 billion to £56.8 billion.

Non-interest income rose by 9% or £52 million to £661 million, reflecting the growth in packaged current accounts, increased volumes of general insurance products sold to NatWest and Royal Bank customers and a strong sales performance in Bancassurance with new business up 36% year on year. The fall in equity markets reduced Bancassurance income by £7 million.

Direct expenses increased by 4% or £19 million to £447 million.

The direct cost:income ratio improved from 22.7% to 21.9%.

Provisions increased by £18 million to £102 million, reflecting growth in lending over recent years.

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RETAIL DIRECT

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Net interest income	**370**	319	674
Non-interest income	**386**	317	696
Total income	**756**	636	1,370
Direct expenses			
- staff costs	**88**	79	164
- other	**198**	192	400
Contribution before provisions	**470**	365	806
Provisions	**140**	124	255
Contribution	**330**	241	551
Direct cost:income ratio (%)	**37.8**	42.6	41.2
Total assets (£bn)	**17.9**	15.7	17.2
Loans and advances to customers - gross			
- mortgages (£bn)	**6.6**	5.2	5.9
- other (£bn)	**11.4**	10.3	11.2
Customer deposits (£bn)	**4.2**	3.3	4.3
Weighted risk assets (£bn)	**13.1**	11.5	12.5

Retail Direct *issues a comprehensive range of credit, charge and debit cards to personal and corporate customers and engages in merchant acquisition and processing facilities for retail businesses. It also includes: Tesco Personal Finance ("TPF"), Virgin Direct Personal Finance ("VDPF"), Direct Line Financial Services ("DLFS"), Lombard Direct, the Group s internet banking platform and Comfort Card European businesses, all of them offering products to customers through direct channels.*

Contribution increased over the first half of 2001 by 37% or £89 million to £330 million.

Total income was up by 19% or £120 million to £756 million, reflecting continued strong growth in the Cards Business and in TPF. The number of active credit card accounts increased since December 2001 by 350,000 to 9.51 million at June 2002. The number of customers of TPF increased since December 2001 by 400,000 to 3.0 million at June 2002.

Net interest income was up by 16% or £51 million to £370 million. Average credit card and store card balances were up by 8% to £8.0 billion. In TPF, average personal loans rose by 24% to £1.1 billion and average customer deposits by 32% to £1.8 billion. In addition, average mortgage lending was 41% higher in VDPF at £3.9 billion and 13% higher in DLFS at £2.3 billion, while average personal lending in DLFS and Lombard Direct increased by 14% to £1.9 billion.

Non-interest income was up by 22% or £69 million to £386 million mainly as a result of higher fee income reflecting growth in volumes, particularly in TPF, where the total number of insurance policies increased to 950,000 from 700,000 at December 2001.

Direct expenses increased by 6% or £15 million to £286 million, to support business expansion.

The direct cost:income ratio improved from 42.6% to 37.8%.

Provisions increased by £16 million to £140 million, reflecting the growth in lending volumes.

MANUFACTURING

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Staff costs	**235**	194	428
Other costs	**615**	584	1,140
Total manufacturing costs	**850**	778	1,568
Analysis:			
Group Technology	**327**	299	632
Group Purchasing and Property Operations	**279**	255	467
Customer Support and other operations	**244**	224	469
Total manufacturing costs	**850**	778	1,568

Manufacturing *supports the customer facing businesses, mainly Corporate Banking and Financial Markets, Retail Banking and Retail Direct, and provides operational technology, account management, money transmission, property and other services.*

Total manufacturing costs amounted to £850 million in the first half of 2002, 9% or £72 million higher than the first half of 2001.

The increase in costs reflects support for growth in business volumes arising from new customer accounts opened, mortgage applications, new personal loans and ATM transactions, and for initiatives to enhance customer service, particularly in NatWest telephony.

WEALTH MANAGEMENT

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Net interest income	**228**	231	464
Non-interest income	**236**	241	469
Total income	**464**	472	933
Expenses			
- staff costs	**155**	150	298
- other	**82**	92	181
Contribution before provisions	**227**	230	454
Net release of provisions	**8**	4	5
Contribution	**235**	234	459
Cost:income ratio (%)	**51.1**	51.3	51.3
Total assets (£bn)	**13.8**	12.1	12.5
Investment management assets - excluding deposits (£bn)	**21.3**	22.6	21.4
Customer deposits (£bn)	**28.9**	28.3	29.1
Weighted risk assets (£bn)	**8.9**	7.0	7.8

Wealth Management *comprises Coutts Group, Adam & Company and the offshore banking businesses, The Royal Bank of Scotland International and NatWest Offshore. The Coutts Group focuses on private banking through the Coutts, The Royal Bank of Scotland and NatWest Private Banking brands. Adam & Company is a private bank operating primarily in Scotland. The offshore businesses provide retail banking services to local and expatriate customers, and corporate banking and treasury services to corporate, intermediary and institutional clients.*

Contribution was £235 million, £1 million higher than the first half of 2001.

Total income was down by 2% or £8 million to £464 million.

Net interest income declined by 1% or £3 million to £228 million, as a result of a small reduction in deposit margins associated with lower interest rates.

Non-interest income declined by 2% or £5 million to £236 million, reflecting the impact of lower equity markets on fees and commissions. However, despite lower equity markets, new business inflow ensured that the amount of investment management assets was maintained at a level similar to December 2001.

Expenses were down by 2% or £5 million to £237 million with certain processes now performed by the Manufacturing division.

The cost:income ratio improved slightly from 51.3% to 51.1%.

There was a net release of provisions of £8 million in the first half of 2002, against a net release of £4 million in the first half of 2001.

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DIRECT LINE GROUP

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Earned premiums	**1,111**	817	1,804
Reinsurers' share	**(226)**	(216)	(429)
Insurance premium income	**885**	601	1,375
Other income	**104**	78	168
Total income	**989**	679	1,543
Expenses			
- staff costs	**90**	68	152
- other	**107**	81	182
Gross claims	**787**	585	1,263
Reinsurers' share	**(148)**	(167)	(315)
Contribution	**153**	112	261
In-force policies (000)			
- motor: UK	**4,376**	3,617	4,017
- motor: International	**782**	335	601
- home: UK	**1,552**	1,143	1,360

Combined operating ratio - UK (%)	**89.1**	87.0	88.0
Insurance reserves - UK (£m)	**1,787**	1,336	1,541

Direct Line Group *sells and underwrites retail and wholesale insurance on the telephone and the internet. The Direct Division sells general insurance and motor breakdown services direct to the customer and Green Flag is a leading wholesale provider of insurance and motoring related services. Through its International Division, Direct Line sells insurance in Spain, Germany, Italy and Japan. The acquisition of Royal & Sun Alliance s direct motor insurance operation in Italy is expected to be completed by the end of 2002. This will make Direct Line the second largest direct insurer in Italy with over 300,000 customers.*

Contribution increased over the first half of 2001 by 37% or £41 million to £153 million.

Total income was up by 46% or £310 million to £989 million. Excluding acquisitions, which added £28 million, total income was up by 42% or £282 million.

After reinsurance, insurance premium income was up by 47% or £284 million to £885 million, reflecting strong growth in customer numbers. The number of UK in-force motor insurance policies increased since December 2001 by 360,000 to 4.38 million at June 2002, while the number of UK in-force home insurance policies increased since December 2001 by 190,000 to 1.55 million at June 2002.

Expenses increased by 32% or £48 million to £197 million. Excluding acquisitions, which added £20 million, expenses were up by 19% or £28 million.

Net claims, after reinsurance, increased by 53% or £221 million to £639 million, mainly as a result of higher business volumes.

ULSTER BANK

	First half 2002	First half 2001 (restated)	Full year 2001 (restated)
	£m	£m	£m
Net interest income	**165**	149	313
Non-interest income	**92**	83	170
Total income	**257**	232	483
Expenses			
- staff costs	**69**	65	135
- other	**52**	46	104

Contribution before provisions	**136**	121	244
Provisions	**11**	6	15
Contribution	**125**	115	229
Cost:income ratio (%)	**47.1**	47.8	49.5
Total assets (£bn)	**11.6**	11.1	10.8
Loans and advances to customers - gross (£bn)	**8.3**	7.1	7.6
Customer deposits (£bn)	**8.1**	7.2	7.7
Weighted risk assets (£bn)	**8.4**	7.4	7.7
Average exchange rate - /£	**1.609**	1.605	1.609
Spot exchange rate - /£	**1.543**	1.660	1.637

Ulster Bank *provides a comprehensive range of retail and wholesale financial services in Northern Ireland and the Republic of Ireland. Retail Banking has a network of branches throughout Ireland and operates in the personal, commercial and wealth management sectors. Corporate Banking and Financial Markets provides a wide range of services in the corporate and institutional markets. Lombard & Ulster was transferred from Ulster Bank to CBFM on 1 January 2002; prior periods have been restated to reflect this.*

Contribution increased over the first half of 2001 by 9%, or £10 million to £125 million.

Total income increased by 11%, £25 million to £257 million.

Net interest income rose by 11% or £16 million to £165 million, reflecting good growth in both loans and deposits. Average customer loans and advances and deposits of the banking business increased by 15%, £1.0 billion, to £7.7 billion, and by 8%, £0.6 billion, to £7.6 billion respectively. The net interest margin was unchanged. The number of customers increased since December 2001 by 20,000 to 762,000 at June 2002.

Non-interest income rose by 11% or £9 million to £92 million. Net fees and commissions increased by £5 million, while other operating income was £4 million higher.

Expenses increased by 9% or £10 million to £121 million, to support higher business volumes.

The cost:income ratio improved from 47.8% to 47.1%.

Provisions were up by £5 million to £11 million. The increase reflected a small number of specific situations.

THE ROYAL BANK OF SCOTLAND GROUP plc

CITIZENS

	First half 2002 £m	First half 2001 £m	Full year 2001 £m
Net interest income	**640**	370	814
Non-interest income	**236**	147	306
Total income	**876**	517	1,120
Expenses			
- staff costs	**243**	146	305
- other	**198**	110	245
Contribution before provisions	**435**	261	570
Provisions	**51**	28	69
Contribution	**384**	233	501
Cost:income ratio (%)	**50.3**	49.5	49.1
Total assets ($bn)	**54.3**	31.7	52.4
Loans and advances to customers - gross ($bn)	**27.1**	18.9	26.3
Customer deposits ($bn)	**44.4**	26.0	42.8
Weighted risk assets ($bn)	**36.5**	24.4	35.8
Average exchange rate - US$/£	**1.445**	1.440	1.440
Spot exchange rate - US$/£	**1.528**	1.405	1.450

Citizens *is engaged in retail and corporate banking activities through its branch network in the states of Rhode Island, Connecticut, Massachusetts and New Hampshire and is the second largest bank in New England. The acquisition of the Mellon Regional Franchise in December 2001 extended Citizens presence to the states of Pennsylvania, Delaware and New Jersey. In June 2002, Citizens announced the acquisition of the Massachusetts savings bank, Medford Bancorp, Inc, subject to approval by Medford shareholders and US regulators.*

Contribution increased over the first half of 2001 by 65% or £151 million to £384 million. Excluding the Mellon Regional Franchise, which contributed £114 million, and the £1 million adverse impact of exchange rate fluctuations, contribution increased by 16% or £38 million.

Total income was up by 69% or £359 million to £876 million. Excluding the Mellon Regional Franchise and exchange rate fluctuations, total income increased by 17% or £89 million. Net interest income rose by 73% or £270 million to £640 million. Excluding the Mellon Regional Franchise, which added £205 million, and exchange rate fluctuations, net interest income was up by 18% or £66 million, as a result of strong growth in personal loans and deposits.

Non-interest income rose by 61% or £89 million to £236 million. Excluding the Mellon Regional Franchise, which added £67 million, and exchange rate fluctuations, non-interest income was up by 16% or £23 million, as a result of growth in deposit service charges and mortgage banking.

Expenses increased by 72% or £185 million to £441 million. Excluding the Mellon Regional Franchise, which added £153 million, and exchange rate fluctuations, expenses increased by 13% or £33 million, to support higher business volumes and expansion of Citizens' supermarket banking.

The cost:income ratio increased from 49.5% to 50.3%. However, excluding the Mellon Regional Franchise the cost:income ratio improved from 49.5% to 47.7%.

Provisions were up from £28 million to £51 million. Excluding the Mellon Regional Franchise, which added £5 million, provisions of £46 million were consistent with provisions in the second half of 2001 and the growth in lending volumes.

THE ROYAL BANK OF SCOTLAND GROUP plc

CENTRAL ITEMS

	First half 2002	First half 2001	Full year 2001 (restated)
	£m	£m	£m
Funding costs	**113**	102	211
Central department costs			
- staff costs	**51**	48	99
- other	**48**	37	93
Other corporate items - net	**56**	105	83
Total Central items	**268**	292	486

The Centre *comprises group and corporate functions which provide services to the operating divisions.*

Total Central items decreased by £24 million to £268 million, compared with the first half of 2001.

Funding costs at £113 million, including £31 million interest payable on perpetual regulatory tier one securities, were 11%, £11 milli