

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
February 27, 2014

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 27, 2014

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:

Condensed consolidated income statement
for the period ended 31 December 2013

	Year ended		Quarter ended		
	31 December 2013 £m	31 December 2012* £m	31 December 2013 £m	30 September 2013 £m	31 December 2012* £m
Interest receivable	16,740	18,530	3,973	4,207	4,439
Interest payable	(5,759)	(7,128)	(1,209)	(1,427)	(1,666)
Net interest income	10,981	11,402	2,764	2,780	2,773
Fees and commissions receivable	5,460	5,709	1,370	1,382	1,374
Fees and commissions payable	(942)	(834)	(244)	(238)	(245)
Income from trading activities	2,685	1,675	177	444	474
Gain on redemption of own debt	175	454	(29)	13	-
Other operating income/(loss)	1,398	(465)	31	35	227
Non-interest income	8,776	6,539	1,305	1,636	1,830
Total income	19,757	17,941	4,069	4,416	4,603
Staff costs	(7,163)	(8,188)	(1,541)	(1,895)	(1,656)
Premises and equipment	(2,348)	(2,232)	(700)	(544)	(592)
Other administrative expenses	(7,244)	(5,593)	(3,960)	(1,103)	(2,506)
Depreciation and amortisation	(1,410)	(1,802)	(336)	(338)	(498)
Write-down of goodwill and other intangible assets	(1,403)	(124)	(1,403)	-	(124)
Operating expenses	(19,568)	(17,939)	(7,940)	(3,880)	(5,376)
Profit/(loss) before impairment losses	189	2	(3,871)	536	(773)
Impairment losses	(8,432)	(5,279)	(5,112)	(1,170)	(1,454)
Operating loss before tax	(8,243)	(5,277)	(8,983)	(634)	(2,227)
Tax credit/(charge)	(382)	(441)	377	(81)	(39)
Loss from continuing operations	(8,625)	(5,718)	(8,606)	(715)	(2,266)

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Profit/(loss) from discontinued operations, net of tax					
- Direct Line Group	127	(184)	-	-	(351)
- Other	21	12	15	(5)	6
Profit/(loss) from discontinued operations, net of tax	148	(172)	15	(5)	(345)
Loss for the period	(8,477)	(5,890)	(8,591)	(720)	(2,611)
Non-controlling interests	(120)	136	3	(6)	108
Preference share and other dividends	(398)	(301)	(114)	(102)	(115)
Loss attributable to ordinary and B shareholders	(8,995)	(6,055)	(8,702)	(828)	(2,618)
Basic and diluted loss per ordinary and equivalent B share from continuing operations	(81.3p)	(54.5p)	(77.3p)	(7.4p)	(21.6p)
Basic and diluted loss per ordinary and equivalent B share from continuing and discontinued operations	(80.3p)	(55.0p)	(77.3p)	(7.4p)	(23.6p)

* Restated - see page 93.

Note:

- (1) In the income statement above, one-off and other items as shown on page 32 are included in the appropriate captions. A reconciliation between the income statement above and the managed view income statement on page 23 is given in Appendix 2 to this announcement.

Condensed consolidated statement of comprehensive income
for the period ended 31 December 2013

	Year ended		Quarter ended		
	31 December 2013	31 December 2012*	31 December 2013	30 September 2013	31 December 2012*
	£m	£m	£m	£m	£m
Loss for the period	(8,477)	(5,890)	(8,591)	(720)	(2,611)
Items that do not qualify for reclassification					
Actuarial gains/(losses) on defined benefit plans	446	(2,158)	446	-	(2,158)

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Tax	(246)	352	(83)	(163)	429
	200	(1,806)	363	(163)	(1,729)
Items that do qualify for reclassification					
Available-for-sale financial assets	(406)	645	(103)	430	(70)
Cash flow hedges	(2,291)	1,006	(667)	(88)	(126)
Currency translation	(229)	(900)	(328)	(1,211)	169
Tax	1,014	(152)	203	85	118
	(1,912)	599	(895)	(784)	91
Other comprehensive loss after tax	(1,712)	(1,207)	(532)	(947)	(1,638)
Total comprehensive loss for the period	(10,189)	(7,097)	(9,123)	(1,667)	(4,249)
Total comprehensive loss is attributable to:					
Non-controlling interests	137	(129)	16	(13)	(104)
Preference shareholders	349	273	99	98	99
Paid-in equity holders	49	28	15	4	16
Ordinary and B shareholders	(10,724)	(7,269)	(9,253)	(1,756)	(4,260)
	(10,189)	(7,097)	(9,123)	(1,667)	(4,249)

* Restated - see page 93.

Key points

- The movement in available-for-sale financial assets during the year and quarter reflects net realised gains on high quality UK, US and German sovereign bonds.
- Cash flow hedging losses in both the year and Q4 2013 largely result from increases in Sterling and US dollar swap rates in the main durations of the underlying portfolio.
- Currency translation losses during the year are principally due to the strengthening of Sterling against the US dollar, 2.3%, partially offset by weakening against the Euro, 2.1%. Currency translation losses during the fourth quarter arose mainly from the 2.2% strengthening of Sterling against the US dollar.
- Actuarial gains on defined benefit plans primarily relate to the higher value of assets of the UK pension schemes and changes in the discount rate. Both of these improvements were driven by improving market conditions, particularly yields on AA rated corporate bonds. These gains were partially offset by an increase in the assumed rate of inflation.

Condensed consolidated balance sheet
at 31 December 2013

	31 December 2013 £m	30 September 2013 £m	31 December 2012* £m
Assets			
Cash and balances at central banks	82,659	87,066	79,290
Net loans and advances to banks	27,555	28,206	29,168
Reverse repurchase agreements and stock borrowing	26,516	33,757	34,783
Loans and advances to banks	54,071	61,963	63,951
Net loans and advances to customers	390,825	406,927	430,088
Reverse repurchase agreements and stock borrowing	49,897	62,214	70,047
Loans and advances to customers	440,722	469,141	500,135
Debt securities	113,599	122,886	157,438
Equity shares	8,811	10,363	15,232
Settlement balances	5,591	18,099	5,741
Derivatives	288,039	323,657	441,903
Intangible assets	12,368	13,742	13,545
Property, plant and equipment	7,909	8,476	9,784
Deferred tax	3,478	3,022	3,443
Prepayments, accrued income and other assets	7,614	8,586	7,820
Assets of disposal groups	3,017	2,435	14,013
Total assets	1,027,878	1,129,436	1,312,295
Liabilities			
Bank deposits	35,329	38,601	57,073
Repurchase agreements and stock lending	28,650	32,748	44,332
Deposits by banks	63,979	71,349	101,405
Customer deposits	414,396	434,305	433,239
Repurchase agreements and stock lending	56,484	72,636	88,040
Customer accounts	470,880	506,941	521,279
Debt securities in issue	67,819	71,781	94,592
Settlement balances	5,313	18,514	5,878
Short positions	28,022	31,020	27,591
Derivatives	285,526	319,464	434,333
Accruals, deferred income and other liabilities	16,017	14,157	14,801
Retirement benefit liabilities	3,210	3,597	3,884
Deferred tax	507	514	1,141
Subordinated liabilities	24,012	23,720	26,773
Liabilities of disposal groups	3,378	249	10,170
Total liabilities	968,663	1,061,306	1,241,847
Equity			
Non-controlling interests	473	462	1,770
Owners' equity*			
Called up share capital	6,714	6,697	6,582
Reserves	52,028	60,971	62,096

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Total equity	59,215	68,130	70,448
Total liabilities and equity	1,027,878	1,129,436	1,312,295
* Owners' equity attributable to:			
Ordinary and B shareholders	53,450	62,376	63,386
Other equity owners	5,292	5,292	5,292
	58,742	67,668	68,678

* Restated - see page 93.

Average balance sheet

	Year ended		Quarter ended	
	31 December 2013 %	31 December 2012* %	31 December 2013 %	30 September 2013 %
Average yields, spreads and margins of the banking business				
Gross yield on interest-earning assets of banking business	3.07	3.12	3.01	3.07
Cost of interest-bearing liabilities of banking business	(1.38)	(1.49)	(1.22)	(1.38)
Interest spread of banking business	1.69	1.63	1.79	1.69
Benefit from interest-free funds	0.32	0.29	0.29	0.32
Net interest margin of banking business	2.01	1.92	2.08	2.01
Average interest rates				
The Group's base rate	0.50	0.50	0.50	0.50
London inter-bank three month offered rates				
- Sterling	0.52	0.82	0.52	0.51
- Eurodollar	0.24	0.43	0.24	0.26
- Euro	0.27	0.53	0.24	0.22

* Restated - see page 93.

Average balance sheet

	Year ended 31 December 2013		Year ended 31 December 2012*	
	Average balance	Interest Rate	Average balance	Interest Rate

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	£m	£m	%	£m	£m	%
Assets						
Loans and advances to banks	74,706	430	0.58	73,998	493	0.67
Loans and advances to customers	399,856	15,087	3.77	429,386	16,188	3.77
Debt securities	69,319	1,189	1.72	90,678	1,857	2.05
Interest-earning assets						
- banking business (1,3,5)	543,881	16,706	3.07	594,062	18,538	3.12
- trading business (4)	216,211			240,131		
Non-interest earning assets	467,274			596,179		
Total assets	1,227,366			1,430,372		
Memo: Funded assets	845,506			942,847		
Liabilities						
Deposits by banks	23,474	395	1.68	38,405	580	1.51
Customer accounts	336,069	2,831	0.84	334,440	3,496	1.05
Debt securities in issue	55,923	1,389	2.48	91,741	2,173	2.37
Subordinated liabilities	24,188	856	3.54	21,917	679	3.10
Internal funding of trading business	(19,564)	329	(1.68)	(9,148)	199	(2.18)
Interest-bearing liabilities						
- banking business (1,2,3)	420,090	5,800	1.38	477,355	7,127	1.49
- trading business (4)	223,264			248,647		
Non-interest-bearing liabilities						
- demand deposits	76,607			74,320		
- other liabilities	438,856			556,242		
Owners' equity	68,549			73,808		
Total liabilities and owners' equity	1,227,366			1,430,372		

* Restated - see page 93.

Notes:

- (1) Interest receivable has been increased by £4 million (2012 - £8 million) and interest payable has been increased by £83 million (2012 - £152 million) to record interest on financial assets and liabilities designated as at fair value through profit or loss. Related interest-earning assets and interest-bearing liabilities have also been adjusted.
- (2) Interest payable has been decreased by £11 million (2012 - £15 million) to exclude RFS Holdings minority interest. Related interest-bearing liabilities have also been adjusted.
- (3) Interest receivable has been decreased by £38 million (2012 - nil) and interest payable has been decreased by £31 million (2012 - £138 million) in respect of non-recurring adjustments.
- (4) Interest receivable and interest payable on trading assets and liabilities are included in income from trading activities.

- (5) Interest income includes amounts (unwind of discount) recognised on impaired loans and receivables. The average balances of such loans are included in average loans and advances to banks and loans and advances to customers.

Average balance sheet

	Quarter ended 31 December 2013			Quarter ended 30 September 2013		
	Average balance £m	Interest £m	Rate %	Average balance £m	Interest £m	Rate %
Assets						
Loans and advances to banks	75,338	102	0.54	74,222	106	0.57
Loans and advances to customers	389,390	3,656	3.73	397,184	3,791	3.79
Debt securities	59,218	216	1.45	67,990	273	1.59
Interest-earning assets						
- banking business (1,3,5)	523,946	3,974	3.01	539,396	4,170	3.07
- trading business (4)	190,320			209,517		
Non-interest earning assets						
	393,624			434,797		
Total assets	1,107,890			1,183,710		
Memo: Funded assets						
	791,529			836,564		
Liabilities						
Deposits by banks	20,086	85	1.68	21,413	92	1.70
Customer accounts	330,208	562	0.68	336,285	692	0.82
Debt securities in issue	49,374	317	2.55	52,216	334	2.54
Subordinated liabilities	22,992	216	3.73	23,906	224	3.72
Internal funding of trading business	(24,467)	49	(0.79)	(17,216)	102	(2.35)
Interest-bearing liabilities						
- banking business (1,2)	398,193	1,229	1.22	416,604	1,444	1.38
- trading business (4)	199,273			220,871		
Non-interest-bearing liabilities						
- demand deposits	73,883			78,912		
- other liabilities	370,829			398,516		
Owners' equity	65,712			68,807		
Total liabilities and owners' equity	1,107,890			1,183,710		

Notes:

- (1) Interest receivable has been increased by £1 million (Q3 2013 - £1 million) and interest payable has been increased by £23 million (Q3 2013 - £20 million) to record interest on financial assets and liabilities designated as at fair value through profit or loss. Related interest-earning assets and interest-bearing liabilities have also been adjusted.
- (2) Interest payable has been decreased by £3 million (Q3 2013 - £3 million) to exclude RFS Holdings minority interest. Related interest-bearing liabilities have also been adjusted.
- (3) Interest receivable has been decreased by nil (Q3 2013 -£38 million) in respect of non-recurring adjustments.
- (4) Interest receivable and interest payable on trading assets and liabilities are included in income from trading activities.
- (5) Interest income includes amounts (unwind of discount) recognised on impaired loans and receivables. The average balances of such loans are included in average loans and advances to banks and loans and advances to customers.

Condensed consolidated statement of changes in equity
for the period ended 31 December 2013

	Year ended		Quarter ended		
	31 December 2013 £m	31 December 2012* £m	31 December 2013 £m	30 September 2013 £m	31 December 2012* £m
Called-up share capital					
At beginning of period	6,582	15,318	6,697	6,632	6,581
Ordinary shares issued	132	197	17	65	1
Share capital sub-division and consolidation	-	(8,933)	-	-	-
At end of period	6,714	6,582	6,714	6,697	6,582
Paid-in equity (1)					
At beginning and end of period	979	979	979	979	979
Share premium account					
At beginning of period	24,361	24,001	24,628	24,483	24,268
Ordinary shares issued	306	360	39	145	93
At end of period	24,667	24,361	24,667	24,628	24,361
Merger reserve					
At beginning and end of period	13,222	13,222	13,222	13,222	13,222
Available-for-sale reserve					
At beginning of period	(346)	(957)	(252)	(714)	(291)
Unrealised gains	607	1,939	1	592	136
Realised gains	(891)	(1,319)	(122)	(164)	(209)
Tax	432	50	65	34	77
Recycled to profit or loss on disposal of businesses (2)	(110)	-	-	-	-

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Transfer to retained earnings	-	(59)	-	-	(59)
At end of period	(308)	(346)	(308)	(252)	(346)
Cash flow hedging reserve					
At beginning of period	1,666	879	447	491	1,746
Amount recognised in equity	(967)	2,093	(271)	163	162
Amount transferred from equity to earnings	(1,324)	(1,087)	(396)	(251)	(288)
Tax	541	(219)	136	44	46
At end of period	(84)	1,666	(84)	447	1,666
Foreign exchange reserve					
At beginning of period	3,908	4,775	4,018	5,201	3,747
Retranslation of net assets	(325)	(1,056)	(417)	(1,338)	147
Foreign currency gains on hedges of net assets	105	177	88	148	21
Transfer to retained earnings	-	(2)	-	-	(2)
Tax	6	17	2	7	(5)
Recycled to profit or loss on disposal of businesses	(3)	(3)	-	-	-
At end of period	3,691	3,908	3,691	4,018	3,908
Capital redemption reserve					
At beginning of period	9,131	198	9,131	9,131	9,131
Share capital sub-division and consolidation	-	8,933	-	-	-
At end of period	9,131	9,131	9,131	9,131	9,131
Contingent capital reserve					
At beginning of period	(1,208)	(1,208)	(1,208)	(1,208)	(1,208)
Transfer to retained earnings	1,208	-	1,208	-	-
At end of period	-	(1,208)	-	(1,208)	(1,208)

* Restated - see page 93.

For the notes to this table refer to page 90.

Condensed consolidated statement of changes in equity
for the period ended 31 December 2013

Year ended		Quarter ended		
31 December 2013	31 December 2012*	31 December 2013	30 September 2013	31 December 2012*

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	£m	£m	£m	£m	£m
Retained earnings					
At beginning of period	10,596	18,929	10,144	11,105	15,216
Transfer to non-controlling interests	-	(361)	-	-	(361)
(Loss)/profit attributable to ordinary and B shareholders and other equity owners					
- continuing operations	(8,708)	(5,694)	(8,592)	(723)	(2,278)
- discontinued operations	111	(60)	4	(3)	(225)
Equity preference dividends paid	(349)	(273)	(99)	(98)	(99)
Paid-in equity dividends paid, net of tax	(49)	(28)	(15)	(4)	(16)
Transfer from available-for-sale reserve	-	59	-	-	59
Transfer from foreign exchange reserve	-	2	-	-	2
Transfer from contingent capital reserve	(1,208)	-	(1,208)	-	-
Termination of contingent capital agreement	320	-	320	-	-
Actuarial gains/(losses) recognised in retirement benefit schemes					
- gross	446	(2,158)	446	-	(2,158)
- tax	(246)	352	(83)	(163)	429
Loss on disposal of own shares held	(18)	(196)	-	-	-
Shares released for employee benefits	(77)	(87)	(76)	-	43
Share-based payments					
- gross	48	117	26	26	(19)
- tax	1	(6)	-	4	3
At end of period	867	10,596	867	10,144	10,596
Own shares held					
At beginning of period	(213)	(769)	(138)	(139)	(207)
Disposal/(purchase) of own shares	75	441	1	1	(6)
Shares released for employee benefits	1	115	-	-	-
At end of period	(137)	(213)	(137)	(138)	(213)
Owners' equity at end of period	58,742	68,678	58,742	67,668	68,678

* Restated - see page 93.

For the notes to this table refer to page 90.

Condensed consolidated statement of changes in equity
for the period ended 31 December 2013

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	Year ended		Quarter ended		
	31 December 2013	31 December 2012*	31 December 2013	30 September 2013	31 December 2012*
	£m	£m	£m	£m	£m
Non-controlling interests					
At beginning of period	1,770	686	462	475	646
Currency translation adjustments and other movements	(6)	(18)	1	(21)	1
Profit/(loss) attributable to non-controlling interests					
- continuing operations	83	(24)	(14)	8	12
- discontinued operations	37	(112)	11	(2)	(120)
Dividends paid	(5)	-	(5)	-	-
Movements in available-for-sale securities					
- unrealised gains	8	3	(3)	2	(1)
- realised losses	21	22	21	-	4
- tax	(1)	-	-	-	-
-					
recycled to profit or loss on disposal of businesses					
(3)	(5)	-	-	-	-
Equity raised	-	875	-	-	874
Equity withdrawn and disposals	(1,429)	(23)	-	-	(7)
Transfer from retained earnings	-	361	-	-	361
At end of period	473	1,770	473	462	1,770
Total equity at end of period	59,215	70,448	59,215	68,130	70,448
Total comprehensive loss recognised in the statement of changes in equity is attributable to:					
Non-controlling interests	137	(129)	16	(13)	(104)
Preference shareholders	349	273	99	98	99
Paid-in equity holders	49	28	15	4	16
Ordinary and B shareholders	(10,724)	(7,269)	(9,253)	(1,756)	(4,260)
	(10,189)	(7,097)	(9,123)	(1,667)	(4,249)

* Restated - see page 93.

For an explanation of the movements in the available-for-sale, cash flow hedging and foreign exchange reserves, and pensions refer to page 83.

Notes:

- (1) Paid-in equity was increased by £548 million on adoption of IFRS 10 - see page 93.
- (2) Net of tax - £35 million charge.
- (3) Net of tax - £1 million charge.

Key point

- On cancellation of the contingent capital agreement with HMT on 16 December 2013 the reserve of £1,208 million and £320 million in respect of the final year's instalment were transferred to retained earnings.

Condensed consolidated cash flow statement
for the year ended 31 December 2013

	2013 £m	2012* £m
Operating activities		
Operating loss before tax on continuing operations	(8,243)	(5,277)
Operating profit/(loss) before tax on discontinued operations	177	(111)
Adjustments for non-cash items	6,561	9,306
Net cash (outflow)/inflow from trading activities	(1,505)	3,918
Changes in operating assets and liabilities	(28,780)	(48,736)
Net cash flows from operating activities before tax	(30,285)	(44,818)
Income taxes paid	(346)	(295)
Net cash flows from operating activities	(30,631)	(45,113)
Net cash flows from investing activities	21,183	27,175
Net cash flows from financing activities	(2,728)	2,017
Effects of exchange rate changes on cash and cash equivalents	512	(3,893)
Net decrease in cash and cash equivalents	(11,664)	(19,814)
Cash and cash equivalents at beginning of year	132,841	152,655
Cash and cash equivalents at end of year	121,177	132,841

* Restated - see page 93.

Notes

1. Basis of preparation

The Group's condensed consolidated financial statements should be read in conjunction with the 2013 annual accounts which were prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS).

In accordance with IFRS 5, Direct Line Group (DLG) was classified as a discontinued operation in 2012. From 13 March 2013, DLG was classified as an associate and at 31 December 2013 the Group's interest in DLG was transferred to disposal groups.

Going concern

Having reviewed the Group's forecasts, projections and other relevant evidence, the directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. Accordingly, the Annual Results for the year ended 31 December 2013 have been prepared on a going concern basis.

2. Accounting policies

There have been no significant changes to the Group's principal accounting policies as set out on pages 360 to 371 of its 2012 Annual Report and Accounts apart from the adoption of a number of new and revised IFRSs that are effective from 1 January 2013 as described below.

IFRS 11 'Joint Arrangements', which supersedes IAS 31 'Interests in Joint Ventures', distinguishes between joint operations and joint ventures. Joint operations are accounted for by the investor recognising its assets and liabilities including its share of any assets held and liabilities incurred jointly and its share of revenues and costs. Joint ventures are accounted for in the investor's consolidated accounts using the equity method. IFRS 11 requires retrospective application.

IAS 27 'Separate Financial Statements' comprises those parts of the existing IAS 27 that deal with separate financial statements. IAS 28 'Investments in Associates and Joint Ventures' covers joint ventures as well as associates; both must be accounted for using the equity method. The mechanics of the equity method are unchanged.

IFRS 12 'Disclosure of Interests in Other Entities' mandates the disclosures in annual financial statements in respect of investments in subsidiaries, joint arrangements, associates and structured entities that are not controlled by the Group.

IFRS 13 'Fair Value Measurement' sets out a single IFRS framework for defining and measuring fair value. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also requires disclosures about fair value measurements.

Notes

2. Accounting policies (continued)

'Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)' amended IFRS 7 to require disclosures about the effects and potential effects on an entity's financial position of offsetting financial assets and financial liabilities and related arrangements.

Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' require items that will never be recognised in profit or loss to be presented separately in other comprehensive income from those items that are subject to subsequent reclassification.

'Annual Improvements 2009-2011 Cycle' also made a number of minor changes to IFRSs.

Implementation of the standards above has not had a material effect on the Group's results.

IAS 19 'Employee Benefits' (revised) requires: the immediate recognition of all actuarial gains and losses; interest cost to be calculated on the net pension liability or asset at the long-term bond rate, such that an expected rate of return will no longer be applied to assets; and all past service costs to be recognised immediately when a scheme is curtailed or amended. Implementation of IAS 19 resulted in an increase in the loss after tax of £21 million for the quarter ended 31 December 2012, £84 million for the year ended 31 December 2012 and other comprehensive income after tax higher by the same amounts. This also resulted in an increase in the loss per ordinary and B share of 0.2p for the quarter ended 31 December 2012 and 0.8p for the year ended 31 December 2012. Prior periods have been restated.

IFRS 10 'Consolidated Financial Statements' replaces SIC-12 'Consolidation - Special Purpose Entities' and the consolidation elements of the existing IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 adopts a single definition of control: a reporting entity controls another entity when the reporting entity has the power to direct the activities of that other entity so as to vary returns for the reporting entity. IFRS 10 requires retrospective application. Following implementation of IFRS 10, certain entities that have trust preferred securities in issue are no longer consolidated by the Group. As a result there was a reduction in Non-controlling interests of £0.5 billion with a corresponding increase in Owners' equity (Paid-in equity) as at 31 December 2012. This resulted in an increase in the loss attributable to non-controlling interests of £1 million for the quarter ended 31 December 2012 and £13 million for the year ended 31 December 2012, with a corresponding increase in the profit attributable to paid-in equity holders. There was no impact on the loss attributable to ordinary and B shareholders. Prior periods have been restated accordingly.

Critical accounting policies and key sources of estimation uncertainty

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. The judgements and assumptions that are considered to be the most important to the portrayal of the Group's financial condition are those relating to pensions; goodwill; provisions for liabilities; deferred tax; loan impairment provisions and financial instrument fair values. These critical accounting policies and judgments are described on pages 368 to 371 of the Group's 2012 Annual Report and Accounts.

Notes

2. Accounting policies (continued)

Recent developments in IFRS

The IASB published:

in May 2013, IFRIC 21 'Levies'. This interpretation provides guidance on accounting for the liability to pay a government imposed levy. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014.

in May 2013, 'Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)'. These amendments align IAS 36's disclosure requirements about recoverable amounts with IASB's original intentions. They are effective for annual periods beginning on or after 1 January 2014.

in June 2013, 'Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)'. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. They are effective for annual periods beginning on or after 1 January 2014.

in November 2013, 'Defined Benefit Plans: Employee Contributions'. This amendment distinguishes the accounting for employee contributions that are related to service from those that are independent of service. It is effective for annual periods beginning on or after 1 July 2014.

in November 2013, IFRS 9 'Financial Instruments' (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) which sets out new requirements for hedge accounting and in respect of IFRS 9 transition.

in December 2013, Annual Improvements to IFRS 2010 - 2012 and 2011 - 2013 cycles. There are a number of minor changes to IFRS that will not have a material effect on the Group's financial statements. All amendments are effective for annual periods beginning on or after 1 July 2014.

The Group is reviewing these requirements to determine their effect, if any, on its financial reporting.

Notes

3. Analysis of income, expenses and impairment losses

	Year ended		Quarter ended		
	31 December 2013 £m	31 December 2012* £m	31 December 2013 £m	30 September 2013 £m	31 December 2012* £m
Loans and advances to customers	15,125	16,188	3,656	3,829	3,940
Loans and advances to banks	430	493	102	106	114
Debt securities	1,185	1,849	215	272	385
Interest receivable	16,740	18,530	3,973	4,207	4,439
Customer accounts	2,831	3,491	562	692	849
Deposits by banks	406	600	88	95	122
Debt securities in issue	1,307	2,023	294	315	404
Subordinated liabilities	886	815	216	223	201
Internal funding of trading businesses	329	199	49	102	90
Interest payable	5,759	7,128	1,209	1,427	1,666
Net interest income	10,981	11,402	2,764	2,780	2,773
Fees and commissions receivable					
- payment services	1,432	1,368	368	375	317
- credit and debit card fees	1,078	1,088	265	284	