

ROYAL BANK OF SCOTLAND GROUP PLC  
Form 6-K  
October 30, 2015

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 October 30, 2015

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:

The Royal Bank of Scotland Group plc  
Q3 2015 Results

Contents	Page
Introduction	1
Highlights	3
Analysis of results	11
Segment performance	18
Selected statutory financial statements	26
Notes	31
Appendix 1 - Additional segment information	
Appendix 2 - Go-forward Bank profile	
Appendix 3 - Income statement reconciliations	

Introduction

Presentation of information

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2014 have been filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

In this document, 'RBSG plc' or the 'company' refers to The Royal Bank of Scotland Group plc, and 'RBS' or the 'Group' refers to RBSG plc and its subsidiaries. Some of the financial information contained in this document, prepared using Group accounting policies, shows the operating performance of RBS on a non-statutory basis which excludes own credit adjustments, gain on redemption of own debt, write down of goodwill and strategic disposals. RFS Holdings minority interest (RFS MI) was also excluded in the periods ended 30 September 2014. Such information is provided to give a better understanding of the results of RBS's operations.

RBS is committed to becoming a leaner, less volatile business based around its core franchises of Personal & Business Banking (PBB) and Commercial & Private Banking (CPB). To achieve this goal a number of initiatives have been announced which include, but are not limited to, the restructuring of Corporate & Institutional Banking (CIB) into CIB Go-forward and CIB Capital Resolution, the divestment of the remaining stake in Citizens, the sale of the international private banking business (the remaining Private Banking UK business is within the Go-forward Bank (Private Banking Go-forward)), the exit of Williams & Glyn (mainly within UK Personal & Business Banking (UK PBB)) and the continued run down of RBS Capital Resolution (RCR). Significant progress towards these exits is expected by the end of 2015. This document contains some information to illustrate the impact on certain key performance measures of these initiatives by showing the future profile of the bank (the 'Go-forward Bank') and the segments, businesses and portfolios which it intends to exit (the 'Exit Bank'). This information is presented to illustrate the strategy and its impact on the business and is on a non-statutory basis and should be read in conjunction with the notes attached as well as the section titled Forward-looking statements. Other than the change in treatment of Citizens described on page 2 there has been no change to the reportable segments in the period as a result of these initiatives.

Introduction

Citizens

On 31 December 2014 Citizens was classified as a disposal group and a discontinued operation: its aggregate assets were presented in Assets of disposal groups and its aggregate liabilities in Liabilities of disposal groups. Prior period results were re-presented.

From 3 August 2015, when RBS's interest fell to 20.9%, Citizens has been accounted for as an associate classified as held for sale. Citizens Financial Group is no longer a reportable segment; the non-statutory operating results and operating segment disclosures for all periods have been restated accordingly.

#### Statutory results

The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity and related Notes presented on pages 26 to 35 inclusive are on a statutory basis. Reconciliations between income statement lines on a non-statutory basis and a statutory basis are included in Appendix 3.

#### Contacts

For analyst enquiries:

Richard O'Connor      Head of Investor Relations      +44 (0) 20 7672 1758

For media enquiries:

RBS Press Office      +44 (0) 131 523 4205

Analysts and investors conference call

RBS will hold an audio Q&A session for analysts and investors on the results for the quarter ended 30 September 2015. Details are as follows:

Date:                      Friday 30 October 2015  
Time:                      9.00 am UK time  
Webcast:                www.rbs.com/results  
Dial in details:        International – +44 (0) 1452 568 172  
                                 UK Free Call – 0800 694 8082  
                                 US Toll Free – 1 866 966 8024

Announcement and slides are available on [www.rbs.com/results](http://www.rbs.com/results)

Financial supplement

A financial supplement containing income statement and balance sheet information for the nine quarters ended 30 September 2015 is available on [www.rbs.com/results](http://www.rbs.com/results)

Highlights

The Royal Bank of Scotland Group (RBS) continues to deliver on its plan to build a stronger, simpler and fairer bank for both customers and shareholders; on track for 2015 targets.

Q3 attributable profit was £952 million, up slightly from £896 million in Q3 2014. Restructuring costs remained high at £847 million as the Go-forward Bank transforms, while litigation and conduct costs were £129 million compared with £780 million in Q3 2014.

Attributable profit included (in profit from discontinued operations) the gain on loss of control of Citizens (£1,147 million). The principal component of this gain was a reclassification of foreign exchange reserves of £962 million to profit or loss with no effect on RBS's net asset value.

Q3 operating loss(1) was £134 million, down from a profit of £1,107 million in Q3 2014. Adjusted operating profit(2) was £842 million (Q3 2014 - £2,054 million), after £126 million of losses relating to IFRS volatility,

and £77 million of CIB disposal losses.

Income was £596 million lower than in Q3 2014, principally driven by a £394 million decline in Corporate & Institutional Banking (CIB), reflecting its planned reshaping. Income pressures were also seen in UK Personal & Business Banking (UK PBB) and Commercial Banking where good loan volume growth was offset by continued competitive pressure on asset margins.

Operating expenses, excluding restructuring costs and litigation and conduct costs, were £152 million lower, with headcount down and restructuring benefits feeding through to a lower cost base.

Credit quality remained good, with net impairment releases of £79 million, £768 million lower than the high levels of releases recorded in Q3 2014.

Tangible net asset value per ordinary and equivalent B share increased from 380p per share at 30 June 2015 to 384p per share at 30 September 2015. This was largely driven by the attributable profit for the period (less the impact of reclassified reserves), together with underlying gains in foreign exchange reserves reflecting the strengthening of the US dollar and the euro, and gains in cash flow hedging reserves as swap rates decreased.

#### Good progress on 2015 targets

RBS remains well on track to achieve substantially all its priority targets for 2015. The cost savings target for the year has already been exceeded and strong improvements were recorded in the bank's annual employee engagement survey.

Strategy goal	2015 target	Q3 2015 Progress
Strength and sustainability	Reduce risk-weighted assets (RWAs) to <£300 billion	£316 billion, a reduction of £10 billion in the quarter
	RCR exit substantially completed	Funded assets down 83% since initial pool of assets identified
	Citizens deconsolidation	Further sale in August 2015 takes holding to 20.9%; de-consolidated for accounting purposes
Customer experience	£2 billion AT1 issuance	Successfully priced US\$3.15 billion AT1 capital notes (£2 billion equivalent)
	Improve NPS in every UK franchise	Year-on-year, significant improvement in NatWest Business Banking, RBS Business Banking and Ulster Bank Personal Banking (NI)
Simplifying the bank	Reduce costs by £800 million(3)	Target exceeded by Q3 2015, target increased to >£900 million
Supporting growth	Lending growth in strategic segments ≥ nominal UK GDP growth	4.6% annualised growth in the first nine months of 2015 in UK PBB and Commercial Banking
Employee engagement	Raise employee engagement index to within 8% of Global Financial Services (GFS) norm	Surpassed employee engagement goal, up six points to within three points of GFS

#### Highlights

Building a stronger RBS

RBS is on track with its plan to build a stronger, simpler, fairer bank for customers and shareholders.

Capital strength continued to build with the Common Equity Tier 1 ratio strengthening to 12.7% at 30 September 2015, up 40 basis points from 30 June 2015 and 150 basis points from 31 December 2014. RBS's leverage ratio rose from 4.6% at 30 June 2015 to 5.0% at 30 September 2015, assisted by the successful issue of US\$3.15 billion (£2 billion) of Additional Tier 1 capital notes in August 2015.

We continue to develop our technology capabilities to make it simpler for us to serve our customers and for them to do business with us. A new automated account-opening system is being rolled out and will increase the efficiency of our onboarding processes, reducing end-to-end account opening times by 50% for business banking customers and 30% for Commercial Banking customers. Our Pay on Your Mobile (PAYM) capability has been enhanced, with customers now able to both send and receive payments. We continue to simplify our core technology platforms with 245 applications decommissioned year-to-date.

We are seeking to build customer engagement with a market-leading current account that enables customers to receive 3% cash back on their household bills for a monthly account fee of £3. The initial launch of the Reward account to existing private and packaged account holders has attracted around one million customers with the majority of these moving additional direct debits to their RBS and NatWest accounts. We are also extending our stand against teaser rates by offering three year fixed rates on home insurance, breaking with insurance industry practice.

RBS delivered good support for both household and business customers. UK PBB net mortgage lending totalled £3.8 billion in Q3 2015, with a strong applications pipeline and gross lending up 42% from Q3 2014 to £7.4 billion. Our flow market share in Q3 2015 was 12.1% of the UK market, compared with RBS's stock share of 8.5%. Net new lending in Commercial Banking totalled £1.5 billion in the quarter with growth across most of the customer segments. Further support was provided to small businesses with the opening of three new business accelerator hubs in Brighton, Leeds and Bristol in partnership with Entrepreneurial Spark: seven hubs are now open.

Adjusted return on equity<sup>(4)</sup> in the Go-forward Bank on an annualised basis for the first nine months of 2015 is estimated at 13%. IFRS volatility had a minimal impact on the adjusted return on equity during the first nine months of 2015.

Notes:

- (1) Operating profit/(loss) before tax, own credit adjustments, gain on redemption of own debt and strategic disposals. The nine months and quarter ended 30 September 2014 are stated before RFS minority interest.
- (2) Excluding restructuring costs and litigation and conduct costs.
- (3)

Excluding restructuring costs and litigation and conduct costs, write off of intangible assets and operating expenses of Williams & Glyn.

- (4) Calculated using operating profit after tax on a non-statutory basis excluding restructuring costs and litigation and conduct costs adjusted for preference share dividends divided by average notional equity (based on 13% of average RWA equivalent (RWAE)).

## Highlights

### Accelerated run-down of the Exit Bank

RBS has maintained good momentum in the run-down of its Exit Bank, with RWAs down by approximately £31 billion since the start of 2015 to £141 billion at 30 September 2015.

RBS Capital Resolution (RCR) funded assets have fallen to £6.5 billion at 30 September 2015, down 83% since the initial pool of assets was identified. This leaves it on track to achieve its targeted 85% reduction in funded assets by the end of 2015, a year ahead of schedule. Good progress was also recorded in CIB Capital Resolution where RWAs were reduced by £6.7 billion to £38.7 billion in Q3 2015 with the reduction since the start of 2015 totalling £25.4 billion.

The sale of a further 109 million shares in August 2015 reduced RBS's stake in Citizens to 20.9%. Following this significant reduction in its voting interest RBS no longer controls Citizens for accounting purposes and ceased to consolidate it, classifying its remaining investment as an associate held for sale. Citizens remains fully consolidated for regulatory capital purposes. RBS continues to target a complete exit by the end of 2015, subject to market conditions.

On a pro forma basis, assuming full deconsolidation of Citizens credit and counterparty risk RWAs at 30 September 2015, RBS's CET1 ratio would have been 16.2% and its leverage ratio 5.6%.

Williams & Glyn submitted its banking licence application to the UK regulatory authorities in October 2015. RBS continues to work towards its separation in the summer of 2016 and an initial public offering by the end of 2016.

### UK Government ownership

On 4 August 2015, HM Treasury sold 630 million RBS ordinary shares, its first sale since its initial investment in 2008. The sale of the 5.4% stake reduced HM Treasury's economic interest in RBS to 72.9%.

On 8 October 2015, HM Treasury gave notice of its intention to convert 51 billion B shares it held into 5.1 billion ordinary shares, a move that helps normalise the ownership structure of RBS. These new ordinary shares have now been admitted to the London Stock Exchange. HM Treasury's economic interest in RBS remains unchanged at 72.9%. The Dividend Access Share (DAS) remains outstanding and may be retired at any time following the payment of dividends amounting to £1,180 million (with interest starting to accrue on this amount from 1 January 2016).

## Highlights

## Customer

RBS remains committed to achieving its target of being number one bank for customer service, trust and advocacy by 2020. In recent years, RBS has launched a number of initiatives to make it simpler, fairer and easier to do business with, and it continues to deliver on the commitments that it made to its customers in 2014.

We use independent surveys to measure our customers' experience and track our progress against our goal in each of our markets.

## Net promoter score (NPS)

Customers are asked how likely they would be to recommend their bank to a friend or colleague, and respond based on a 0-10 scale with 10 indicating 'extremely likely' and 0 indicating 'not at all likely'. Customers scoring 0 to 6 are termed detractors and customers scoring 9 to 10 are termed promoters. NPS is established by subtracting the proportion of detractors from the proportion of promoters.

The table below lists all of the businesses for which we have a NPS for Q3 2015. Year-on-year, NatWest Business Banking, RBS Business Banking and Ulster Bank (Northern Ireland) Personal Banking have seen significant improvements in NPS.

	Q3 2014	Q2 2015	Q3 2015	Year end 2015 target	
Personal Banking	NatWest (England & Wales)(1)	7	8	8	9
	Royal Bank of Scotland (Scotland)(1)	-4	-10	-9	-10
	Ulster Bank (Northern Ireland)(2)	-29	-11	-9	-21
	Ulster Bank (Republic of Ireland)(2)	-19	-14	-15	-15
	NatWest (England & Wales)(3)	-13	4	6	-7
Business Banking	Royal Bank of Scotland (Scotland)(3)	-26	-17	-12	-21
	Commercial Banking(4)	10	10	9	15

## Customer trust

We also use independent experts to measure our customers' trust in the bank. Each quarter we ask customers to what extent they trust or distrust their bank to do the right thing. The score is a net measure of those customers that trust their bank (a lot or somewhat) minus those that distrust their bank (a lot or somewhat).

Trust in the RBS brand in Q2 2015 was impacted by the IT incident on 17 June 2015, current quarter scores return to pre-incident levels.

	Q3 2014	Q2 2015	Q3 2015	Year end 2015 target	
Customer trust(5)	NatWest (England & Wales)(1)	45%	48%	44%	46%
	Royal Bank of Scotland (Scotland)	8%	-2%	11%	11%

Notes:

- (1) Source: GfK FRS six month rolling data. Latest base sizes: NatWest (England & Wales) (3392) Royal Bank of Scotland (Scotland) (545). Based on the question: "How likely is it that you would recommend (brand) to a relative, friend or colleague in the next 12 months for current account banking?"
- (2) Source: Coyne Research 12 MAT data. Latest base sizes: Ulster Bank NI (305) Question: "Please indicate to what extent you would be likely to recommend (brand) to your friends or family using a scale of 0 to 10 where 0 is not at all likely and 10 is extremely likely"
- (3) Source: Charterhouse Research Business Banking Survey, based on interviews with businesses with an annual turnover up to £2 million. Quarterly rolling data. Latest base sizes: NatWest England & Wales (1289), RBS Scotland (429). Weighted by region and turnover to be representative of businesses in England & Wales/Scotland.
- (4) Source: Charterhouse Research Business Banking Survey, based on interviews with businesses with annual turnover between £2 million and £1 billion. Latest base size: RBSG Great Britain (878). Weighted by region and turnover to be representative of businesses in Great Britain.
- (5) Source: Populus. Latest quarter's data. Measured as a net of those that trust RBS/NatWest to do the right thing, less those that do not. Latest base sizes: NatWest, England & Wales (925), RBS Scotland (214).

## Highlights

### Outlook

The credit environment is expected to remain relatively benign, with modest underlying impairment charges. Competitive pressure on asset margins is likely to continue, with limited opportunities for offsetting deposit repricing. In addition, non-interest income from fee-related products remains subdued due to modest volume growth, and specific regulatory impacts such as the change in interchange fees in the cards business.

Our estimate of overall restructuring and disposal losses guidance for 2015 to 2019 remains unchanged. In the fourth quarter of 2015, we expect restructuring costs to remain high as we continue to implement our core bank transformation and disposal losses to be elevated within the overall guidance on disposal losses, although the timing and quantum of these losses are subject to market conditions.

Whilst legacy issues continue to be addressed, material further and incremental costs and provisions in respect of conduct and litigation related matters are expected, and could be substantially greater than the aggregate provisions RBS has recognised. The timing and quantum of any future costs, provisions and settlements, however, remain uncertain.

## Highlights

### Summary consolidated income statement for the period ended 30 September 2015

	Nine months ended		Quarter ended		
	30 September 2015	30 September 2014	30 September 2015	30 June 2015	30 September 2014
	£m	£m	£m	£m	£m
Net interest income	6,605	6,879	2,187	2,215	2,370
Non-interest income	3,545	5,131	860	1,354	1,273



Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Total income	10,150	12,010	3,047	3,569	3,643
Litigation and conduct costs	(1,444)	(1,030)	(129)	(459)	(780)
Restructuring costs	(2,317)	(612)	(847)	(1,023)	(167)
Other costs	(6,783)	(7,768)	(2,284)	(2,207)	(2,436)
Operating expenses	(10,544)	(9,410)	(3,260)	(3,689)	(3,383)
(Loss)/profit before impairment releases	(394)	2,600	(213)	(120)	260
Impairment releases	400	682	79	192	847
Operating profit/(loss) (1)	6	3,282	(134)	72	1,107
Own credit adjustments	424	(2)	136	168	49
Gain on redemption of own debt	-	20	-	-	-
Write down of goodwill	-	(130)	-	-	-
Strategic disposals	(135)	191	-	-	-
RFS Holdings minority interest	-	(35)	-	-	(56)
Operating profit before tax	295	3,326	2	240	1,100
Tax charge	(294)	(869)	(1)	(100)	(277)
Profit from continuing operations	1	2,457	1	140	823
Profit from discontinued operations, net of tax (2)	1,451	437	1,093	674	117
Profit for the period	1,452	2,894	1,094	814	940
Non-controlling interests	(389)	11	(45)	(428)	53
Other owners	(264)	(264)	(97)	(93)	(97)
Dividend access share	-	(320)	-	-	-
Profit attributable to ordinary and B shareholders	799	2,321	952	293	896
Memo:					
Operating expenses - adjusted (3)	(6,783)	(7,768)	(2,284)	(2,207)	(2,436)
Operating profit - adjusted (3)	3,767	4,924	842	1,554	2,054
Key metrics and ratios					
Net interest margin	2.12%	2.09%	2.09%	2.13%	2.17%
Cost:income ratio	104%	78%	107%	103%	93%
(Loss)/earnings per share from continuing operations					
- basic	(2.8p)	16.9p	(0.9p)	0.2p	6.9p
- adjusted (4)	(4.5p)	16.1p	(1.8p)	(0.9p)	6.5p
Return on tangible equity (5)	2.4%	7.3%	8.8%	2.7%	8.2%
Average tangible equity (5)	£43,538m	£42,231m	£43,403m	£43,062m	£43,536m
Average number of ordinary shares and equivalent B shares outstanding during the period (millions)	11,503	11,333	11,546	11,511	11,384

## Notes:

- (1) Operating profit/(loss) before tax, own credit adjustments, gain on redemption of own debt, write down of goodwill and strategic disposals. The nine months and quarter ended 30 September 2014 are stated before RFS minority interest.
- (2) Refer to Note 2 on page 31 for further details.
- (3) Excluding restructuring costs and litigation and conduct costs.
- (4) Adjusted earnings excludes own credit adjustments, gain on redemption of own debt, write down of goodwill and strategic disposals. RFS minority interest was also a reconciling item for periods ended 30 September 2014.
- (5) Tangible equity is equity attributable to ordinary and B shareholders less intangible assets.

## Highlights

## Summary consolidated balance sheet as at 30 September 2015

	30 September 2015 £m	30 June 2015 £m	31 December 2014 £m
Cash and balances at central banks	77,220	81,900	74,872
Net loans and advances to banks (1)	22,681	20,714	23,027
Net loans and advances to customers (1)	311,383	314,993	334,251
Reverse repurchase agreements and stock borrowing	51,800	67,606	64,695
Debt securities and equity shares	83,506	80,550	92,284
Assets of disposal groups (2)	6,300	89,071	82,011
Other assets	27,517	28,010	26,033
<b>Funded assets</b>	<b>580,407</b>	<b>682,844</b>	<b>697,173</b>
Derivatives	296,019	281,857	353,590
<b>Total assets</b>	<b>876,426</b>	<b>964,701</b>	<b>1,050,763</b>
Bank deposits (3)	30,543	30,978	35,806
Customer deposits (3)	346,267	342,023	354,288
Repurchase agreements and stock lending	43,355	66,362	62,210
Debt securities in issue	37,360	41,819	50,280
Subordinated liabilities	20,184	19,683	22,905
Derivatives	288,905	273,589	349,805
Liabilities of disposal groups (2)	6,401	80,388	71,320
Other liabilities	45,164	48,090	43,957
<b>Total liabilities</b>	<b>818,179</b>	<b>902,932</b>	<b>990,571</b>
Non-controlling interests	703	5,705	2,946
Owners' equity	57,544	56,064	57,246
<b>Total liabilities and equity</b>	<b>876,426</b>	<b>964,701</b>	<b>1,050,763</b>
Contingent liabilities and commitments	160,205	210,679	241,186

## Notes:

- (1) Excludes reverse repurchase agreements and stock borrowing.
- (2) Primarily International Private Banking and the interest in associate in relation to Citizens at 30 September 2015, Citizens and International Private Banking at 30 June 2015 and Citizens at 31 December 2014.
- (3) Excludes repurchase agreements and stock lending.

## Highlights

	30 September 2015	30 June 2015	31 December 2014
Balance sheet related key metrics and ratios			
Tangible net asset value per ordinary and equivalent B share			
(1)	384p	380p	387p
Loan:deposit ratio (2,3)	89%	92%	95%
Short-term wholesale funding (3,4)	£17bn	£25bn	£28bn
Wholesale funding (3,4)	£66bn	£76bn	£90bn
Liquidity portfolio	£164bn	£161bn	£151bn
Liquidity coverage ratio (5)	136%	117%	112%
Net stable funding ratio (6)	117%	115%	112%
Tangible equity (7)	£44,442m	£43,919m	£44,368m
Number of ordinary shares and equivalent B shares in issue			
(millions) (8)	11,574	11,570	11,466
Common Equity Tier 1 ratio	12.7%	12.3%	11.2%
Risk-weighted assets	£316.0bn	£326.4bn	£355.9bn
Leverage ratio (9)	5.0%	4.6%	4.2%

## Balance sheet related key metrics and ratios excluding Citizens (10)

Liquidity portfolio	£149bn	£148bn
Liquidity coverage ratio (5)	139%	118%
Net stable funding ratio (6)	118%	112%
Common Equity Tier 1 ratio	16.2%	15.3%
Risk-weighted assets	£248.7bn	£261.5bn
Leverage ratio (9)	5.6%	5.1%

## Notes:

- (1) Tangible net asset value per ordinary and equivalent B share represents tangible equity divided by the number of ordinary shares and equivalent B shares in issue.
- (2) Includes disposal groups.
- (3) Excludes repurchase agreements and stock lending.
- (4) Excludes derivative collateral.
- (5) On 1 October 2015 the LCR became the PRA's primary regulatory liquidity standard; UK banks are required to meet a minimum standard of 80% initially, rising to 100% by 1 January 2018.
- (6) NSFR for all periods have been calculated using RBS's current interpretations of the revised BCBS guidance on NSFR issued in late 2014. Therefore, reported NSFR will change over time with regulatory developments. Due to differences in interpretation,

RBS's ratio may not be comparable with those of other financial institutions.

- (7) Tangible equity is equity attributable to ordinary and B shareholders less intangible assets.
- (8) Includes 26 million Treasury shares (30 June 2015 - 26 million; 31 December 2014 - 28 million).
- (9) Based on end-point CRR Tier 1 capital and revised 2014 Basel III leverage ratio framework and the CRR Delegated Act.
- (10) Assuming Citizens was fully divested at the carrying value at 30 September 2015 and excluding only credit and counterparty risk RWAs.

#### Analysis of results

	Nine months ended		Quarter ended		
	30 September 2015 £m	30 September 2014 £m	30 September 2015 £m	30 June 2015 £m	30 September 2014 £m
Net interest income					
Net interest income					
RBS	6,605	6,879	2,187	2,215	2,370
- UK Personal & Business Banking	3,460	3,474	1,170	1,147	1,198
- Ulster Bank	392	486	127	132	163
- Commercial Banking	1,673	1,520	565	562	521
- Private Banking	377	516	123	126	172
- Corporate & Institutional Banking	518	595	142	174	230
- Central items	227	312	77	88	109
- RCR	(42)	(24)	(17)	(14)	(23)
Average interest-earning assets					
RBS	415,463	436,876	413,778	417,248	431,863
- UK Personal & Business Banking	129,422	127,101	131,299	128,569	127,896
- Ulster Bank	27,621	28,033	27,825	27,404	27,922
- Commercial Banking	78,559	74,611	79,689	78,880	74,339
- Private Banking	15,752	18,669	15,557	15,729	18,681
- Corporate & Institutional Banking	63,634	83,821	48,612	69,437	83,903
- Central items	85,117	70,662	99,526	82,471	69,872
- RCR	15,358	33,979	11,270	14,758	29,250
Gross yield on interest-earning assets of banking business	2.92%	3.01%	2.84%	2.91%	3.04%
Cost of interest-bearing liabilities of banking business	(1.15%)	(1.26%)	(1.09%)	(1.14%)	(1.20%)
Interest spread of banking business	1.77%	1.75%	1.75%	1.77%	1.84%
Benefit from interest free funds	0.35%	0.34%	0.34%	0.36%	0.33%
Net interest margin (1)					
RBS	2.12%	2.09%	2.09%	2.13%	2.17%
- UK Personal & Business Banking	3.57%	3.65%	3.54%	3.58%	3.72%
- Ulster Bank	1.90%	2.32%	1.81%	1.93%	2.32%

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

- Commercial Banking	2.85%	2.72%	2.81%	2.86%	2.78%
- Private Banking	3.20%	3.70%	3.14%	3.21%	3.65%
- Corporate & Institutional Banking	1.09%	0.95%	1.16%	1.00%	1.08%
- Central items	0.34%	0.52%	0.29%	0.41%	0.58%
- RCR	(0.37%)	(0.09%)	(0.60%)	(0.38%)	(0.31%)

Non-interest income

Net fees and commissions	2,280	2,688	685	783	920
Income from trading activities	747	1,644	82	430	205
Other operating income	518	799	93	141	148
Total non-interest income	3,545	5,131	860	1,354	1,273

Notes:

- (1) For the purposes of net interest margin (NIM) calculations, a decrease of £12 million arising in Central items (nine months ended 30 September 2014 - £35 million; Q3 2015 - £4 million; Q2 2015 - £3 million; Q3 2014 - £7 million) was made in respect of 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) PBB NIM Q3 2015 was 3.23% and Q2 2015 was 3.29%. CPB NIM for Q3 2015 was 2.87% and Q2 2015 was 2.92%.

Analysis of results

Key points

- Net interest income of £2,187 million was down £183 million from Q3 2014. While there has been good volume growth in some segments during the quarter, average interest-earnings assets remain 4% lower than Q3 2014. Higher yielding assets such as credit card balances and personal unsecured loans have declined in volume, reflecting RBS's positioning in these products. Good progress in the run-down of CIB Capital Resolution assets has amplified the bank's excess liquidity position.
- NIM for RBS of 2.09% continues to compress modestly, down 4 basis points from Q2 2015 and 8 basis points from Q3 2014. RBS's previously reported NIM included Citizens, whose exclusion results in a lower bank NIM.
- In UK PBB, NIM declined by 4 basis points during Q3 2015, principally reflecting more competitive front book pricing in combination with increased switching from the standard variable rate book (15% of the overall mortgage book at 30 September 2015 compared with 23% a year earlier and 18% at the end of Q2 2015).
- Non-interest income totalled £860 million, down £413 million from Q3 2014. This was principally driven by the planned reshaping of CIB (down £306 million) and reduced trading income and disposal gains in RCR (down £144 million). Equity gains were also lower in Commercial Banking, which had recorded significant disposal gains in previous quarters. Interchange fee income in UK PBB remains under pressure.
- Compared with Q2 2015, non-interest income was £494 million lower. This included a movement of £331 million in volatile items under IFRS, which represented a charge of £126 million in the quarter compared with a credit of £205 million in Q2 2015.

## Analysis of results

	Nine months ended		Quarter ended		
	30 September 2015 £m	30 September 2014 £m	30 September 2015 £m	30 June 2015 £m	30 September 2014 £m
Operating expenses					
Staff costs	3,776	4,184	1,265	1,242	1,356
Premises and equipment	1,061	1,360	352	298	423
Other	1,338	1,418	477	481	396
Restructuring costs*	2,317	612	847	1,023	167
Litigation and conduct costs	1,444	1,030	129	459	780
Administrative expenses	9,936	8,604	3,070	3,503	3,122
Depreciation and amortisation	608	724	190	186	261
Write down of intangible assets	-	82	-	-	-
Operating expenses	10,544	9,410	3,260	3,689	3,383
Adjusted operating expenses (1)	6,783	7,768	2,284	2,207	2,436
*Restructuring costs comprise:					
- staff expenses	625	248	281	288	79
- premises, equipment, depreciation and amortisation	705	244	375	42	52
- other	987	120	191	693	36
Restructuring costs	2,317	612	847	1,023	167
Staff costs as a % of total income	37%	35%	42%	35%	37%
Cost:income ratio	104%	78%	107%	103%	93%
Cost:income ratio - adjusted (1)	67%	65%	75%	62%	67%
Employee numbers (FTE - thousands)	92.4	93.3	92.4	91.6	93.3

## Note:

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

## Key points

- Staff costs totalled £1,265 million, down £91 million or 7%, compared with Q3 2014, principally driven by declining headcount. Premises and equipment expenses were down £71 million from Q3 2014 as RBS's property portfolio is managed down.
- Adjusted operating expenses in the nine months ended 30 September 2015 totalled £6,783 million, down £985 million or 13%, compared with the same period of 2014. RBS expects to exceed £900 million of cost savings for the full year. However, Q4 2015 will include the annual bank levy charge; in addition, £190 million of accrual reversals were recorded in Q4 2014.

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Restructuring costs totalled £847 million for Q3 2015, principally relating to CIB (£637 million, including £276 million of property related charges) and to Williams & Glyn separation (£190 million). Restructuring costs in the first nine months of 2015 were £2.3 billion, approaching half of the expected c.£5 billion of total restructuring costs from 2015 to 2019.

Litigation and conduct costs of £129 million were lower than recorded in recent quarters and related principally to a charge in CIB in relation to certain mortgage-backed securities litigation.

Analysis of results

	Nine months ended		Quarter ended		
	30 September 2015	30 September 2014	30 September 2015	30 June 2015	30 September 2014
	£m	£m	£m	£m	£m
Impairment (releases)/losses					
Loan impairment (releases)/losses					
- individually assessed	(135)	(321)	(15)	(105)	(415)
- collectively assessed	(8)	293	(13)	(7)	16
- latent	(380)	(642)	(64)	(91)	(450)
Customer loans	(523)	(670)	(92)	(203)	(849)
Bank loans	(4)	(10)	(4)	-	-
Total loan impairment releases	(527)	(680)	(96)	(203)	(849)
Securities	127	(2)	17	11	2
Total impairment releases	(400)	(682)	(79)	(192)	(847)
	30			31	
	September		30 June	December	
Credit metrics (1)	2015		2015	2014	
Gross customer loans	£322,957m		£390,781m	£412,801m	
Loan impairment provisions	£9,277m		£11,303m	£18,040m	
Risk elements in lending (REIL)	£14,643m		£18,714m	£28,219m	
Provisions as a % of REIL	63%		60%	64%	
REIL as a % of gross customer loans	4.5%		4.8%	6.8%	

Credit metrics excluding Citizens

Gross customer loans	£322,957m		£328,821m	£352,659m
Loan impairment provisions	£9,277m		£10,771m	£17,504m
Risk elements in lending (REIL)	£14,643m		£17,474m	£26,889m
Provisions as a % of REIL	63%		62%	65%
REIL as a % of gross customer loans	4.5%		5.3%	7.6%

## Note:

- (1) Includes disposal groups. Citizens is included in disposal groups at 30 June 2015 and 31 December 2014.

## Key points

- Loan impairment releases in Q3 2015 were £96 million compared with £849 million in Q3 2014.
- Excluding Citizens, provision coverage increased from 62% at 30 June 2015 to 63% at 30 September 2015, largely reflecting the £2.8 billion reduction in REIL, principally driven by RCR disposals.

## Analysis of results

## Selected credit risk portfolios

	30 September 2015			30 June 2015 (1)			31 December 2014 (1)		
	CRA (2)	TCE (2)	EAD (2)	CRA (2)	TCE (2)	EAD (2)	CRA (2)	TCE (2)	EAD (2)
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Natural resources									
Oil and gas	4,632	9,181	7,224	6,664	15,499	11,318	9,421	22,014	15,877
Mining and metals	1,397	2,516	1,934	1,717	2,914	2,543	2,660	4,696	3,817
Electricity	3,323	9,145	6,282	4,361	11,935	7,933	4,927	16,212	9,984
Water and waste	4,901	5,955	5,906	5,006	6,174	6,041	5,281	6,718	6,466
Natural resources	14,253	26,797	21,346	17,748	36,522	27,835	22,289	49,640	36,144
Commodity traders (3)	884	1,239	1,355	1,136	1,835	1,996	1,968	2,790	3,063
Of which: natural resources	662	915	922	706	1,083	1,197	1,140	1,596	1,852
Shipping	7,937	8,568	8,266	8,258	8,874	8,616	10,087	10,710	10,552

## Notes:

- (1) Prior period data excludes Citizens for comparative purposes: Citizens totals for natural resources and shipping were 30 June 2015 - TCE £4.4 billion, EAD £3.6 billion; 31 December 2014 - TCE £4.2 billion, EAD £3.4 billion.
- (2) Credit risk assets (CRA) consist of lending gross of impairment provisions, derivative exposures after netting and contingent obligations. Total committed exposure (TCE) comprises CRA, securities financing transactions after netting, banking book debt securities and committed undrawn facilities. Exposure at default (EAD) is gross of credit provisions and is after credit risk mitigation. EAD reflects an estimate of the extent to which a bank will be exposed under a specific facility on the default of a customer or counterparty. Uncommitted undrawn facilities are excluded from TCE but included within EAD; therefore EAD can exceed TCE.
- (3) Commodity traders represents customers in a number of industry sectors, predominately natural resources above.

## Key points

- Oil and gas: total exposure has more than halved during 2015 and decreased significantly during Q3 2015. This primarily reflected continued loan sales and run-off



across the CIB portfolio in Asia-Pacific and the US.

- Mining and metals: the reduction in exposure during 2015 reflected proactive management of more vulnerable sub-sectors. The majority of the exposure is to large international customers and matures within five years.
- Commodity traders: total exposure has more than halved during 2015 and is primarily to the largest physical commodity traders, the exposure is predominantly short-dated, collateralised and uncommitted facilities used for working capital.
- Shipping: exposure is in CIB Capital Resolution and RCR. The decrease in exposure in Q3 2015 principally reflected sales in RCR.

	30 September 2015		30 June 2015		31 December 2014	
	Balance sheet £m	Total exposure £m	Balance sheet £m	Total exposure £m	Balance sheet £m	Total exposure £m
Emerging markets (1)						
India	1,952	2,456	1,680	2,225	1,989	2,628
China	1,588	1,651	2,358	2,510	3,548	4,079
Russia	953	1,028	1,618	1,709	1,830	1,997

Note:

- (1) Balance sheet and total exposures include banking and trading book debt securities and are net of impairment provisions in respect of lending - refer to the Country risk section of the 2014 Annual Report and Accounts for detailed definitions.

#### Key point

- Exposure to most emerging markets decreased in 2015 as RBS continues to implement its strategy to withdraw from non-strategic countries. The drop in Chinese exposure in Q3 2015 reflected corporate loan sales and reductions in cash collateral due to reduced volumes of foreign exchange trading. Total exposure to Russia has halved during 2015 and the reduction in Q3 2015 was mostly due to corporate loan sales.

#### Analysis of results

##### Capital and leverage ratios

	End-point CRR basis (1)			PRA transitional basis		
	30 September 2015	30 June 2015	31 December 2014	30 September 2015	30 June 2015	31 December 2014
Risk asset ratios	%	%	%	%	%	%
CET1	12.7	12.3	11.2	12.7	12.3	11.1
Tier 1	13.3	12.3	11.2	15.5	14.3	13.2
Total	16.0	14.8	13.7	19.8	18.5	17.1
Capital	£m	£m	£m	£m	£m	£m
Tangible equity	44,442	43,919	44,368	44,442	43,919	44,368

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Expected loss less impairment provisions	(1,185)	(1,319)	(1,491)	(1,185)	(1,319)	(1,491)
Prudential valuation adjustment	(392)	(366)	(384)	(392)	(366)	(384)
Deferred tax assets	(1,159)	(1,206)	(1,222)	(1,159)	(1,206)	(1,222)
Own credit adjustments	208	345	500	208	345	500
Pension fund assets	(256)	(250)	(238)	(256)	(250)	(238)
Other deductions	(1,478)	(1,070)	(1,614)	(1,456)	(1,047)	(1,884)
<b>Total deductions</b>	<b>(4,262)</b>	<b>(3,866)</b>	<b>(4,449)</b>	<b>(4,240)</b>	<b>(3,843)</b>	<b>(4,719)</b>
CET1 capital	40,180	40,053	39,919	40,202	40,076	39,649
AT1 capital	1,997	-	-	8,716	6,709	7,468
Tier 1 capital	42,177	40,053	39,919	48,918	46,785	47,117
Tier 2 capital	8,331	8,181	8,717	13,742	13,573	13,626
<b>Total regulatory capital</b>	<b>50,508</b>	<b>48,234</b>	<b>48,636</b>	<b>62,660</b>	<b>60,358</b>	<b>60,743</b>
<b>Risk-weighted assets</b>						
Credit risk						
- non-counterparty	237,800	245,000	264,700	237,800	245,000	264,700
- counterparty	26,900	27,500	30,400	26,900	27,500	30,400
Market risk	19,700	22,300	24,000	19,700	22,300	24,000
Operational risk	31,600	31,600	36,800	31,600	31,600	36,800
<b>Total RWAs</b>	<b>316,000</b>	<b>326,400</b>	<b>355,900</b>	<b>316,000</b>	<b>326,400</b>	<b>355,900</b>
<b>Leverage (2)</b>						
Derivatives	296,500	282,300	354,000			
Loans and advances	402,300	402,800	419,600			
Reverse repos	52,100	67,800	64,700			
Other assets	207,700	211,800	212,500			
<b>Total assets</b>	<b>958,600</b>	<b>964,700</b>	<b>1,050,800</b>			
Derivatives						
- netting	(280,300)	(266,600)	(330,900)			
- potential future exposures	82,200	83,500	98,800			
Securities financing transactions gross up	6,600	6,200	25,000			
Undrawn commitments	78,900	84,700	96,400			
Regulatory deductions and other adjustments	500	2,000	(600)			
<b>Leverage exposure</b>	<b>846,500</b>	<b>874,500</b>	<b>939,500</b>			
Tier 1 capital	42,177	40,053	39,919			
<b>Leverage ratio %</b>	<b>5.0</b>	<b>4.6</b>	<b>4.2</b>			

## Notes:

- (1) Capital Requirements Regulation (CRR) as implemented by the Prudential Regulation Authority in the UK, with effect from 1 January 2014. All regulatory adjustments and deductions to CET1 have been applied in full for the end-point CRR basis with the exception of unrealised gains on AFS securities which has been included from 2015 under the PRA transitional basis.
- (2) Based on end-point CRR Tier 1 capital and leverage exposure under the revised 2014 Basel III leverage ratio framework and the CRR Delegated Act.

## Analysis of results

## Key points

- RBS's CET1 ratio strengthened to 12.7% at 30 September 2015, up 40 basis points from 30 June 2015 and 150 basis points since the start of the year. The increase was principally driven by a further reduction in RWAs, which fell by £10.4 billion during Q3 2015. Excluding the impact of movements in both US dollar and euro exchange rates, the RWA reduction would have been £14.9 billion.
- CIB Capital Resolution RWAs decreased by £6.7 billion from 30 June 2015 due to portfolio reduction of £7 billion, including further sale to Mizuho of £1.3 billion and ongoing GTS exit activity of £1.5 billion, partly offset by foreign exchange movements as sterling weakened against the dollar.
- CIB Go-forward RWAs decreased by £3.3 billion from 30 June 2015 principally due to a decrease of £2.2 billion in market risk RWAs.
- RCR RWAs reduced by £2.0 billion from 30 June 2015 reflecting ongoing disposal and run-off strategy.
- The leverage ratio improved to 5.0% at 30 September 2015, up 40 basis points from 30 June 2015, assisted by the successful issue of US\$3.15 billion (£2 billion) Additional Tier 1 capital notes in August 2015 and reduced leverage exposure driven by lower reverse repos and undrawn commitments.
- On a pro-forma basis, assuming full deconsolidation of Citizens credit and counterparty risk RWAs at 30 September 2015, RBS's CET1 ratio would have been 16.2% and its leverage ratio 5.6%.

## Segment performance

On 3 August 2015, RBS's interest in Citizens fell to 20.9% and Citizens Financial Group (CFG) ceased to be a reportable segment. The following segment disclosures have been restated accordingly. Refer to pages 2 and 31 for further information.

Nine months ended 30 September 2015											
PBB			CPB				CIB				Total
Ulster			Commercial		Private		Central items				
UK PBB	Bank	Total	Banking	Banking	Total		(1)	RCR	RBS		
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Income statement										
Net interest income	3,460	392	3,852	1,673	377	2,050	518	227	(42)	6,605
Non-interest income	920	190	1,110	871	248	1,119	1,243	(114)	187	3,545
Total income	4,380	582	4,962	2,544	625	3,169	1,761	113	145	10,150
Direct expenses - staff costs										
	(694)	(179)	(873)	(377)	(209)	(586)	(461)	(1,778)	(78)	(3,776)
- other costs										
	(221)	(54)	(275)	(166)	(49)	(215)	(209)	(2,294)	(14)	(3,007)
Indirect expenses	(1,379)	(196)	(1,575)	(657)	(289)	(946)	(1,571)	4,139	(47)	-
Restructuring costs - direct										
	(5)	(21)	(26)	(11)	(1)	(12)	(404)	(1,875)	-	(2,317)
- indirect										
	(72)	(3)	(75)	(8)	(83)	(91)	(1,258)	1,428	(4)	-
Litigation and conduct costs	(362)	6	(356)	(59)	(28)	(87)	(980)	(21)	-	(1,444)
Operating expenses	(2,733)	(447)	(3,180)	(1,278)	(659)	(1,937)	(4,883)	(401)	(143)	(10,544)
Profit/(loss) before impairment losses	1,647	135	1,782	1,266	(34)	1,232	(3,122)	(288)	2	(394)
Impairment releases/(losses)	6	110	116	(42)	(1)	(43)	35	(47)	339	400
Operating profit/(loss)	1,653	245	1,898	1,224	(35)	1,189	(3,087)	(335)	341	6
Additional information										
Operating expenses - adjusted (2)	(2,294)	(429)	(2,723)	(1,200)	(547)	(1,747)	(2,241)	67	(139)	(6,783)
Operating profit/(loss) - adjusted (2)	2,092	263	2,355	1,302	77	1,379	(445)	133	345	3,767
Return on equity (3)	26.2%	10.1%	20.7%	11.6%	(4.5%)	9.6%	(26.0%)	nm	nm	2.4%
Return on equity - adjusted (2,3)	33.7%	10.8%	26.0%	12.5%	4.1%	11.4%	(5.1%)	nm	nm	11.7%
Cost:income ratio	62%	77%	64%	50%	105%	61%	277%	nm	nm	104%
Cost:income ratio - adjusted (2)	52%	74%	55%	47%	88%	55%	127%	nm	nm	67%
Total assets (£bn)	139.1	28.0	167.1	95.9	16.8	112.7	464.1	119.6	12.9	876.4
Funded assets (£bn)	139.1	27.9	167.0	95.9	16.7	112.6	177.4	116.9	6.5	580.4
Net loans and advances to customers (£bn)	132.5	20.6	153.1	91.6	13.5	105.1	50.8	0.4	4.3	313.7
Risk elements in lending (£bn)	3.0	4.0	7.0	2.2	0.1	2.3	0.2	-	5.1	14.6
Impairment provisions (£bn)	(2.0)	(2.3)	(4.3)	(0.8)	(0.1)	(0.9)	(0.1)	(0.1)	(3.9)	(9.3)
Customer deposits (£bn)	152.9	19.2	172.1	98.9	29.1	128.0	47.8	3.7	0.9	352.5
Risk-weighted assets (RWAs) (£bn)	39.4	21.5	60.9	67.2	9.8	77.0	78.0	87.7	12.4	316.0
RWA equivalent (£bn) (4)	43.2	21.7	64.9	72.1	9.8	81.9	79.7	88.1	13.9	328.5

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Employee numbers (FTEs - thousands)	25.6	4.2	29.8	6.0	2.7	8.7	2.8	50.6	0.5	92.4
--	------	-----	------	-----	-----	-----	-----	------	-----	------

For the notes to this table refer to page 22. nm = not meaningful

Segment performance

	Quarter ended 30 September 2015									
	PBB			CPB			CIB			Total
	UK	Bank	Total	Banking	Private	Total	Central	RCR	RBS	
£m	£m	£m	£m	£m	£m	£m	(1) £m	£m	£m	
Income statement										
Net interest income	1,170	127	1,297	565	123	688	142	77	(17)	2,187
Non-interest income	289	87	376	265	81	346	295	(154)	(3)	860
Total income	1,459	214	1,673	830	204	1,034	437	(77)	(20)	3,047
Direct expenses - staff costs	(238)	(59)	(297)	(122)	(66)	(188)	(139)	(619)	(22)	(1,265)
- other costs	(81)	(21)	(102)	(56)	(23)	(79)	(60)	(777)	(1)	(1,019)
Indirect expenses	(466)	(70)	(536)	(224)	(95)	(319)	(510)	1,380	(15)	-
Restructuring costs - direct	(5)	(3)	(8)	(1)	2	1	(193)	(647)	-	(847)
- indirect	(22)	(3)	(25)	-	(3)	(3)	(444)	476	(4)	-
Litigation and conduct costs	2	(2)	-	-	-	-	(107)	(22)	-	(129)
Operating expenses	(810)	(158)	(968)	(403)	(185)	(588)	(1,453)	(209)	(42)	(3,260)
Profit/(loss) before impairment losses	649	56	705	427	19	446	(1,016)	(286)	(62)	(213)
Impairment (losses)/releases	(11)	58	47	(15)	(4)	(19)	4	1	46	79
Operating profit/(loss)	638	114	752	412	15	427	(1,012)	(285)	(16)	(134)
Additional information										
Operating expenses - adjusted (2)	(785)	(150)	(935)	(402)	(184)	(586)	(709)	(16)	(38)	(2,284)
Operating profit/(loss) - adjusted (2)	663	122	785	413	16	429	(268)	(92)	(12)	842
Return on equity (3)	31.8%	14.1%	25.5%	11.7%	1.7%	10.5%	(29.2%)	nm	nm	8.8%
Return on equity - adjusted (2,3)	33.1%	15.1%	26.7%	11.7%	1.9%	10.6%	(9.1%)	nm	nm	15.8%
Cost:income ratio	56%	74%	58%	49%	91%	57%	332%	nm	nm	107%

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Cost:income ratio - adjusted (2)	54%	70%	56%	48%	90%	57%	162%	nm	nm	75%
Total assets (£bn)	139.1	28.0	167.1	95.9	16.8	112.7	464.1	119.6	12.9	876.4
Funded assets (£bn)	139.1	27.9	167.0	95.9	16.7	112.6	177.4	116.9	6.5	580.4
Net loans and advances to customers (£bn)	132.5	20.6	153.1	91.6	13.5	105.1	50.8	0.4	4.3	313.7
Risk elements in lending (£bn)	3.0	4.0	7.0	2.2	0.1	2.3	0.2	-	5.1	14.6
Impairment provisions (£bn)	(2.0)	(2.3)	(4.3)	(0.8)	(0.1)	(0.9)	(0.1)	(0.1)	(3.9)	(9.3)
Customer deposits (£bn)	152.9	19.2	172.1	98.9	29.1	128.0	47.8	3.7	0.9	352.5
Risk-weighted assets (RWAs) (£bn)	39.4	21.5	60.9	67.2	9.8	77.0	78.0	87.7	12.4	316.0
RWA equivalent (£bn) (4)	43.2	21.7	64.9	72.1	9.8	81.9	79.7	88.1	13.9	328.5
Employee numbers (FTEs - thousands)	25.6	4.2	29.8	6.0	2.7	8.7	2.8	50.6	0.5	92.4

For the notes to this table refer to  
page 22. nm = not meaningful

Segment performance

	Nine months ended 30 September 2014									
	PBB			CPB			CIB			Total
	UK PBB	Bank	Total	Banking	Banking	Total	Central items	RCR	RBS	
£m	£m	£m	£m	£m	£m	£m	(1) £m	£m	£m	
Income statement										
Net interest income	3,474	486	3,960	1,520	516	2,036	595	312	(24)	6,879
Non-interest income	1,031	140	1,171	859	299	1,158	2,663	(115)	254	5,131
Total income	4,505	626	5,131	2,379	815	3,194	3,258	197	230	12,010
Direct expenses - staff costs	(705)	(182)	(887)	(390)	(227)	(617)	(666)	(1,889)	(126)	(4,185)
- other costs	(305)	(55)	(360)	(176)	(47)	(223)	(300)	(2,644)	(56)	(3,583)
Indirect expenses	(1,423)	(187)	(1,610)	(598)	(326)	(924)	(1,773)	4,386	(79)	-
Restructuring costs - direct	(8)	8	-	(40)	(2)	(42)	(44)	(526)	-	(612)
- indirect	(76)	(34)	(110)	(40)	(8)	(48)	(163)	325	(4)	-
Litigation and conduct costs	(268)	-	(268)	(50)	-	(50)	(612)	(100)	-	(1,030)
Operating expenses	(2,785)	(450)	(3,235)	(1,294)	(610)	(1,904)	(3,558)	(448)	(265)	(9,410)
Profit/(loss) before impairment losses	1,720	176	1,896	1,085	205	1,290	(300)	(251)	(35)	2,600

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Impairment (losses)/releases	(227)	261	34	(43)	4	(39)	51	11	625	682
Operating profit/(loss)	1,493	437	1,930	1,042	209	1,251	(249)	(240)	590	3,282
Additional information										
Operating expenses - adjusted (2)	(2,433)	(424)	(2,857)	(1,164)	(600)	(1,764)	(2,739)	(147)	(261)	(7,768)
Operating profit - adjusted (2)	1,845	463	2,308	1,172	219	1,391	570	61	594	4,924
Return on equity (3)	22.1%	16.2%	19.6%	10.4%	12.3%	10.7%	(2.4%)	nm	nm	7.3%
Return on equity - adjusted (2,3)	27.6%	17.2%	23.6%	11.8%	12.9%	12.0%	2.2%	nm	nm	11.9%
Cost:income ratio	62%	72%	63%	54%	75%	60%	109%	nm	nm	78%
Cost:income ratio - adjusted (2)	54%	68%	56%	49%	74%	55%	84%	nm	nm	65%
Total assets (£bn)	134.2	26.5	160.7	89.7	21.1	110.8	572.9	170.4	31.3	1,046.1
Funded assets (£bn)	134.2	26.3	160.5	89.7	21.0	110.7	274.9	168.1	17.9	732.1
Net loans and advances to customers (£bn)	127.0	22.0	149.0	85.0	16.7	101.7	73.1	57.1	13.2	394.1
Risk elements in lending (£bn)	4.1	4.8	8.9	2.6	0.2	2.8	0.1	1.3	17.4	30.5
Impairment provisions (£bn)	(2.7)	(2.9)	(5.6)	(1.0)	(0.1)	(1.1)	(0.2)	(0.5)	(12.6)	(20.0)
Customer deposits (£bn)	146.0	19.7	165.7	87.0	36.2	123.2	57.1	58.4	1.2	405.6
Risk-weighted assets (RWAs) (£bn)	44.7	23.9	68.6	64.9	12.2	77.1	123.2	82.2	30.6	381.7
RWA equivalent (£bn) (4)	47.3	21.4	68.7	71.6	12.2	83.8	125.0	82.2	38.3	398.0
Employee numbers (FTEs - thousands)	25.0	4.5	29.5	6.8	3.4	10.2	4.0	48.8	0.8	93.3

For the notes to this table refer to page 22.

nm = not meaningful

Segment performance

	Quarter ended 30 June 2015									
	PBB			CPB			CIB			Total
	UK	Bank	Total	Commercial	Private	Total	Central	RCR	RBS	
£m	£m	£m	£m	£m	£m	£m	(1) £m	£m	£m	
Income statement										
Net interest income	1,147	132	1,279	562	126	688	174	88	(14)	2,215
Non-interest income	322	46	368	330	81	411	346	170	59	1,354
Total income	1,469	178	1,647	892	207	1,099	520	258	45	3,569
	(231)	(60)	(291)	(126)	(67)	(193)	(142)	(585)	(31)	(1,242)

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Direct expenses - staff costs											
- other costs	(69)	(16)	(85)	(56)	(14)	(70)	(71)	(732)	(7)	(965)	
Indirect expenses	(463)	(63)	(526)	(208)	(96)	(304)	(521)	1,366	(15)	-	
Restructuring costs - direct	-	(18)	(18)	(10)	(3)	(13)	(195)	(797)	-	(1,023)	
indirect	(20)	(1)	(21)	(7)	(81)	(88)	(539)	648	-	-	
Litigation and conduct costs	(10)	8	(2)	(59)	(26)	(85)	(373)	1	-	(459)	
Operating expenses	(793)	(150)	(943)	(466)	(287)	(753)	(1,841)	(99)	(53)	(3,689)	
Profit/(loss) before impairment losses	676	28	704	426	(80)	346	(1,321)	159	(8)	(120)	
Impairment (losses)/releases	(9)	52	43	(26)	2	(24)	(13)	2	184	192	
Operating profit/(loss)	667	80	747	400	(78)	322	(1,334)	161	176	72	
Additional information											
Operating expenses - adjusted (2)	(763)	(139)	(902)	(390)	(177)	(567)	(734)	49	(53)	(2,207)	
Operating profit/(loss) - adjusted (2)	697	91	788	476	32	508	(227)	309	176	1,554	
Return on equity (3)	32.1%	9.9%	24.7%	11.3%	(20.1%)	7.5%	(33.0%)	nm	nm	2.7%	
Return on equity - adjusted (2,3)	33.6%	11.3%	26.1%	13.7%	5.6%	12.7%	(6.9%)	nm	nm	14.1%	
Cost:income ratio	54%	84%	57%	52%	139%	69%	354%	nm	nm	103%	
Cost:income ratio - adjusted (2)	52%	78%	55%	44%	86%	52%	141%	nm	nm	62%	
Total assets (£bn)	135.4	26.5	161.9	94.5	17.0	111.5	482.4	192.4	16.5	964.7	
Funded assets (£bn)	135.4	26.4	161.8	94.5	16.9	111.4	211.1	189.7	8.4	682.4	
Net loans and advances to customers (£bn)	128.6	20.2	148.8	90.1	13.5	103.6	57.8	63.4	5.9	379.5	
Risk elements in lending (£bn)	3.2	4.2	7.4	2.3	0.2	2.5	0.2	1.2	7.4	18.7	
Impairment provisions (£bn)	(2.1)	(2.4)	(4.5)	(0.9)	-	(0.9)	(0.1)	(0.7)	(5.1)	(11.3)	
Customer deposits (£bn)	151.0	18.7	169.7	97.0	29.8	126.8	49.2	65.8	1.0	412.5	
Risk-weighted assets (RWAs) (£bn)	41.0	21.2	62.2	66.9	9.8	76.7	88.0	85.1	14.4	326.4	
RWA equivalent (£bn) (4)	44.6	20.7	65.3	72.0	9.8	81.8	89.7	85.4	17.9	340.1	
Employee numbers (FTEs - thousands)	25.4	4.2	29.6	6.2	2.7	8.9	3.1	49.5	0.5	91.6	

For the notes to this table refer to page 22. nm= not meaningful



Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Segment performance

Quarter ended 30 September 2014

	PBB			CPB			CIB			Total
	UK PBB	Bank	Total	Banking	Banking	Total	Central items	RCR	RBS	
	£m	£m	£m	£m	£m	£m	£m	(1) £m	£m	£m
Income statement										
Net interest income	1,198	163	1,361	521	172	693	230	109	(23)	2,370
Non-interest income	345	51	396	290	98	388	601	(257)	145	1,273
Total income	1,543	214	1,757	811	270	1,081	831	(148)	122	3,643
Direct expenses - staff costs										
	(236)	(57)	(293)	(124)	(76)	(200)	(179)	(647)	(37)	(1,356)
- other costs										
	(81)	(20)	(101)	(54)	(18)	(72)	(50)	(833)	(24)	(1,080)
Indirect expenses	(465)	(61)	(526)	(196)	(109)	(305)	(593)	1,448	(24)	-
Restructuring costs - direct										
	(2)	-	(2)	-	-	-	(22)	(143)	-	(167)
- indirect										
	(63)	(12)	(75)	(18)	(7)	(25)	6	98	(4)	-
Litigation and conduct costs	(118)	-	(118)	-	-	-	(562)	(100)	-	(780)
Operating expenses	(965)	(150)	(1,115)	(392)	(210)	(602)	(1,400)	(177)	(89)	(3,383)
Profit/(loss) before impairment losses	578	64	642	419	60	479	(569)	(325)	33	260
Impairment (losses)/releases	(79)	318	239	(12)	4	(8)	12	(1)	605	847
Operating profit/(loss)	499	382	881	407	64	471	(557)	(326)	638	1,107
Additional information										
Operating expenses - adjusted (2)	(782)	(138)	(920)	(374)	(203)	(577)	(822)	(32)	(85)	(2,436)
Operating profit/(loss) - adjusted (2)	682	394	1,076	425	71	496	21	(181)	642	2,054
Return on equity (3)	22.8%	47.1%	28.5%	12.3%	11.1%	12.2%	(11.3%)	nm	nm	8.2%
Return on equity - adjusted (2,3)	31.5%	48.5%	35.0%	12.9%	12.5%	12.9%	(0.8%)	nm	nm	16.0%
Cost:income ratio	63%	70%	63%	48%	78%	56%	168%	nm	nm	93%
Cost:income ratio - adjusted (2)	51%	64%	52%	46%	75%	53%	99%	nm	nm	67%
Total assets (£bn)	134.2	26.5	160.7	89.7	21.1	110.8	572.9	170.4	31.3	1,046.1
Funded assets (£bn)	134.2	26.3	160.5	89.7	21.0	110.7	274.9	168.1	17.9	732.1
Net loans and advances to customers (£bn)										
	127.0	22.0	149.0	85.0	16.7	101.7	73.1	57.1	13.2	394.1
	4.1	4.8	8.9	2.6	0.2	2.8	0.1	1.3	17.4	30.5

Risk elements in lending  
(£bn)

## Impairment provisions

(£bn)	(2.7)	(2.9)	(5.6)	(1.0)	(0.1)	(1.1)	(0.2)	(0.5)	(12.6)	(20.0)
Customer deposits (£bn)	146.0	19.7	165.7	87.0	36.2	123.2	57.1	58.4	1.2	405.6
Risk-weighted assets (RWAs) (£bn)	44.7	23.9	68.6	64.9	12.2	77.1	123.2	82.2	30.6	381.7
RWA equivalent (£bn) (4)	47.3	21.4	68.7	71.6	12.2	83.8	125.0	82.2	38.3	398.0
Employee numbers (FTEs - thousands)	25.0	4.5	29.5	6.8	3.4	10.2	4.0	48.8	0.8	93.3

nm = not meaningful

## Notes:

- (1) Central items include unallocated transactions, principally Treasury AFS portfolio sales of £67 million loss in the nine months ended 30 September 2015 (nine months ended 30 September 2014 - £143 million gain; Q3 2015 - £2 million gain; Q2 2015 - £42 million loss; Q3 2014 - £73 million loss) and profit and loss on hedges that do not qualify for hedge accounting. Balance sheet items for periods up to and including June 2015 include Citizens which was within assets of disposal groups.
- (2) Excluding restructuring costs and litigation and conduct costs.
- (3) Segmental return on equity based on operating profit after tax adjusted for preference share dividends divided by average notional equity (based on 13% of the monthly average RWA equivalents (RWAE)).
- (4) RWAE is an internal metric based on target CET 1 ratio of 13%, for all segments except RCR, set at 10% at creation. RWAE converts performing and non-performing exposures into a consistent capital measure comprising RWAs and capital deductions.

## Segment performance

## Key points

## UK Personal &amp; Business Banking

UK PBB operating profit of £638 million was up 28% from Q3 2014. Return on equity in the quarter was 32%, compared with 23% in the prior year principally due to lower litigation and conduct costs.

Mortgage activity strengthened further in Q3, with applications up 66% from £6.2 billion in Q3 2014 to £10.2 billion and new business market share of approvals increasing to 15%. Total loans and advances increased by £3.8 billion during the quarter, with total mortgage balances at 30 September 2015 up 6% compared with Q3 2014.

In Q3 our existing private and packaged current account customers were invited to receive 3% cash back on their household direct debits, for free, until the end of the year in advance of the launch of our new current account range. Around one million customers are now enrolled in this free offer. Those on the free offer can opt into the paid-for new product at the turn of the year. The fee for this product will be £3 per account per month. The new Reward current accounts launched on 12 October 2015 to non-packaged and new customers.

Income trends were slightly weaker. Net interest margin was 4 basis points lower than Q2 2015 and 18 basis points lower than in Q3 2014, largely driven by the significantly increased proportion of lower margin secured lending in the portfolio mix. New business mortgage margins have fallen as a result of increasingly competitive pricing. Standard variable rate balances continued to transfer to lower rate products and represented 15%

of the mortgage book at 30 September 2015 compared with 23% a year earlier. Non-interest income was lower, reflecting reduced interchange fees on credit and debit cards, reduced advisory income and the non-repeat of a £7 million profit on the sale of NatWest Stockbrokers in Q3 2014.

Operating expenses were down 16% from Q3 2014, with minimal net conduct expenses in the quarter. Staff costs were 1% lower, with headcount down 2%. The cost:income ratio was 56% compared with 63% in Q3 2014.

Credit conditions remained stable, with the charge from bad debt flows down 26% from Q3 2014. The net impairment charge of £11 million continued to benefit from provision releases, though at lower levels than seen in the first half of the year.

#### Ulster Bank

Improving economic conditions across the island of Ireland have contributed to stronger new business volumes, particularly in the corporate and personal mortgage segments. However, this has been offset by continued customer deleveraging and the sale of a portfolio of buy-to-let mortgages. Balances also reflect the weakening of the euro over the last year. Excluding the impact of euro exchange rate movements, net loans and advances were down £0.2 billion from Q2 2015. The low yielding tracker mortgage book reduced by £0.3 billion to £9.4 billion with associated RWAs of £8.1 billion.

Operating profit of £114 million was down 70% from Q3 2014, which benefited from materially larger net impairment provision releases.

The Q3 2015 results included a £23 million profit on the sale of the buy-to-let mortgage portfolio, as well as a £24 million gain realised on the closure of a foreign exchange exposure. Return on equity was 14%.

Income was flat against Q3 2014 as the income benefits from these one-off items were offset by exchange rate movements and a lower return on free funds. While deposit margins have improved steadily from Q3 2014, new business lending margins have begun to tighten across the market.

Operating expenses have increased by £8 million from Q3 2014 with headcount reductions partly offsetting the impact of higher pension costs and regulatory levies. The cost:income ratio was 74%, slightly higher than Q3 2014.

Results benefited from a further £58 million release of impairment provisions, compared with £318 million in Q3 2014. This reflects continued positive trends on collections and Irish property prices albeit the pace of improvement has slowed since Q3 2014.

#### Segment performance

##### Commercial Banking

Commercial Banking reported an operating profit of £412 million, up 1% from Q3 2014. Return on equity was stable at 12%.

New business volumes in Q3 were strong, with net new lending of £1.5 billion during the quarter. Further enhancements to Commercial Banking's lending capability are expected with the launch of a new lending platform in Q4 2015.

Comparisons with prior periods are affected by a number of internal business transfers, including the transfer to Commercial Banking of RBS International (RBSI) from Private Banking on 1 January 2015 and the CIB UK corporate loan portfolio on 1 May 2015(1,3). The transfers of the Western Europe loan portfolio and UK Transaction Services from CIB to Commercial Banking are on track for completion in Q4 2015.

Total income was 2% higher than in Q3 2014, benefiting from increased loan and deposit volumes combined with higher deposit margins partially offset by lower asset margins. Non-interest income was lower, principally reflecting lower equity gains.

Total expenses were up 3% from Q3 2014, reflecting higher indirect costs. Staff costs were flat, with reduced headcount offsetting normal inflation adjustments. The cost:income ratio was stable at 49%.

Net impairment losses increased £3 million, reflecting increased individual charges and lower net provision releases.

#### Private Banking

Operating profit of £15 million was down 77% from Q3 2014. Return on equity was 2%. Coutts remains an area of management focus.

The disposal of Private Banking International continues to make good progress, with the sale of the European, the Middle East and Africa business, including Switzerland, scheduled to close in Q4 2015 and the sale of the business in the Far East scheduled to close next year.

On 1 January 2015, the RBSI business in Private Banking was transferred to Commercial Banking. This transfer affects comparisons with prior periods(2,3).

Operating performance was adversely affected by financial market conditions and also reflected the business transfer. Adjusting for this transfer, income was £31 million lower principally as a result of hedging activities and lower investment and transactional income.

Total expenses were 12% lower than Q3 2014 due to the transfer of the RBSI business. The cost:income ratio was 91% compared with 78% in Q3 2014.

Assets under management were down £1.5 billion from Q2 2015 and £3.3 billion from Q3 2014, principally reflecting lower stock market valuations.

#### Corporate & Institutional Banking

The reshaping of the Go-forward business is proceeding in line with plans. Funded assets fell by £23 billion during the quarter, including the £17 billion transfer(3) of the Short Term Markets Business to Treasury. The business remains on track to achieve the previously disclosed income target of £1.3 billion in the full year.

Adjusted operating loss for the first nine months of 2015 for CIB was £445 million compared with a profit of £570 million for the same period in 2014 and for Q3 2015 a loss of £268 million compared with a profit of £21 million for Q3 2014, reflecting CIB's planned reshaping as income declined and disposal losses were incurred.

#### Notes:

- (1) The business transfers included: total income of £158 million (nine months ended 30 September 2014 - £153 million; Q3 2015 - £49 million; Q2 2015 - £56 million; Q3 2014 - £54 million); operating expenses of £67 million (nine months ended 30 September 2014 - £87 million; Q3 2015 - £21 million; Q2 2015 - £24 million; Q3 2014 - £29 million); net loans and advances to customers of £4.7 billion (30 June 2015 - £4.5 billion; 31 December 2014 - £4.4 billion); customer deposits of £6.3 billion (30 June 2015 - £6.4 billion; 31 December 2014 - £6.5 billion); and RWAs of £4.4 billion (30 June 2015 - £3.8 billion; 31 December 2014 - £3.5 billion).
- (2) The business transfer included: total income of £111 million (nine months ended 30 September 2014 - £109 million; Q3 2015 - £35 million; Q2 2015 - £37 million; Q3 2014 - £40 million); operating expenses of £64 million (nine months ended 30 September 2014 - £80 million; Q3 2015 - £20 million; Q2 2015 - £23 million; Q3 2014 - £27 million); net loans and advances to customers of £2.6 billion (30 June 2015 - £2.4 billion; 31 December 2014 - £2.6 billion); customer deposits of £6.3 billion (30 June 2015 - £6.4 billion; 31 December 2014 - £6.5 billion); and RWAs of £1.9 billion (30 June 2015 - £1.5 billion; 31 December 2014 - £1.4 billion).

- (3) Comparatives have not been restated.  
Segment performance

#### Corporate & Institutional Banking

Adjusted operating profit in the Go-forward business for the first nine months of 2015 was £125 million and for Q3 2015 a loss of £5 million. Adjusted profit in the Go-forward business for the first nine months of the year, excluding the Western Europe loan portfolio and the UK Transaction Services business that will transfer to Commercial Banking in Q4 2015, was broadly breakeven(1).

Compared with Q2 2015, Go-forward income was flat, notwithstanding the seasonal slow-down in client activity and uncertain market conditions. Rates and Currencies were broadly in line with Q2 with some weakness in Credit, principally due to lower levels of primary issuance. In line with the reduction in risk and resources allocated to CIB, Go-forward income was down 28% compared with Q3 2014.

The transfer to Commercial Banking of the CIB UK corporate loan portfolio on 1 May 2015(2) and the transfer of the Short Term Markets Business to Treasury on 1 August 2015 affects comparisons with prior periods.

Adjusted expenses for CIB were down £113 million compared with Q3 2014 to £709 million with staff costs down £40 million from Q3 2014 reflecting a reduction in headcount. Restructuring costs were £637 million, down slightly from £734 million the prior quarter as the business reshapes.

CIB Capital Resolution made good progress in Q3 2015, with the sale of North American portfolios to Mizuho largely complete and a further APAC portfolio sale announced to China Construction Bank Corporation. Disposal losses for the quarter were £77 million.

A charge of \$150 million (£95 million) was incurred in Q3 2015 in relation to US mortgage-backed securities litigation, but overall litigation and conduct charges were significantly lower than in Q3 2014.

RWAs were reduced by £10 billion during Q3 2015 and have fallen by £29 billion since 31 December 2014 (£26 billion excluding the impact of the transferred businesses following the strategic changes announced in February 2015). The business has now achieved its previously announced target of a £25 billion reduction in 2015 three months ahead of schedule. In the Go-forward business RWAs of £39 billion as at 30 September 2015 include £8 billion that will transfer out during Q4 2015 to Commercial Banking. The steady state RWAs of the Go-forward business are expected to be around £30 billion.

#### RBS Capital Resolution

RCR funded assets have fallen to £6.5 billion, down 83% since the initial pool of assets was identified. RCR is targeting an 85% reduction by the end of 2015, a year earlier than originally planned.

During Q3 2015 RWA equivalents fell by £4.0 billion to £13.9 billion, driven by disposals and repayments. Disposal activity continues across the portfolio, with 101 deals completed during Q3 2015 at an average price of 104% of book value.

An operating loss of £16 million was recorded in Q3 2015, compared with an operating profit of £638 million in Q3 2014. This reflected significantly reduced impairment releases as well as lower realisations on disposals and fair value gains.

The net effect of the operating loss of £16 million and RWA equivalent reduction of £4.0 billion (3) was CET1 accretion of £0.4 billion.

#### Central items

Central items not allocated represented a charge of £285 million compared with a charge of £326 million in Q3 2014. This includes volatile items under IFRS, which were a charge of £126 million in the quarter, in line with Q3 2014 but a movement of £331 million compared with Q2 2015. A £190 million restructuring charge was incurred relating to Williams & Glyn.

## Notes:

- (1) The CIB segment is being restructured into CIB Go-forward and CIB Capital Resolution elements. The split is subject to further refinement.
- (2) The business transfer from CIB to Commercial Banking was effective from 1 May 2015. Comparatives were not restated and for the whole period the financials of the UK large corporate business were: total income of £47 million for the nine months ended 30 September 2015 (nine months ended 30 September 2014 - £44 million; Q3 2015 - £14 million; Q2 2015 - £19 million; Q3 2014 - £14 million); operating expenses of £3 million for the nine months ended 30 September 2015 (nine months ended 30 September 2014 - £7 million; Q3 2015 - £1 million; Q2 2015 - £1 million; Q3 2014 - £2 million); net loans and advances to customers of £2.1 billion (30 June 2015 - £2.1 billion; 31 December 2014 - £1.8 billion); and RWAs of £2.5 billion (30 June 2015 - £2.3 billion; 31 December 2014 - £2.1 billion).
- (3) Capital equivalent £400million at an internal CETI ratio of 10%.

## Selected statutory financial statements

## Condensed consolidated income statement for the period ended 30 September 2015

	Nine months ended		Quarter ended		
	30 September 2015 £m	30 September 2014 £m	30 September 2015 £m	30 June 2015 £m	30 September 2014 £m
Interest receivable	9,070	9,841	2,963	3,031	3,297
Interest payable	(2,465)	(2,965)	(776)	(816)	(927)
Net interest income	6,605	6,876	2,187	2,215	2,370
Fees and commissions receivable	2,838	3,359	880	969	1,116
Fees and commissions payable	(558)	(671)	(195)	(186)	(196)
Income from trading activities	1,045	1,688	170	545	238
Gain on redemption of own debt	-	20	-	-	-
Other operating income	509	913	141	194	108
Non-interest income	3,834	5,309	996	1,522	1,266
Total income	10,439	12,185	3,183	3,737	3,636

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Staff costs	(4,401)	(4,432)	(1,546)	(1,530)	(1,435)
Premises and equipment	(1,380)	(1,601)	(635)	(326)	(475)
Other administrative expenses	(3,096)	(2,569)	(730)	(1,027)	(1,212)
Depreciation and amortisation	(994)	(727)	(282)	(200)	(261)
Write down of goodwill and other intangible assets	(673)	(212)	(67)	(606)	-
Operating expenses	(10,544)	(9,541)	(3,260)	(3,689)	(3,383)
(Loss)/profit before impairment releases	(105)	2,644	(77)	48	253
Impairment releases	400	682	79	192	847
Operating profit before tax	295	3,326	2	240	1,100
Tax charge	(294)	(869)	(1)	(100)	(277)
Profit from continuing operations	1	2,457	1	140	823
Profit from discontinued operations, net of tax (2)	1,451	437	1,093	674	117
Profit for the period	1,452	2,894	1,094	814	940
Non-controlling interests	(389)	11	(45)	(428)	53
Preference shares	(223)	(231)	(80)	(73)	(91)
Other owners	(41)	(33)	(17)	(20)	(6)
Dividend access share	-	(320)	-	-	-
Profit attributable to ordinary and B shareholders	799	2,321	952	293	896
Earnings/(loss) per ordinary and equivalent B share (EPS) (3)					
Basic EPS from continuing and discontinued operations	6.9p	20.5p	8.2p	2.5p	7.9p
Basic EPS from continuing operations	(2.8p)	16.9p	(0.9p)	0.2p	6.9p

Notes:

- (1) A reconciliation between income statement lines in the statutory income statement above and the non-statutory income statement on page 8 is given in Appendix 3 to this announcement.
- (2) Refer to Note 2 on page 31 for further details.
- (3) Diluted EPS from continuing operations and from continuing and discontinued operations were less than basic EPS in the nine months ended 30 September 2014 (0.2p) and the quarter ended 30 September 2014 (0.1p). There was no dilution in any other period.

Selected statutory financial statements

Condensed consolidated statement of comprehensive income  
for the period ended 30 September 2015

	Nine months ended		Quarter ended		
	30 September 2015 £m	30 September 2014 £m	30 September 2015 £m	30 June 2015 £m	30 September 2014 £m
Profit for the period	1,452	2,894	1,094	814	940

Items that do qualify for reclassification					
Available-for-sale financial assets	(95)	608	(50)	(247)	79
Cash flow hedges	(302)	455	408	(834)	207
Currency translation	(1,177)	(117)	(604)	(584)	616
Tax	106	(191)	(38)	246	(31)
Other comprehensive (loss)/income after tax	(1,468)	755	(284)	(1,419)	871
Total comprehensive (loss)/income for the period	(16)	3,649	810	(605)	1,811
Total comprehensive (loss)/income is attributable to:					
Non-controlling interests	357	42	58	252	12
Preference shareholders	223	231	80	73	91
Paid-in equity holders	41	33	17	20	6
Dividend access share	-	320	-	-	-
Ordinary and B shareholders	(637)	3,023	655	(950)	1,702
	(16)	3,649	810	(605)	1,811

#### Key points

The movement in available-for-sale financial assets in the nine months ended 30 September 2015 reflects unrealised losses on available-for-sale UK, US and Dutch securities, partially offset by realised losses on available-for-sale bonds.

Cash flow hedging gains in the quarter largely result from decreases in sterling and euro swap rates across the maturity profile of the portfolio.

Currency translation losses for the nine months ended 30 September 2015 are predominantly related to the reclassification of foreign exchange reserves on loss of control of Citizens and the strengthening of sterling against the euro. In the quarter, the reclassification losses were partially offset by gains from the weakening of sterling against the euro and US dollar.

#### Selected statutory financial statements

##### Condensed consolidated balance sheet at 30 September 2015

	30 September 2015 £m	30 June 2015 £m	31 December 2014 £m
Assets			
Cash and balances at central banks	77,220	81,900	74,872
Net loans and advances to banks	22,681	20,714	23,027
Reverse repurchase agreements and stock borrowing	15,255	20,807	20,708
Loans and advances to banks	37,936	41,521	43,735
Net loans and advances to customers	311,383	314,993	334,251
Reverse repurchase agreements and stock borrowing	36,545	46,799	43,987



Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Loans and advances to customers	347,928	361,792	378,238
Debt securities	81,307	77,187	86,649
Equity shares	2,199	3,363	5,635
Settlement balances	9,397	9,630	4,667
Derivatives	296,019	281,857	353,590
Intangible assets	7,151	7,198	7,781
Property, plant and equipment	4,607	4,874	6,167
Deferred tax	1,434	1,479	1,540
Prepayments, accrued income and other assets	4,928	4,829	5,878
Assets of disposal groups	6,300	89,071	82,011
<b>Total assets</b>	<b>876,426</b>	<b>964,701</b>	<b>1,050,763</b>
<b>Liabilities</b>			
Bank deposits	30,543	30,978	35,806
Repurchase agreements and stock lending	12,800	21,612	24,859
Deposits by banks	43,343	52,590	60,665
Customer deposits	346,267	342,023	354,288
Repurchase agreements and stock lending	30,555	44,750	37,351
Customer accounts	376,822	386,773	391,639
Debt securities in issue	37,360	41,819	50,280
Settlement balances	8,401	7,335	4,503
Short positions	20,108	24,561	23,029
Derivatives	288,905	273,589	349,805
Accruals, deferred income and other liabilities	14,324	13,962	13,346
Retirement benefit liabilities	1,955	1,869	2,579
Deferred tax	376	363	500
Subordinated liabilities	20,184	19,683	22,905
Liabilities of disposal groups	6,401	80,388	71,320
<b>Total liabilities</b>	<b>818,179</b>	<b>902,932</b>	<b>990,571</b>
<b>Equity</b>			
Non-controlling interests	703	5,705	2,946
Owners' equity*			
Called up share capital	6,984	6,981	6,877
Reserves	50,560	49,083	50,369
<b>Total equity</b>	<b>58,247</b>	<b>61,769</b>	<b>60,192</b>
<b>Total liabilities and equity</b>	<b>876,426</b>	<b>964,701</b>	<b>1,050,763</b>
<b>* Owners' equity attributable to:</b>			
Ordinary and B shareholders	51,593	51,117	52,149
Other equity owners	5,951	4,947	5,097
	57,544	56,064	57,246

The company's distributable reserves at 30 September 2015 were £16.6 billion (31 December 2014 - £17.5 billion).  
Selected statutory financial statements

## Condensed consolidated statement of changes in equity for the period ended 30 September 2015

	Nine months ended		Quarter ended		
	30 September 2015 £m	30 September 2014 £m	30 September 2015 £m	30 June 2015 £m	30 September 2014 £m
Called-up share capital					
At beginning of period	6,877	6,714	6,981	6,925	6,811
Ordinary shares issued	108	118	4	56	21
Preference shares redeemed (1)	(1)	-	(1)	-	-
At end of period	6,984	6,832	6,984	6,981	6,832
Paid-in equity					
At beginning of period	784	979	634	634	979
Reclassification (2)	(150)	-	-	-	-
Additional Tier 1 capital notes issued	2,012	-	2,012	-	-
At end of period	2,646	979	2,646	634	979
Share premium account					
At beginning of period	25,052	24,667	25,306	25,164	24,885
Ordinary shares issued	263	267	9	142	49
At end of period (1)	25,315	24,934	25,315	25,306	24,934
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	299	(308)	244	371	138
Unrealised (losses)/gains	(108)	807	6	(153)	(37)
Realised losses/(gains)	25	(314)	(38)	(43)	52
Tax	28	(40)	(11)	65	28
Reclassified to profit or loss on disposal of businesses (3)	-	36	-	-	-
Reclassified to profit or loss on ceding control of Citizens (4)	9	-	9	-	-
Transfer to retained earnings	(43)	(9)	-	4	(9)
At end of period	210	172	210	244	172
Cash flow hedging reserve					
At beginning of period	1,029	(84)	435	1,109	94
Amount recognised in equity	777	1,543	803	(524)	575
Amount transferred from equity to earnings	(1,021)	(1,088)	(316)	(319)	(368)
Tax	52	(114)	(76)	169	(44)
Reclassified to profit or loss on ceding control of Citizens (5)	(36)	-	(36)	-	-

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Transfer to retained earnings	9	34	-	-	34
At end of period	810	291	810	435	291
Foreign exchange reserve					
At beginning of period	3,483	3,691	2,317	2,779	2,963
Retranslation of net assets	(39)	(96)	509	(1,042)	776
Foreign currency (losses)/gains on hedges of net assets	(150)	(6)	(188)	604	(161)
Tax	(11)	(26)	3	-	(15)
Reclassified to profit or loss on ceding control of Citizens	(962)	-	(962)	-	-
Transfer to retained earnings	(642)	(390)	-	(24)	(390)
At end of period	1,679	3,173	1,679	2,317	3,173
Capital redemption reserve					
At beginning of period	9,131	9,131	9,131	9,131	9,131
Preference shares redeemed (1)	1	-	1	-	-
At end of period	9,132	9,131	9,132	9,131	9,131

Notes:

- (1) Non-cumulative dollar preference shares totalling \$1.9 billion were redeemed in September 2015. Upon redemption, share premium previously attributable to preference shareholders was reclassified to ordinary shareholders.
- (2) Paid-in equity reclassified to liabilities as a result of the call of RBS Capital Trust IV in January 2015.
- (3) Net of tax - £11 million charge.
- (4) Net of tax - £6 million charge.
- (5) Net of tax - £16 million credit.
- (6) Includes £2,491 million relating to the secondary offering of Citizens in March 2015.

Selected statutory financial statements

Condensed consolidated statement of changes in equity for the period ended 30 September 2015

	Nine months ended		Quarter ended		
	30 September 2015 £m	30 September 2014 £m	30 September 2015 £m	30 June 2015 £m	30 September 2014 £m
Retained earnings					
At beginning of period	(2,518)	867	(2,098)	(2,416)	2,258
(Loss)/profit attributable to ordinary and B shareholders and other equity owners					
- continuing operations	(54)	2,497	(4)	111	887
- discontinued operations	1,117	408	1,053	275	106
Equity preference dividends paid	(223)	(231)	(80)	(73)	(91)
Paid-in equity dividends paid, net of tax	(41)	(33)	(17)	(20)	(6)
Dividend access share dividend	-	(320)	-	-	-

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Transfer from available-for-sale reserve	43	9	-	(4)	9
Transfer from cash flow hedging reserve	(9)	(34)	-	-	(34)
Transfer from foreign exchange reserve	642	390	-	24	390
Costs of placing Citizens equity	(29)	(45)	-	-	(45)
Redemption of equity preference shares (1)	(1,214)	-	(1,214)	-	-
Shares issued under employee share schemes	(57)	(41)	-	(1)	-
Share-based payments					
- gross	24	26	14	6	18
- tax	-	-	-	-	1
Reclassification of paid in equity	(27)	-	-	-	-
At end of period	(2,346)	3,493	(2,346)	(2,098)	3,493
Own shares held					
At beginning of period	(113)	(137)	(108)	(111)	(136)
Disposal of own shares	5	1	-	3	-
At end of period	(108)	(136)	(108)	(108)	(136)
Owners' equity at end of period	57,544	62,091	57,544	56,064	62,091
Non-controlling interests					
At beginning of period	2,946	473	5,705	5,473	618
Currency translation adjustments and other movements	2	(15)	65	(146)	1
Profit/(loss) attributable to non-controlling interests					
- continuing operations	55	(40)	5	29	(64)
- discontinued operations	334	29	40	399	11
Dividends paid	(31)	-	-	(20)	-
Movements in available-for-sale securities					
- unrealised gains/(losses)	24	(6)	12	(45)	(4)
- realised (gains)/losses	(6)	74	-	(6)	68
- tax	(5)	-	-	16	-
Movements in cash flow hedging reserve					
- amount recognised in equity	32	-	11	9	-
- tax	(4)	-	-	(4)	-
- amounts transferred from equity to earnings					
Equity raised (6)	2,537	2,232	46	-	2,117
Equity withdrawn and disposals	(24)	-	(24)	-	-
Loss of control of Citizens	(5,157)	-	(5,157)	-	-
At end of period	703	2,747	703	5,705	2,747
Total equity at end of period	58,247	64,838	58,247	61,769	64,838
Total equity is attributable to:					
Non-controlling interests	703	2,747	703	5,705	2,747
Preference shareholders	3,305	4,313	3,305	4,313	4,313
Paid-in equity holders	2,646	979	2,646	634	979
Ordinary and B shareholders	51,593	56,799	51,593	51,117	56,799
	58,247	64,838	58,247	61,769	64,838

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

Notes

### 1. Basis of preparation

The condensed consolidated financial statements should be read in conjunction with RBS's 2014 Annual Report and 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).

#### Accounting policies

There have been no significant changes to RBS's principal accounting policies as set out on pages 349 to 357 of the 2014 Annual Report and Accounts. Amendments to IFRSs effective for 2015 have not had a material effect on RBS's 2015 results.

#### Critical accounting policies and key sources of estimation uncertainty

The judgements and assumptions that are considered to be the most important to the portrayal of RBS's financial condition are those relating to pensions, goodwill, provisions for liabilities, deferred tax, loan impairment provisions and fair value of financial instruments. These critical accounting policies and judgments are described on pages 357 to 359 of RBS's 2014 Annual Report and Accounts.

#### Going concern

Having reviewed RBS's forecasts, projections and other relevant evidence, the directors have a reasonable expectation that RBS will continue in operational existence for the foreseeable future. Accordingly, the results for the period ended 30 September 2015 have been prepared on a going concern basis.

### 2. Citizens Financial Group

Citizens was classified as a disposal group on 31 December 2014 and its assets and liabilities from that date to 3 August 2015 have been aggregated and presented as separate lines in accordance with IFRS 5. Citizens was also reclassified as a discontinued operation in 2014 and comparatives for all periods re-presented accordingly.

In March 2015, RBS sold 155.25 million shares in Citizens and in April 2015, Citizens purchased 10.5 million of its shares from RBS.

In July 2015, RBS sold 86 million shares in Citizens to underwriters and sold an additional 12.9 million shares on 3 August 2015 through an over-allotment option in the underwriting agreement. Concurrently, Citizens repurchased 9.6 million shares from RBS. RBS now owns 110.5 million shares - 20.9% of Citizens' common stock.

Following these share sales, RBS no longer controls Citizens and has ceased to consolidate it for accounting purposes. On loss of control, RBS derecognised Citizens' net assets and recognised its retained interest in Citizens at fair value recording a gain (in discontinued operations) of £1.1 billion. Included in the gain is the reclassification of £1.0 billion previously recognised in other comprehensive income in relation to Citizens; principally foreign exchange translation differences. RBS's retained interest in Citizens qualifies as an associate and is classified as held for sale. Its fair value less costs to sell at 30 September 2015 was £1.6 billion.

Notes

### 3. Provisions for liabilities and charges

	Regulatory and legal actions			
	Other	FX	Other	
	customer investigations/	regulatory		Property

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

	PPI £m	IRHP £m	redress (1) £m	litigation £m	provisions £m	Litigation £m	and other £m	Total £m
At 1 January 2015	799	424	580	320	183	1,805	663	4,774
Transfer	-	-	-	50	(50)	-	-	-
Currency translation and other movements	-	-	-	(12)	1	(34)	94	49
Charge to income statement (2)	100	81	279	334	27	517	390	1,728
Releases to income statement (2)	-	(12)	(14)	-	-	(6)	(138)	(170)
Provisions utilised	(202)	(210)	(146)	(178)	(1)	(41)	(181)	(959)
At 30 June 2015	697	283	699	514	160	2,241	828	5,422
Transfer	-	-	-	(65)	-	65	-	-
Currency translation and other movements	-	-	-	20	1	91	46	158
Charge to income statement (2)	-	-	13	-	-	125	511	649
Releases to income statement (2)	-	-	(4)	-	-	(5)	(77)	(86)
Provisions utilised	(84)	(86)	(70)	-	-	(111)	(131)	(482)
At 30 September 2015	613	197	638	469	161	2,406	1,177	5,661

Notes:

- (1) Closing provision primarily relates to investment advice and packaged accounts.
- (2) Relates to continuing operations.

There are uncertainties as to the eventual cost of redress in relation to certain of the provisions contained in the table above. Assumptions relating to these are inherently uncertain and the ultimate financial impact may be different from the amount provided. RBS will continue to monitor the position closely and refresh the underlying assumptions.

#### 4. Litigation, investigations and reviews

RBS's 2015 interim results issued on 30 July 2015 included comprehensive disclosures about RBS's litigation, investigations and reviews in Note 16. There have been no material developments in these matters since the 2015 interim results were published other than those set out below.

##### Litigation

The charge in respect of mortgage-backed securities (MBS) related litigation was £0.1 billion (see Note 3) during Q3 2015, bringing the total charge for MBS related litigation claims and investigations for the nine months ended 30 September 2015 to £0.6 billion. Although RBS has established provisions with respect to MBS litigation, the final outcomes of such litigation and MBS related governmental investigations could result in the future outflow of resources in respect of such matters ultimately proving to be substantially greater than the aggregate provisions RBS has recognised.

##### Other securitisation and securities related litigation in the United States

The National Credit Union Administration Board (NCUA) is litigating two MBS cases against RBS companies (on behalf of US Central Federal Credit Union and Western Corporate Federal Credit Union). The original principal balance of the MBS at issue in these two NCUA cases is US\$3.25 billion. In September 2015, in a third case brought by NCUA (on behalf of Southwest Corporate Federal Credit Union and Members United Corporate Federal Credit Union), the NCUA accepted RBS's offer of judgment for US\$129.6 million, plus attorney's fees, to resolve the matter, which concerned US\$312 million in MBS. RBS has paid to the plaintiff the agreed US\$129.6 million.

##### Notes

#### 4. Litigation, investigations and reviews (continued)

##### Credit default swap antitrust litigation

As previously disclosed, certain members of the Group, as well as a number of other financial institutions, are defendants in a consolidated antitrust class action pending in the United States District Court for the Southern District of New York. The plaintiffs allege that defendants violated the US antitrust laws by restraining competition in the market for credit default swaps through various means and thereby causing inflated bid-ask spreads for credit default swaps. The RBS defendants have reached an agreement to settle this matter for US\$33 million, subject to approval of the court. The settlement amount is covered by an existing provision.

##### FX antitrust litigation

As previously disclosed, RBS and RBS Securities Inc., as well as a number of other financial institutions, are defendants in class actions on behalf of US based plaintiffs that are pending in the United States District Court for the Southern District of New York. In August 2015, the original complaint asserting antitrust claims on behalf of plaintiffs who entered into Foreign Exchange (FX) transactions with RBS or other defendant banks was consolidated with several additional class action complaints filed on behalf of plaintiffs who transacted in exchange-traded foreign exchange futures contracts and/or options on foreign exchange futures contracts, which asserted both antitrust and Commodities Exchange Act claims. RBS and RBS Securities Inc. have settled all claims that are or could be asserted on behalf of the classes in the consolidated action, subject to approval of the Court. The total settlement amount (US\$255 million) is covered by an existing provision. Other class action complaints purporting to be on behalf of US-based plaintiffs who engaged in FX transactions, including a complaint asserting Employee Retirement Income Security Act claims on behalf of employee benefit plans that engaged in FX transactions, name certain members of the Group as defendants.

In September 2015, certain members of the Group, as well as a number of other financial institutions, were named as defendants in two purported class actions filed in Ontario and Quebec on behalf of persons in Canada who entered into foreign exchange transactions or who invested in funds that entered into foreign exchange transactions. The plaintiffs allege that the defendants violated the Canadian Competition Act by conspiring to manipulate the prices of currency trades.

##### Investigations and reviews

##### Payment Protection Insurance

As previously disclosed, RBS is monitoring developments following the UK Supreme Court's decision in the case of Plevin v Paragon in November 2014. That decision was that the sale of a single premium PPI policy could create an 'unfair relationship' under s.140A of the Consumer Credit Act 1974 (the 'Consumer Credit Act') because the premium contained a particularly high level of undisclosed commission. The Financial Ombudsman Service (FOS) has confirmed on its website that unfair relationship provisions in the Consumer Credit Act and the Plevin judgment are 'potentially relevant considerations' in some of the PPI complaints referred to FOS. On 27 May 2015, the FCA announced that it was considering whether additional rules and/or guidance are required to deal with the impact of the Plevin decision on complaints about PPI generally. RBS is in active dialogue with FOS and the FCA on this issue.

On 2 October 2015, the FCA announced that it would issue a consultation paper by the end of 2015 on proposed rules and guidance about how firms should handle PPI complaints fairly in light of the Plevin decision and how the FOS should consider relevant PPI complaints. The FCA also intends to consult on the introduction of a time bar for handling PPI complaints.

##### Notes

#### 4. Litigation, investigations and reviews (continued)

At this stage, as there remains considerable uncertainty regarding the application of the Plevin decision and the impact of any time bar, it is not practicable reliably to estimate the potential impact on RBS, which may be material.

#### UK personal current accounts/retail banking

As previously disclosed, on 11 March 2014, the Competition & Markets Authority (CMA) announced that it would be undertaking an update of the OFT's 2013 personal current account (PCA) review, in parallel with its market study into small and medium-sized enterprise (SME) banking. In July 2014 the CMA published its preliminary findings in respect of both the PCA and SME market studies. The CMA provisionally decided to make a market investigation reference (MIR) for both the PCA and SME market studies. On 6 November 2014, the CMA made its final decision to proceed with a MIR. On 22 October 2015 the CMA published a summary of its provisional findings and notice of possible remedies. The CMA has provisionally concluded there are a number of competition concerns in the provision of PCAs, business current accounts and SME lending, particularly around low levels of customer switching, resulting in banks not being put under enough competitive pressure, and new products and new banks not attracting customers quickly enough. The notice of possible remedies sets out 15 potential measures to address these concerns, including measures to make it easier for consumers and businesses to compare bank products, and requiring banks to help raise public awareness of, and confidence in, switching bank accounts. The MIR is a wide-ranging 18-24 month Phase 2 inquiry with the final report expected to be published in April 2016.

At this stage as there remains uncertainty around the outcome of this matter, it is not practicable reliably to estimate the potential impact on RBS, which may be material.

#### Notes

##### 5. Recent developments

###### Conversion of B shares

On 8 October 2015, the company received a valid notice from HM Treasury to convert 51 billion Series 1 B shares of 1p each into 5.1 billion new RBSG plc ordinary shares of £1 each. The new ordinary shares were admitted to the Official List and to trading on the London Stock Exchange on 14 October 2015. HM Treasury's holding in the company's ordinary shares is currently 72.9%.

###### Finance Bill 2015 - 2016

The Finance Bill 2015 - 2016 was substantively enacted on 26 October 2015 and introduced a number of previously announced changes to the UK corporate tax system. In accordance with IFRS these changes will be accounted for in Q4 2015.

The most relevant measures include:

Cuts in the rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. Existing temporary differences on which deferred tax has been provided may reverse at these reduced rates;

A corporation tax surcharge of 8% on UK banking entities from 1 January 2016. This is expected to increase RBS's corporation tax liabilities and vary the carrying value of its deferred tax balances;

A reduction in the bank levy rate from 0.21% to 0.18% from 1 January 2016 and subsequent annual reductions to 0.1% from 1 January 2021; and

Making compensation in relation to misconduct non-deductible for corporation tax.



As outlined in our 2015 Interim results, it is expected that these measures will increase the normalised tax rate to around 27% in the medium term and trending lower thereafter and the annual bank levy charge for 2015 is expected to be £280 million, projected to fall progressively to £150 million by 2019.

## 6. Exchange rates

The following table shows the principal exchange rates:

£1 = €	Nine month average	Quarter average	Period end
30 September 2015	1.374	1.392	1.355
30 June 2015		1.385	1.411
31 December 2014		1.268	1.285
30 September 2014	1.232	1.260	1.285
£1 = US\$	Nine month average	Quarter average	Period end
30 September 2015	1.532	1.549	1.514
30 June 2015		1.532	1.572
31 December 2014		1.582	1.562
30 September 2014	1.669	1.669	1.622

## 7. Post balance sheet events

There have been no significant events between 30 September 2015 and the date of approval of this announcement which would require a change to or additional disclosure in the announcement.

## 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’, ‘believe’, ‘should’, ‘intend’, ‘plan’, ‘could’, ‘probability’, ‘risk’, ‘Value-at-Risk (VaR)’, ‘target’, ‘goal’, ‘objective’, ‘endeavour’, ‘outlook’, ‘optimistic’, ‘prospects’ and similar expressions or variations on these expressions.

In particular, this document includes forward-looking statements relating, but not limited to: The Royal Bank of Scotland Group plc’s (RBS) transformation plan (which includes RBS’s 2013/2014 strategic plan relating to the implementation of its new divisional and functional structure and the continuation of its balance sheet reduction programme including its proposed divestments of CFG and Williams & Glyn, RBS’s information technology and operational investment plan, the proposed restructuring of RBS’s CIB business and the restructuring of RBS as a result of the implementation of the regulatory ring-fencing regime, together the “Transformation Plan”), as well as restructuring, capital and strategic plans, divestments, capitalisation, portfolios, net interest margin, capital and leverage ratios, liquidity, risk-weighted assets (RWAs), RWA equivalents (RWAE), return on equity (ROE), profitability, cost:income ratios, loan:deposit ratios, AT1 and other capital raising plans, funding and risk profile; litigation, government and regulatory investigations including investigations relating to the setting of interest rates and foreign exchange trading and rate setting activities; costs or exposures borne by RBS arising out of the origination or sale of mortgages or mortgage-backed securities in the US; investigations relating to business conduct and the costs of resulting customers redress and legal proceedings; RBS’s future financial performance; the level and extent of future impairments and write-downs; and RBS’s exposure to political risks, credit rating risk and 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, targets 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 market risk and other disclosures are dependent on choices relying on 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 adversely affect our results and the accuracy of forward-looking statements in this document include the risk factors and other uncertainties discussed in the 2014 Annual Report and Accounts and this document. These include the significant risks for RBS presented by the execution of the Transformation Plan; RBS's ability to successfully implement the various initiatives that are comprised in the Transformation Plan, particularly the balance sheet reduction programme including the divestment of Williams & Glyn and its remaining stake in CFG, the proposed restructuring of its CIB business and the significant restructuring undertaken by RBS as a result of the implementation of the ring fence; whether RBS will emerge from implementing the Transformation Plan as a viable, competitive, customer focused and profitable bank; RBS's ability to achieve its capital targets which depend on RBS's success in reducing the size of its business; the cost and complexity of the implementation of the ring-fence and the extent to which it will have a material adverse effect on RBS; the risk of failure to realise the benefit of RBS's substantial investments in its information technology and operational infrastructure and systems, the significant changes, complexity and costs relating to the implementation of the Transformation Plan, the risks of lower revenues resulting from lower customer retention and revenue generation as RBS refocuses on the UK as well as increasing competition. In addition, there are other risks and uncertainties. These include RBS's ability to attract and retain qualified personnel; uncertainties regarding the outcomes of legal, regulatory and governmental actions and investigations that RBS is subject to (including active civil and criminal investigations) and any resulting material adverse effect on RBS of unfavourable outcomes; heightened regulatory and governmental scrutiny and the increasingly regulated environment in which RBS operates; uncertainty relating to the referendum on the UK's membership of the EU and the consequences arising from it; operational risks that are inherent in RBS's business and that could increase as RBS implements its Transformation Plan; the potential negative impact on RBS's business of actual or perceived global economic and financial market conditions and other global risks; how RBS will be increasingly impacted by UK developments as its operations become gradually more focused on the UK; uncertainties regarding RBS exposure to any weakening of economies within the EU and renewed threat of default or exit by certain countries in the Eurozone; the risks resulting from RBS implementing the State Aid restructuring plan including with respect to the disposal of certain assets and businesses as announced or required as part of the State Aid restructuring plan; the achievement of capital and costs reduction targets; ineffective management of capital or changes to regulatory requirements relating to capital adequacy and liquidity; the ability to access sufficient sources of capital, liquidity and funding when required; deteriorations in borrower and counterparty credit quality; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by RBS; the impact of unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices; basis, volatility and correlation risks; changes in the credit ratings of RBS; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; regulatory or legal changes (including those requiring any restructuring of RBS's operations); changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies and continued prolonged periods of low interest rates; changes in UK and foreign laws, regulations, accounting standards and taxes; impairments of goodwill; the high dependence of RBS's operations on its information technology systems and its increasing exposure to cyber security threats; the reputational risks inherent in RBS's operations; the risk that RBS may suffer losses due to employee misconduct; pension fund shortfalls; the recoverability of deferred tax assets; HM Treasury exercising influence over the operations of RBS; limitations on, or additional requirements imposed on, RBS's activities as a result of HM Treasury's investment in RBS; and the success of RBS 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 RBS 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.

## Appendix 1

## Additional segment information

## Appendix 1 UK Personal &amp; Business Banking

	Nine months ended		Quarter ended		
	30 September 2015 £m	30 September 2014 £m	30 September 2015 £m	30 June 2015 £m	30 September 2014 £m
Income statement					
Net interest income	3,460	3,474	1,170	1,147	1,198
Non-interest income	920	1,031	289	322	345
Total income	4,380	4,505	1,459	1,469	1,543
Operating expenses	(2,733)	(2,785)	(810)	(793)	(965)
Profit before impairment losses	1,647	1,720	649	676	578
Impairment releases/(losses)	6	(227)	(11)	(9)	(79)
Operating profit	1,653	1,493	638	667	499
Operating profit - adjusted (1)	2,092	1,845	663	697	682
Analysis of income by product					
Personal advances	652	698	219	217	231
Personal deposits	601	496	201	210	194
Mortgages	1,871	1,944	637	617	657
Cards	504	561	167	162	187
Business banking	816	751	269	278	261
Other	(64)	55	(34)	(15)	13
Total income	4,380	4,505	1,459	1,469	1,543
Analysis of impairments by sector					
Personal advances	67	125	14	18	46
Mortgages	(12)	(3)	(10)	-	(8)
Business banking	(74)	50	5	(13)	20
Cards	13	55	2	4	21
Total impairment (releases)/losses	(6)	227	11	9	79

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Williams & Glyn (3)					
Total income	625	637	211	211	214
Operating expenses	(261)	(256)	(93)	(90)	(87)
Impairment releases/(losses)	5	(46)	(5)	(11)	(15)
Operating profit	369	335	113	110	112

				30	
				September	30 June 31 December
				2015	2015 2014
Capital and balance sheet				£bn	£bn £bn
Loans and advances to customers (gross)					
- personal advances				6.9	7.2 7.4
- mortgages				109.2	105.4 103.2
- business banking				14.1	13.7 14.3
- cards				4.3	4.4 4.9
Total loans and advances to customers (gross)				134.5	130.7 129.8

Williams & Glyn (3)

Total assets				20.1	19.5 19.6
Net loans and advances to customers				20.0	19.5 19.5
Customer deposits				23.6	23.4 22.0
Risk-weighted assets (2)				10.1	10.3 10.1

Notes:

- (1) Excluding restructuring costs and litigation and conduct costs.
- (2) RWAs on an end-point CRR basis.
- (3) Williams & Glyn has not operated as a separate legal entity therefore these figures are not necessarily indicative of results that would have occurred if Williams & Glyn had been standalone.
- (4) International private banking business reclassified to disposal groups.
- (5) Transfers to other areas comprises the UK Portfolio which was transferred to Commercial Banking on 1 May 2015, the Western European Portfolio which is expected to transfer to Commercial Banking during Q4 2015 and UK Transaction services which is expected to transfer to Commercial Banking in Q4 2015.
- (6) The CIB segment is being restructured into CIB Go-forward and CIB Capital Resolution elements. The split is subject to further refinement.

Appendix 1 Ulster Bank

	Nine months ended		Quarter ended		
	30 September	30 September	30	30	30
	2015	2014	September	30 June	September
	£m	£m	2015	2015	2014
Income statement			£m	£m	£m
Net interest income	392	486	127	132	163

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

Non-interest income	190	140	87	46	51
Total income	582	626	214	178	214
Operating expenses	(447)	(450)	(158)	(150)	(150)
Profit before impairment releases	135	176	56	28	64
Impairment releases	110	261	58	52	318
Operating profit	245	437	114	80	382
Operating profit - adjusted (1)	263	463	122	91	394
Average exchange rate	1.374	1.232	1.392	1.385	1.260
Analysis of income by business					
Corporate	147	199	52	45	65
Retail	346	301	125	112	111
Other	89	126	37	21	38
Total income	582	626	214	178	214
Analysis of impairments by sector					
Mortgages	(86)	(133)	(35)	(38)	(168)
Commercial real estate					
- investment	9	(9)	(3)	11	(18)
- development	13	(15)	(5)	18	(9)
Other corporate	(43)	(122)	(18)	(37)	(130)
Other lending	(3)	18	3	(6)	7
Total impairment (releases)/losses	(110)	(261)	(58)	(52)	(318)
			30		31
			September	30 June	December
			2015	2015	2014
Balance sheet			£bn	£bn	£bn
Loans and advances to customers (gross)					
Mortgages			16.1	15.9	17.5
Commercial real estate					
- investment			0.9	0.8	1.0
- development			0.3	0.3	0.3
Other corporate			4.7	4.7	4.9
Other lending			0.9	0.9	1.0
Total loans and advances to customers (gross)			22.9	22.6	24.7
Spot exchange rate			1.355	1.411	1.285

For the notes to this table refer to page 1.  
Appendix 1 Commercial Banking

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

	Nine months ended		Quarter ended		
	30 September 2015	30 September 2014	30 September 2015	30 June 2015	30 September 2014
	£m	£m	£m	£m	£m
Income statement					
Net interest income	1,673	1,520	565	562	521
Non-interest income	871	859	265	330	290
Total income	2,544	2,379	830	892	811
Operating expenses	(1,278)	(1,294)	(403)	(466)	(392)
Of which: operating lease costs	(105)	(103)	(34)	(35)	(35)
Profit before impairment losses	1,266	1,085	427	426	419
Impairment losses	(42)	(43)	(15)	(26)	(12)
Operating profit	1,224	1,042	412	400	407
Operating profit - adjusted (1)	1,302	1,172	413	476	425
Analysis of income by business					
Commercial lending	1,378	1,353	430	499	459
Deposits	367	248	127	124	95
Asset and invoice finance	542	554	184	180	188
Other	257	224	89	89	69
Total income	2,544	2,379	830	892	811
Analysis of impairments by sector					
Commercial real estate	13	(7)	5	10	(1)
Asset and invoice finance	1	4	(2)	2	2
Private sector services (education, health, etc)	5	(8)	2	-	2
Banks & financial institutions	1	-	-	1	(1)
Wholesale and retail trade repairs	3	16	3	2	2
Hotels and restaurants	-	1	1	2	2
Manufacturing	1	9	1	(1)	2
Construction	5	8	3	2	4
Other	13	20	2	8	-
Total impairment losses	42	43	15	26	12
			30 September 2015	30 June 2015	31 December 2014
Balance sheet			£bn	£bn	£bn
Loans and advances to customers (gross)					
- Commercial real estate			18.2	17.9	18.3
- Asset and invoice finance			14.3	14.1	14.2
- Private sector services (education, health etc)			7.1	7.0	6.9
- Banks & financial institutions			7.8	7.2	7.0

Edgar Filing: ROYAL BANK OF SCOTLAND GROUP PLC - Form 6-K

- Wholesale and retail trade repairs	6.7	6.6	6.0
- Hotels and restaurants	3.2	3.2	3.4
- Manufacturing	4.4	4.6	3.7
- Construction	1.8	1.8	1.9
- Other	28.9		