

ROYAL BANK OF SCOTLAND GROUP PLC

Form 6-K

November 19, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 6-K**

Report of Foreign Private Issuer

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

19 November 2014

**The Royal Bank of Scotland Group plc**

Gogarburn

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Scotland

United Kingdom

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(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

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):

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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

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-\_\_\_\_\_

This report on Form 6-K shall be deemed incorporated by reference into the company's Registration Statement on Form F-3 (File Nos. 333-184147 and 333-184147-01) and to be a part thereof from the date which it was filed, to the extent not superseded by documents or reports subsequently filed or furnished.

## Contents

	<b>Page</b>
Presentation of information	1
Highlights	2
Analysis of results	9
Customer franchise and segment performance	19
Statutory results	38

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## 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', 'will', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited to: The Royal Bank of Scotland Group's (RBS) restructuring 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, 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; 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 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 disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: global and UK economic and financial market conditions and other geopolitical risks, and their impact on the financial industry in general and on RBS in particular; the ability to implement strategic plans on a timely basis, or at all, including the on-going simplification of RBS's structure, rationalisation of and investment in its IT systems and the reliability and resilience of those systems, the divestment of Citizens Financial Group and the exiting of assets in RBS Capital Resolution as well as the disposal of certain other 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 capital adequacy or liquidity requirements; organisational restructuring in response to legislation and regulation in the United Kingdom (UK), the European Union (EU) and the United States (US); 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; unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices and basis, volatility and correlation risks; changes in the credit ratings of RBS; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; the ability of RBS to attract or retain senior management or other key employees; regulatory or legal changes (including those requiring any restructuring of RBS's operations) in the UK, the US and other countries in which RBS operates or a

change in UK Government policy; changes to regulatory requirements relating to capital and liquidity; changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; impairments of goodwill; pension fund shortfalls; general operational risks; HM Treasury exercising influence over the operations of RBS; reputational risk; the conversion of the B Shares issued by RBS in accordance with their terms; 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.

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## Presentation of information

### Non-GAAP financial information

The directors manage RBS's performance by class of business, before certain reconciling items, as is presented in the customer franchise and segment performance tables on pages 19 to 23 (the "non-statutory basis"). Discussion of RBS's performance focuses on the non-statutory basis as RBS believes that such measures allow a more meaningful analysis of RBS's financial condition and the results of its operations. These measures are non-GAAP financial measures. A body of generally accepted accounting principles such as IFRS is commonly referred to as 'GAAP'. A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. Reconciliations of these non-GAAP measures are presented throughout this document or in the customer franchise and segment performance tables on pages 19 to 23. These non-GAAP financial measures are not a substitute for GAAP measures. Furthermore, RBS has divided its operations into "RBS excluding RBS Capital Resolution (RCR)" for all periods in 2014 and for prior periods "RBS excluding Non-Core". Certain measures disclosed in this document for RBS excluding RCR/Non-Core operations and used by RBS management are non-GAAP financial measures as they represent a combination of all reportable segments with the exception of RCR/Non-Core. In addition the presentation of Personal & Business Banking ("PBB") which includes the reportable segments of UK Personal & Business Banking and Ulster Bank and the presentation of Commercial and Private Banking which includes the reportable segments of Commercial Banking and Private Banking are non GAAP financial measures. Furthermore, RBS has presented certain measures "excluding RBS Capital resolution (RCR)" which are deemed non-GAAP measures. Lastly, the liquidity coverage ratio, stressed outflow coverage, net stable funding ratio and stressed coverage ratio represent non-GAAP financial measures given they are metrics that are not yet required to be disclosed by a government, governmental authority or self-regulatory organisation.

## Recent developments

### Competition and Markets Authority - Retail Banking Market Investigation

On 6 November 2014, the United Kingdom Competition and Markets Authority (CMA) announced its decision to launch an in-depth market investigation into the personal current account and SME retail banking sectors, confirming its provisional decision of 18 July 2014. At this stage it is not possible to estimate the potential impact on RBS.

## Board changes

Philip Scott, a non-executive director, stepped down from the Board on 31 October 2014.

### **Foreign exchange trading**

The Royal Bank of Scotland plc ("RBS plc") has reached a settlement with the Financial Conduct Authority ("FCA") in the United Kingdom and the United States Commodity Futures Trading Commission ("CFTC") in relation to investigations into failings in the bank's Foreign Exchange business within its Corporate & Institutional Banking division. RBS plc has agreed to pay penalties of £217 million to the FCA and \$290 million to the CFTC to resolve the investigations.

These penalties are covered by the £400 million provision recorded in the Q3 2014 results. RBS remains in discussions with other governmental and regulatory authorities on these issues, including the United States Department of Justice and certain other financial regulatory authorities. The timing and amounts of any further settlements and related litigation risks however remain uncertain and could be significant.

## Highlights

### **RBS reports a third successive quarterly profit, improved capital and further progress in de-risking.**

Q3 2014 profit attributable to ordinary and B shareholders was £896 million, up from £230 million in Q2 2014 and a loss of £828 million in Q3 2013. Operating profit before tax was £1,270 million compared with £1,010 million in Q2 2014 and a loss of £634 million in Q3 2013.

The quarter included net impairment provision releases of £801 million, principally in Ulster Bank and RBS Capital Resolution, and litigation and conduct costs of £780 million.

RBS continues to make excellent progress in building its capital ratios. The Common Equity Tier 1 ratio has strengthened 220 basis points since the year end and 70 basis points in the quarter to 10.8%.

Capital build was supported by further excellent progress in the nine months to 30 September in de-risking the balance sheet, including:

- Further disposals and run-off in RCR, with funded assets down £11 billion.
- A 16% reduction in RWAs in Corporate & Institutional Banking, including running down our US-backed product franchise.
- The sale of €9 billion of securities in the RBS N.V. liquidity portfolio.

Personal & Business Banking (PBB) continued to perform strongly with income growth of 3% in the quarter. PBB operating profit in Q3 2014 was £881 million, up 66% on Q2 2014.

Commercial & Private Banking (CPB) had an improved performance with income up 1% compared with Q2 2014. CPB operating profit in Q3 2014 was £471 million, up 23% on Q2 2014.

Corporate & Institutional Banking had a weak quarter with an operating loss of £557 million which reflected litigation and conduct costs of £562 million, including £400 million relating to potential costs following



investigations into the foreign exchange market, and significantly lower income.

Further progress has been made on improving efficiency, with operating expenses excluding restructuring costs and litigation costs of £960 million (Q2 2014 - £635 million), down 5% over the quarter. RBS remains on track to deliver its £1 billion operating cost reduction target for 2014, at constant foreign exchange rates.

The quarter saw RBS achieve the largest ever IPO of a US bank, listing 28.75% of Citizens Financial Group. We continue to target an IPO of Williams & Glyn towards the end of 2016.

RBS confirms it will retain Ulster Bank following completion of the strategic review. Ulster Bank remains a core part of RBS, offering a good strategic fit with our focused retail and commercial banking strategy. We have a good market position and believe that Ulster Bank can deliver attractive returns, with appropriate investment.

## Highlights

### **Ross McEwan, Chief Executive, said:**

“In February I placed trust at the heart of my new strategy for our bank. We have taken the first steps towards that goal, with early progress in making RBS simpler, clearer and fairer.

We are reducing costs, and are on track to achieve our capital targets.

UK and Ireland are showing signs of growth, and impairment trends are significantly better than we had anticipated at the start of the year.

We have confirmed today that Ulster Bank remains a core part of our bank. We have a good market position and believe that, with investment, Ulster Bank can deliver attractive shareholder returns in the future.

But we know we still have a long list of conduct and litigation issues to deal with and much, much more to do to restore our customers’ trust in us.”

## Highlights

## Condensed consolidated income statement for the period ended 30 September 2014

	Quarter ended			Nine months ended	
	30 September 2014 £m	30 June 2014 £m	30 September 2013 £m	30 September 2014 £m	30 September 2013 £m
Interest receivable	3,839	3,821	4,207	11,460	12,767
Interest payable	(976)	(1,023)	(1,427)	(3,104)	(4,550)
<b>Net interest income</b>	<b>2,863</b>	<b>2,798</b>	<b>2,780</b>	<b>8,356</b>	<b>8,217</b>
Fees and commissions receivable	1,296	1,314	1,382	3,901	4,090
Fees and commissions payable	(202)	(251)	(238)	(689)	(698)
Income from trading activities	268	541	444	1,761	2,508
Gain on redemption of own debt	-	-	13	20	204
Other operating income	127	345	35	1,163	1,367
<b>Non-interest income</b>	<b>1,489</b>	<b>1,949</b>	<b>1,636</b>	<b>6,156</b>	<b>7,471</b>
<b>Total income</b>	<b>4,352</b>	<b>4,747</b>	<b>4,416</b>	<b>14,512</b>	<b>15,688</b>
Staff costs	(1,690)	(1,845)	(1,895)	(5,226)	(5,622)
Premises and equipment	(543)	(622)	(544)	(1,818)	(1,648)
Other administrative expenses	(1,344)	(951)	(1,103)	(3,006)	(3,284)
Depreciation and amortisation	(306)	(282)	(338)	(860)	(1,074)
Write down of goodwill and other intangible assets	-	(130)	-	(212)	-
<b>Operating expenses</b>	<b>(3,883)</b>	<b>(3,830)</b>	<b>(3,880)</b>	<b>(11,122)</b>	<b>(11,628)</b>
<b>Profit before impairment releases/(losses)</b>	<b>469</b>	<b>917</b>	<b>536</b>	<b>3,390</b>	<b>4,060</b>
Impairment releases/(losses)	801	93	(1,170)	532	(3,320)
<b>Operating profit/(loss) before tax</b>	<b>1,270</b>	<b>1,010</b>	<b>(634)</b>	<b>3,922</b>	<b>740</b>
Tax charge	(333)	(371)	(81)	(1,066)	(759)

<b>Profit/(loss) from continuing operations</b>	<b>937</b>	639	(715)	<b>2,856</b>	(19)
Profit/(loss) from discontinued operations, net of tax	<b>3</b>	26	(5)	<b>38</b>	133
<b>Profit/(loss) for the period</b>	<b>940</b>	665	(720)	<b>2,894</b>	114
Non-controlling interests	<b>53</b>	(23)	(6)	<b>11</b>	(123)
Preference share and other dividends	<b>(97)</b>	(412)	(102)	<b>(584)</b>	(284)
<b>Profit/(loss) attributable to ordinary and</b>					
<b>B shareholders</b>	<b>896</b>	230	(828)	<b>2,321</b>	(293)
<b>Earnings/(loss) per ordinary and equivalent</b>					
<b>B share (EPS) (1)</b>					
Basic EPS from continuing and discontinued operations	<b>7.9p</b>	2.0p	(7.4p)	<b>20.5p</b>	(2.6p)
Basic EPS from continuing operations	<b>7.9p</b>	1.9p	(7.4p)	<b>20.4p</b>	(3.6p)

Note:

- (1) Diluted EPS for the quarter ended 30 September 2014 was 0.1p lower (quarter ended 30 June 2014 - 0.1p lower) and for the nine months ended 30 September 2014 was 0.2p lower than basic EPS. There was no dilutive impact on all other comparative periods.

## Highlights

### Condensed consolidated balance sheet at 30 September 2014

	30 September	30 June	31 December
	2014	2014	2013
	£m	£m	£m
<b>Assets</b>			
Cash and balances at central banks	67,900	68,670	82,659
Net loans and advances to banks	29,090	28,904	27,555
Reverse repurchase agreements and stock borrowing	24,860	28,163	26,516
Loans and advances to banks	53,950	57,067	54,071
Net loans and advances to customers	392,969	385,554	390,825
Reverse repurchase agreements and stock borrowing	50,631	53,542	49,897
Loans and advances to customers	443,600	439,096	440,722
Debt securities	106,769	112,794	113,599
Equity shares	8,309	7,834	8,811
Settlement balances	20,941	19,682	5,591
Derivatives	314,021	274,906	288,039
Intangible assets	12,454	12,173	12,368
Property, plant and equipment	6,985	7,115	7,909
Deferred tax	2,843	3,107	3,478
Prepayments, accrued income and other assets	7,185	7,418	7,614
Assets of disposal groups	1,153	1,246	3,017
<b>Total assets</b>	<b>1,046,110</b>	1,011,108	1,027,878
<b>Liabilities</b>			
Bank deposits	38,986	39,179	35,329
Repurchase agreements and stock lending	30,799	31,722	28,650
Deposits by banks	69,785	70,901	63,979
Customer deposits	405,367	401,226	414,396
Repurchase agreements and stock lending	44,302	51,540	56,484
Customer accounts	449,669	452,766	470,880
Debt securities in issue	53,487	59,087	67,819
Settlement balances	21,049	15,128	5,313
Short positions	34,499	39,019	28,022
Derivatives	310,361	270,087	285,526
Accruals, deferred income and other liabilities	14,618	14,876	16,017

Retirement benefit liabilities	2,629	2,742	3,210
Deferred tax	491	605	507
Subordinated liabilities	24,412	24,809	24,012
Liabilities of disposal groups	272	125	3,378
<b>Total liabilities</b>	<b>981,272</b>	950,145	968,663
<b>Equity</b>			
Non-controlling interests	2,747	618	473
Owners' equity* - called up share capital	6,832	6,811	6,714
- reserves	55,259	53,534	52,028
Total equity	64,838	60,963	59,215
<b>Total liabilities and equity</b>	<b>1,046,110</b>	1,011,108	1,027,878
* Owners' equity attributable to:			
Ordinary and B shareholders	56,799	55,053	53,450
Other equity owners	5,292	5,292	5,292
	62,091	60,345	58,742
<b>Contingent liabilities and commitments</b>	<b>238,248</b>	239,121	242,009

## Highlights

### Q3 2014 performance

Operating profit before tax was £1,270 million compared with £1,010 million in Q2 2014 and a loss of £634 million in Q3 2013. On a non-statutory basis, operating profit was £1,277 million compared with £1,318 million in Q2 2014 and a loss of £155 million in Q3 2013. Restructuring costs totalled £180 million, down from £385 million in the prior quarter, while litigation and conduct costs, including £400 million of potential conduct costs following investigations into the foreign exchange market and an additional £100 million provision for Payment Protection Insurance, were £780 million compared with £250 million in Q2 2014.

Non-statutory operating profit, excluding restructuring costs and litigation and conduct costs of £960 million (Q2 2014 - £635 million; Q3 2013 - £554 million), improved to £2,237 million from £1,953 million in Q2 2014 and £399 million in Q3 2013.

Total income was 8% lower at £4,352 million which included a gain on own credit of £49 million compared with a loss of £190 million in Q2 2014. On a non-statutory basis, total income was 11% lower at £4,359 million, mostly driven by the scaling back of activity in CIB, the non-repeat of the £170 million gain on CFG's sale of the Illinois franchise in Q2 2014, and £104 million<sup>(1)</sup> losses recorded on the disposal of available-for-sale debt securities in the RBS N.V. liquidity portfolio. These were partly offset by a £65 million improvement in net interest income resulting from better deposit margins and a £117 million quarter on quarter improvement in RCR non-interest income principally driven by disposal gains. Income was up 3% in PBB and 1% in CPB.

Operating expenses were up 1% at £3,883 million. On a non-statutory operating basis, expenses were up 5% at £3,883 million. Excluding restructuring costs and litigation and conduct costs totalling £960 million (Q2 2014 - £635 million), operating expenses were down 5% compared with Q2 2014. RBS remains on track to deliver £1 billion of cost reductions in 2014.

A net release of impairment provisions of £801 million in the quarter compares with a net release of £93 million in Q2 2014. These were recorded primarily in RCR and Ulster Bank, reflecting the sustained improvements in economic and asset market conditions in the UK and especially Ireland. While net impairment charges increased in UK PBB and in CPB as a result of lower latent provision releases than in Q2 2014, underlying credit conditions remain benign. Risk elements in lending declined by 11% or £3.6 billion in the quarter; the reduction from the beginning of the year was £8.9 billion, or 23%.

Operating profit before tax, which includes a gain on own credit of £49 million, was £1,270 million, up 26% from Q2 2014.

Profit attributable to ordinary and B shareholders was £896 million, up from £230 million in Q2 2014.

### Balance sheet and capital

Total assets increased by £35.0 billion, driven by increases in the market value of derivatives. The increase in derivative assets and liabilities mostly related to foreign exchange contracts: primarily due to the strengthening of the US dollar but also reflecting somewhat higher trading volumes following an upsurge in currency volatility. The value of interest rate derivatives also increased, driven largely by the downward shift in yields.

Funded assets, which exclude derivatives of £314.0 billion (30 June 2014 - £274.9 billion), fell by £4.1 billion to £732.1 billion at 30 September 2014. Growth in lending in the core business was more than offset by disposals and run-off in RCR, disposals of available-for-sale securities, and continuing risk reduction in CIB. These balance sheet reductions, partially offset by the impact of the strengthening US currency on dollar-denominated balances, resulted in a 3% reduction in risk-weighted assets (RWAs) to £381.7 billion.

Note:

- (1) An additional £73 million loss attributable to other shareholders is included within RFS Holdings minority interest.



## Highlights

### Balance sheet and capital (continued)

Loans and advances to customers grew by £7.4 billion, or 2%, to £393.0 billion.

UK PBB loans and advances to customers grew by £0.6 billion, with net mortgage growth of £0.8 billion partially offset by declining card balances.

Commercial Banking loans and advances grew by £1.1 billion, with demand strongest in the mid- and large corporate segments.

CIB's loans and advances increased by £4.1 billion driven by a combination of lending to large corporates, and collateral movements.

By the end of September 2014, pro-active 'Statements of Appetite' had been issued to more than 300,000 SME customers, offering in excess of £12.2 billion of new or additional funding. Gross new lending to SMEs (including customers in both PBB and CPB) totalled £2.6 billion in Q3 2014, up 24% from Q3 2013.

Customer deposits grew by £4.1 billion, or 1%, to £405.4 billion, mostly reflecting CFG's growth in money markets and term deposits, amplified by the strengthening of the US dollar.

CET1 ratio strengthened to 10.8%, compared with 10.1% at 30 June 2014 and 8.6% at 31 December 2013. The improvement reflects the attributable profit for the quarter together with favourable movements in cash flow and foreign currency reserves along with a 3% reduction in risk-weighted assets. The leverage ratio improved by 20 basis points to 3.9%.

RBS's results in the European Banking Authority's stress test, which was based on data from the end of 2013, were satisfactory. These results do not reflect the significant de-risking and good capital accretion that has taken place in the first three quarters of 2014 during which time the CET1 ratio has increased by 220 basis points to 10.8%.

## Highlights

### Outlook

These results reflect improvements in economic activity and asset values in RBS's core UK and Irish markets so far in 2014. Economic growth in our core markets is expected to continue, although the pace looks likely to moderate into 2015. Against this backdrop, we anticipate further credit impairment releases in Q4 2014 offset by modest new impairments. The outlook for 2015 remains relatively benign, albeit with some risks to the downside. At such low levels of impairments there may be volatility in any quarter.

The net interest margin in Q4 2014 is expected to remain at around Q3 2014 levels, with modest asset margin pressure balanced by lower funding costs.

Income from the fixed income product suite is expected to remain weak during Q4, reflecting our ongoing balance sheet reduction programme, lower risk appetite, costs associated with exiting legacy portfolios and a weaker than anticipated trading performance during October.

RBS remains on track to deliver its targeted £1 billion of cost reductions in 2014 on a constant currency basis. Restructuring costs in Q4 2014 are expected to be higher, with some potential write-downs, as we reduce our footprint and simplify our systems and product set. Previous guidance on restructuring costs in the four year period to 2017 remains unchanged at £5 billion.

RCR guidance remains unchanged from the 30 September 2014 Trading Statement and, if market conditions remain favourable, we expect continuing strong progress in balance sheet and risk reductions and an accelerated timetable to achieve its wind-down goals.

Ongoing conduct and regulatory investigations and litigation continue to present challenges and are expected to be a material drag on both earnings and capital generation over the coming quarters. The timing and amounts of any further settlements or redress however remain uncertain and could be significant.

## Analysis of results

The following tables reconcile the non-statutory basis results (a non-GAAP financial measure) to the statutory basis results.

Income	Quarter ended			Nine months ended	
	30 September 2014 £m	30 June 2014 £m	30 September 2013 £m	30 September 2014 £m	30 September 2013 £m
Net interest income					
Net interest income					
- non-statutory basis	<b>2,863</b>	2,798	2,783	<b>8,359</b>	8,225
- RFS Holdings minority interest	-	-	(3)	<b>(3)</b>	(8)
Net interest income - statutory basis	<b>2,863</b>	2,798	2,780	<b>8,356</b>	8,217
Average interest-earning assets					
- RBS	<b>501,218</b>	502,115	538,748	<b>505,110</b>	549,993
- Personal & Business Banking	<b>155,818</b>	155,848	158,527	<b>155,133</b>	159,605
- Commercial & Private Banking	<b>93,021</b>	93,669	92,551	<b>93,280</b>	93,402
- Citizens Financial Group	<b>69,520</b>	68,234	65,065	<b>68,409</b>	65,137
Gross yield on interest-earning assets of banking business	<b>3.04%</b>	3.05%	3.10%	<b>3.03%</b>	3.10%
Cost of interest-bearing liabilities of banking business	<b>(1.11%)</b>	(1.17%)	(1.40%)	<b>(1.17%)</b>	(1.47%)
Interest spread of banking business	<b>1.93%</b>	1.88%	1.70%	<b>1.86%</b>	1.63%
Benefit from interest free funds	<b>0.34%</b>	0.35%	0.35%	<b>0.35%</b>	0.37%
Net interest margin					
- RBS	<b>2.27%</b>	2.23%	2.05%	<b>2.21%</b>	2.00%
- Personal & Business Banking	<b>3.47%</b>	3.40%	3.24%	<b>3.41%</b>	3.18%
- Commercial & Private Banking	<b>2.96%</b>	2.91%	2.91%	<b>2.92%</b>	2.77%
- Citizens Financial Group	<b>2.82%</b>	2.93%	2.94%	<b>2.89%</b>	2.92%

<b>Non-interest income</b>					
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Fees and commissions receivable	<b>1,296</b>	1,314	1,382	<b>3,901</b>	4,090
Fees and commissions payable	<b>(202)</b>	(251)	(238)	<b>(689)</b>	(698)
Net fees and commissions	<b>1,094</b>	1,063	1,144	<b>3,212</b>	3,392
Income from trading activities					
- non-statutory basis	<b>235</b>	626	599	<b>1,717</b>	2,489
- own credit adjustments	<b>33</b>	(84)	(155)	<b>44</b>	20
- RFS Holdings minority interest	-	(1)	-	-	(1)
Statutory basis	<b>268</b>	541	444	<b>1,761</b>	2,508
Gain on redemption of own debt	-	-	13	20	<b>204</b>
Other operating income					
- non-statutory basis	<b>167</b>	438	368	<b>1,049</b>	1,396
- own credit adjustments	<b>16</b>	(106)	(341)	<b>(46)</b>	(140)
- strategic disposals	-	-	(7)	<b>191</b>	(7)
- RFS Holdings minority interest	<b>(56)</b>	13	15	<b>(31)</b>	118
Statutory basis	<b>127</b>	345	35	<b>1,163</b>	1,367
<b>Total non-interest income – non-statutory basis</b>	<b>1,496</b>	2,127	2,111	<b>5,978</b>	7,277
<b>Total non-interest income – statutory basis</b>	<b>1,489</b>	1,949	1,636	<b>6,156</b>	7,471
<b>Total income – non-statutory basis</b>	<b>4,359</b>	4,925	4,894	<b>14,337</b>	15,502
<b>Total income – statutory basis</b>	<b>4,352</b>	4,747	4,416	<b>14,512</b>	15,688

## Analysis of results

### Q3 2014 compared with Q2 2014

Net interest income increased by 2% to £2,863 million with improvements in deposit margins in UK PBB and Commercial Banking, supported by the quarter's higher day count.

Net interest margin (NIM) increased by four basis points to 2.27% supported by deposit re-pricing initiatives in UK PBB and Commercial Banking. CFG's reduced NIM was driven by: lower commercial lending spreads; higher borrowing costs resulting from the growth in money market accounts, term deposits and the issue of subordinated debt; and the impact of the Illinois franchise sale in Q2 2014.

Non-interest income totalled £1,489 million, down 24% from £1,949 million in Q2 2014 which included a gain on own credit of £49 million compared with a loss of £190 million in Q2 2014. On a non-statutory basis, non-interest income totalled £1,496 million, down 30% from £2,127 million in Q2 2014. Within this, income from trading activities declined by £391 million, reflecting the strategic decision to concentrate on core product areas in CIB. Other operating income reduced by £271 million compared with Q2 2014, reflecting a non-repeat of the £170 million gain in Q2 2014 on the sale of the Illinois franchise by CFG, and losses of £104 million<sup>(1)</sup> on the disposal of available-for-sale debt securities.

#### Note:

- (1) An additional £73 million loss attributable to other shareholders is included within RFS Holdings minority interest.

## Analysis of results

The following tables reconcile the non-statutory basis results (a non-GAAP financial measure) to the statutory basis results.

### Operating expenses

	Quarter ended			Nine months ended	
	30 September 2014 £m	30 June 2014 £m	30 September 2013 £m	30 September 2014 £m	30 September 2013 £m
Staff costs					
- non-statutory basis	1,611	1,693	1,758	4,951	5,343
- restructuring costs	79	153	137	275	279
- RFS Holdings minority interest	-	(1)	-	-	-
Statutory basis	1,690	1,845	1,895	5,226	5,622
Premises and equipment					
- non-statutory basis	490	485	540	1,569	1,619
- restructuring costs	53	137	4	249	29
Statutory basis	543	622	544	1,818	1,648
Other administrative expenses					
- non-statutory basis	516	605	683	1,808	2,162
- restructuring costs	48	94	70	167	154
- litigation and conduct costs	780	250	349	1,030	969
- RFS Holdings minority interest	-	2	1	1	(1)
Statutory basis	1,344	951	1,103	3,006	3,284
Restructuring costs					
- non-statutory basis	180	385	205	694	476
- staff expenses	(79)	(153)	(137)	(275)	(279)
- premises and equipment	(53)	(137)	(4)	(249)	(29)
- other administrative expenses	(48)	(94)	(70)	(167)	(154)
- depreciation and amortisation	-	(1)	6	(3)	(14)
Statutory basis	-	-	-	-	-
Litigation and conduct costs					

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- non-statutory basis	<b>780</b>	250	349	<b>1,030</b>	969
- other administrative expenses	<b>(780)</b>	(250)	(349)	<b>(1,030)</b>	(969)
<b>Statutory basis</b>	-	-	-	-	-
Depreciation and amortisation					
- non-statutory basis	<b>306</b>	282	344	<b>857</b>	1,060
- restructuring costs	-	1	(6)	<b>3</b>	14
- RFS Holdings minority interest	-	(1)	-	-	-
<b>Statutory basis</b>	<b>306</b>	282	338	<b>860</b>	1,074
Write-down of goodwill and other intangible assets					
- non-statutory basis	-	-	-	<b>82</b>	-
- write down of goodwill	-	130	-	<b>130</b>	-
<b>Statutory basis</b>	-	130	-	<b>212</b>	-
<b>Operating expenses – non statutory basis</b>	<b>3,883</b>	3,700	3,879	<b>10,991</b>	11,629
<b>Operating expenses – statutory basis</b>	<b>3,883</b>	3,830	3,880	<b>11,122</b>	11,628
Staff costs as a % of total income	<b>38%</b>	39%	43%	<b>36%</b>	36%
Cost:income ratio	<b>89%</b>	80%	88%	<b>77%</b>	74%
Employee numbers (FTEs - thousands)	<b>110.8</b>	113.6	120.3	<b>110.8</b>	120.3

## Analysis of results

### Q3 2014 compared with Q2 2014

- Operating expenses increased by 1% to £3,883 million principally reflecting a £530 million increase in litigation and conduct costs to £780 million, which was partly offset by lower restructuring costs, down £205 million and the non-repeat of write down of goodwill of £130 million in Q2 2014. On a non-statutory basis operating expenses increased by 5% to £3,883 million.
- Litigation and conduct costs in Q3 2014 included £400 million of potential conduct costs following investigations into the foreign exchange market, and an additional £100 million charge for PPI reflecting higher than expected reactive complaint volumes.
- Operating expenses, excluding restructuring costs of £180 million and litigation and conduct costs of £780 million, declined to £2,923 million, down £142 million or 5%. The fall was primarily attributable to tight control of discretionary expenditure, lower incentive accruals in CFG and CIB in particular, and the impact of the sale of the Illinois branches in Q2 2014. Operating expenses for the first nine months of the year, excluding restructuring costs and litigation and conduct costs of £1,724 million (nine months ended 30 September 2013 - £1,445 million), were 9% lower than for the comparable period in 2013.
- The cost:income ratio was 89% compared with 75% in Q2 2014 reflecting higher litigation and conduct costs along with lower income.



## Analysis of results

	Quarter ended			Nine months ended	
	30 September 2014 £m	30 June 2014 £m	30 September 2013 £m	30 September 2014 £m	30 September 2013 £m
<b>Impairment (releases)/losses</b>					
Loans	(803)	(89)	1,120	(532)	3,281
Securities	2	(4)	50	-	39
<b>Total impairment (releases)/losses</b>	<b>(801)</b>	<b>(93)</b>	<b>1,170</b>	<b>(532)</b>	<b>3,320</b>
<b>Loan impairment (releases)/losses</b>					
- individually assessed	(410)	(42)	580	(297)	2,052
- collectively assessed	52	221	287	400	1,021
- latent	(445)	(258)	253	(625)	217
Customer loans	(803)	(79)	1,120	(522)	3,290
Bank loans	-	(10)	-	(10)	(9)
<b>Loan impairment (releases)/losses</b>	<b>(803)</b>	<b>(89)</b>	<b>1,120</b>	<b>(532)</b>	<b>3,281</b>
RBS excluding RCR/Non-Core	(193)	36	584	97	1,842
RCR	(610)	(125)	n/a	(629)	n/a
Non-Core	n/a	n/a	536	n/a	1,439
<b>RBS loan impairment (releases)/losses</b>	<b>(803)</b>	<b>(89)</b>	<b>1,120</b>	<b>(532)</b>	<b>3,281</b>
<b>Customer loan impairment charge as a % of gross loans and advances (1)</b>					
RBS	(0.8%)	(0.1%)	1.0%	(0.2%)	1.0%
RBS excluding RCR/Non-Core	(0.2%)	-	0.6%	-	0.6%
RCR	(9.5%)	(1.7%)	n/a	(3.3%)	n/a
Non-Core	n/a	n/a	5.2%	n/a	4.7%

30 June

	<b>30</b>		<b>31</b>
	<b>September</b>		<b>December</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>
Loan impairment provisions	<b>£20.0bn</b>	£22.4bn	£25.2bn
Risk elements in lending	<b>£30.5bn</b>	£34.1bn	£39.4bn
Provisions as a % of REIL			
- RBS	<b>66%</b>	66%	64%
- RBS excluding RCR/Non-Core	<b>57%</b>	59%	56%
- RCR	<b>72%</b>	71%	n/a
- Non-Core	<b>n/a</b>	n/a	73%
REIL as a % of gross customer loans			
- RBS	<b>7.4%</b>	8.3%	9.4%
- RBS excluding RCR/Non-Core	<b>3.4%</b>	3.6%	5.3%
- RCR	<b>67.6%</b>	68.1%	n/a
- Non-Core	<b>n/a</b>	n/a	51.8%

Note:

(1) Excludes reverse repurchase agreements and includes disposals groups.

## Analysis of results

### Q3 2014 compared with Q2 2014

A net loan impairment release of £803 million was recorded in Q3 2014, £714 million higher than in Q2 2014. This included a £610 million release in RCR driven by the improved economic environment and rising asset values in the UK and especially Ireland, together with net provision releases in Ulster Bank supported by rising Irish residential property prices and proactive debt management. While UK PBB's net impairment charge increased as a result of lower latent releases, underlying credit conditions remain benign.

REIL decreased by £3.6 billion to £30.5 billion during Q3 2014. Of the reduction, £3.0 billion was in RCR which continued its strategy of disposing of non-performing assets. Continued favourable market conditions resulted in some disposals being achieved at prices above net book value. The £0.6 billion reduction in RBS excluding RCR- was primarily in Commercial Banking portfolios due to repayments and write-offs.

REIL as a percentage of gross customer loans declined, both in RCR, to 67.6%, and in the rest of RBS to 3.4%.

## Analysis of results

<b>Risk elements in lending (REIL) and loan impairment provisions</b>						
<b>Quarter ended 30 September 2014</b>						
	<b>REIL</b>			<b>Impairment provisions (1)</b>		
	<b>RBS</b>			<b>RBS</b>		
	<b>excl. RCR</b>	<b>RCR</b>	<b>Total</b>	<b>excl. RCR</b>	<b>RCR</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At beginning of period	13,653	20,428	34,081	8,041	14,405	22,446
Currency translation and other adjustments	(72)	(258)	(330)	(41)	(190)	(231)
Additions	808	445	1,253			
Repayments and disposals and transfers to performing book	(840)	(2,187)	(3,027)	-	(6)	(6)
Transfers between REIL and potential problem loans	(91)	(18)	(109)			
Amounts written-off	(403)	(962)	(1,365)	(403)	(962)	(1,365)
Recoveries of amounts previously written-off				43	3	46
Net release to the income statement - continuing operations				(193)	(610)	(803)
Unwind of discount (2)				(29)	(27)	(56)
At end of period	13,055	17,448	30,503	7,418	12,613	20,031
<b>Nine months ended 30 September 2014</b>						
	<b>REIL</b>			<b>Impairment provisions (1)</b>		
	<b>RBS</b>			<b>RBS</b>		
	<b>excl. RCR</b>	<b>RCR</b>	<b>Total</b>	<b>excl. RCR</b>	<b>RCR</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
At beginning of period	15,276	24,116	39,392	8,716	16,500	25,216
Currency translation and other adjustments	(239)	(916)	(1,155)	(159)	(585)	(744)
Additions	3,081	2,332	5,413			
Repayments and disposals and transfers to performing book	(3,580)	(5,537)	(9,117)	-	(6)	(6)
Transfers between REIL and potential problem loans	(212)	34	(178)			

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Amounts written-off	<b>(1,271)</b>	<b>(2,581)</b>	<b>(3,852)</b>		<b>(1,271)</b>	<b>(2,581)</b>	<b>(3,852)</b>
Recoveries of amounts previously written-off					<b>127</b>	<b>17</b>	<b>144</b>
Net charge/(release) to the income statement - continuing operations					<b>97</b>	<b>(629)</b>	<b>(532)</b>
Unwind of discount (2)					<b>(92)</b>	<b>(103)</b>	<b>(195)</b>
At end of period	<b>13,055</b>	<b>17,448</b>	<b>30,503</b>		<b>7,418</b>	<b>12,613</b>	<b>20,031</b>

Notes:

- (1) Includes provisions relating to loans and advances to banks (refer to the following page).
- (2) Recognised in interest income.

## Analysis of results

### Loans and related credit metrics: Loans, REIL, provisions and impairments

The table below analyses gross loans and advances to banks and customers (excluding reverse repos) and related credit metrics by sector and geography (by location of lending office).

30 September 2014 (1)	Credit metrics						Quarter ended	
	Gross loans £m	REIL £m	Provisions £m	REIL as a % of gross loans %	Provisions as a % of REIL %	Provisions as a % of gross loans %	Impairment charge/ (releases) £m	Amounts written-off £m
Central and local government	8,490	1	1	-	100	-	(4)	-
Finance	37,552	454	280	1.2	62	0.7	(15)	2
Personal mortgages	149,505	5,722	1,579	3.8	28	1.1	(61)	60
Personal unsecured	28,592	2,038	1,700	7.1	83	5.9	101	178
Property	54,236	14,582	10,261	26.9	70	18.9	(295)	708
Construction	6,178	1,146	722	18.5	63	11.7	3	48
Manufacturing	22,854	526	378	2.3	72	1.7	16	109
Finance leases (2)	13,798	184	138	1.3	75	1.0	1	10
Retail, wholesale and repairs	18,430	1,010	698	5.5	69	3.8	(23)	27
Transport and storage	15,200	1,179	552	7.8	47	3.6	(31)	62
Health, education and leisure	15,404	775	422	5.0	54	2.7	24	80
Hotels and restaurants	8,099	1,265	712	15.6	56	8.8	(33)	19
Utilities	5,429	123	56	2.3	46	1.0	(14)	2
Other	30,314	1,456	1,138	4.8	78	3.8	(27)	51
Latent	-	-	1,354	-	-	-	(445)	n/a
	414,081	30,461	19,991	7.4	66	4.8	(803)	1,356

of which:									
UK									
- residential mortgages	113,064	1,590	233	1.4	15	0.2	(22)	30	
- personal lending	16,116	1,722	1,538	10.7	89	9.5	77	131	
- property	38,740	6,219	3,573	16.1	57	9.2	(158)	566	
- construction	4,569	832	466	18.2	56	10.2	(10)	46	
- other	112,986	3,260	2,230	2.9	68	2.0	(122)	166	
Europe									
- residential mortgages	15,759	3,210	1,196	20.4	37	7.6	(54)	(5)	
- personal lending	1,160	112	101	9.7	90	8.7	1	18	
- property	9,732	8,278	6,642	85.1	80	68.2	(139)	139	
- construction	1,107	304	247	27.5	81	22.3	12	3	
- other	21,120	3,247	2,703	15.4	83	12.8	(425)	164	
US									
- residential mortgages	20,320	907	148	4.5	16	0.7	16	36	
- personal lending	10,272	188	42	1.8	22	0.4	24	28	
- property	4,991	60	21	1.2	35	0.4	2	3	
- construction	465	2	1	0.4	50	0.2	-	1	
- other	29,605	230	624	0.8	271	2.1	1	26	
RoW	14,075	300	226	2.1	75	1.6	(6)	4	
	414,081	30,461	19,991	7.4	66	4.8	(803)	1,356	
Banks	29,146	42	40	0.1	95	0.1	-	9	

Notes:

- (1) Includes disposal groups.
- (2) Includes instalment credit.

## Analysis of results

<b>Capital and leverage ratios</b>						
	<b>End-point CRR basis (1)</b>			<b>PRA transitional basis</b>		
	<b>30 September</b>	30 June	31 December	<b>30 September</b>	30 June	31 December
	<b>2014</b>	2014	2013 (2)	<b>2014</b>	2014	2013 (2)
<b>Risk asset ratios</b>	<b>%</b>	%	%	<b>%</b>	%	%
CET1 (3)	<b>10.8</b>	10.1	8.6	<b>10.8</b>	10.1	8.6
Tier 1	<b>10.8</b>	10.1	8.6	<b>12.7</b>	12.1	10.3
Total	<b>13.1</b>	12.4	10.6	<b>16.3</b>	15.6	13.6
<b>Capital</b>	<b>£bn</b>	£bn	£bn	<b>£bn</b>	£bn	£bn
Tangible equity	<b>44.3</b>	42.9	41.1	<b>44.1</b>	42.9	41.1
Expected loss less impairment provisions	<b>(1.6)</b>	(1.3)	(1.7)	<b>(1.6)</b>	(1.3)	(1.7)
Prudential valuation adjustment (PVA)	<b>(0.4)</b>	(0.5)	(0.8)	<b>(0.4)</b>	(0.5)	(0.8)
Deferred tax assets	<b>(1.6)</b>	(1.7)	(2.3)	<b>(1.6)</b>	(1.7)	(2.3)
Own credit adjustments	<b>0.6</b>	0.6	0.6	<b>0.6</b>	0.6	0.6
Pension fund assets	<b>(0.2)</b>	(0.2)	(0.2)	<b>(0.2)</b>	(0.2)	(0.2)
Other deductions	<b>0.1</b>	(0.1)	0.1	<b>0.2</b>	(0.1)	0.1
Total deductions	<b>(3.1)</b>	(3.2)	(4.3)	<b>(3.0)</b>	(3.2)	(4.3)
CET1 capital	<b>41.2</b>	39.7	36.8	<b>41.1</b>	39.7	36.8
AT1 capital	<b>-</b>	-	-	<b>7.5</b>	7.6	7.5
Tier 1 capital	<b>41.2</b>	39.7	36.8	<b>48.6</b>	47.3	44.3
Tier 2 capital	<b>8.8</b>	9.0	8.7	<b>13.6</b>	13.9	13.8
Total regulatory capital	<b>50.0</b>	48.7	45.5	<b>62.2</b>	61.2	58.1
<b>Risk-weighted assets</b>	<b>£bn</b>	£bn	£bn	<b>£bn</b>	£bn	£bn
Credit risk						
- non-counterparty	<b>277.0</b>	283.3	317.9	<b>277.0</b>	283.3	317.9
- counterparty	<b>38.2</b>	38.6	39.1	<b>38.2</b>	38.6	39.1
Market risk	<b>29.7</b>	33.4	30.3	<b>29.7</b>	33.4	30.3
Operational risk	<b>36.8</b>	36.8	41.8	<b>36.8</b>	36.8	41.8



Total RWAs	<b>381.7</b>	392.1	429.1	<b>381.7</b>	392.1	429.1
<b>Leverage</b>	<b>£bn</b>	£bn	£bn			
Derivatives	<b>314.0</b>	274.9	288.0			
Loans and advances	<b>422.1</b>	414.5	418.4			
Reverse repos	<b>75.5</b>	81.7	76.4			
Other assets	<b>234.5</b>	240.0	245.1			
Total assets	<b>1,046.1</b>	1,011.1	1,027.9			
Derivatives						
- netting	<b>(254.5)</b>	(217.5)	(227.3)			
- potential future exposures	<b>106.2</b>	102.5	128.0			
Securities financing transactions gross up	<b>72.9</b>	77.5	59.8			
Undrawn commitments	<b>98.7</b>	98.0	100.2			
Regulatory deductions and other adjustments	<b>(1.4)</b>	(1.4)	(6.6)			
Leverage exposure	<b>1,068.0</b>	1,070.2	1,082.0			
Leverage ratio % (4)	<b>3.9</b>	3.7	3.4			

## Notes:

- (1) Capital Requirements Regulation (CRR) as implemented by the Prudential Regulation Authority in the UK, with effect from 1 January 2014.
- (2) Estimated end-point CRR basis.
- (3) Common Equity Tier 1 (CET1) ratio includes the benefit of the retained profit for the period.
- (4) Based on end-point CRR Tier 1 capital and revised 2014 Basel III leverage ratio framework.

## Analysis of results

### Q3 2014 compared with Q2 2014

The end-point CRR CET1 ratio improved to 10.8% from 10.1%, principally driven by retained earnings and favourable movements in cash flow and foreign currency reserves, and the continuing reduction in RWAs.

RWA reductions of £10.4 billion were achieved during the quarter, particularly in RCR (down £4.5 billion), CIB (down £4.6 billion) and Ulster Bank (down £3.8 billion). These were partially offset by an increase in CFG (up £3.7 billion) which was amplified by the strengthening of the US dollar.

The leverage ratio improved by 20 basis points reflecting increased attributable profit as leverage exposure remained broadly stable.

## Customer franchise and segment performance

	Quarter ended 30 September 2014													
	PBB			CPB			CIB			Non-			Statutory	
	Ulster	Commercial		Private			Central			statutory	Prudential	Statutory		
	UK						items					Items		
	PBB	Bank	Total	Bank	Banking	Total	(1)	CFG	RCR	total	*	total		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Income statement</b>														
Net interest income	1,198	1631	361	521	172	693	230	109	493	(23)	2,863	-	2,863	
Non-interest income	345	51	396	290	98	388	601	(249)	215	145	1,496	(7)	1,489	
Total income	1,543	2141	757	811	270	1,081	831	(140)	708	122	4,359	(7)	4,352	
Direct expenses														
- staff costs	(223)	(57)	(280)	(124)	(79)	(203)	(179)	(657)	(255)	(37)	1,611	(79)	1,690	
- other costs **	(78)	(20)	(98)	(54)	(19)	(73)	(50)	(836)	(231)	(24)	1,312	(881)	(2,193)	
Indirect expenses	(481)	(61)	(542)	(196)	(105)	(301)	(593)	460	-	(24)	-	-	-	
Restructuring costs														
- direct	(2)	-	(2)	-	-	-	(22)	(143)	(13)	-	(180)	180	-	
- indirect	(63)	(12)	(75)	(18)	(7)	(25)	6	98	-	(4)	-	-	-	
Litigation and conduct costs	(118)	-	(118)	-	-	-	(562)	(100)	-	-	(780)	780	-	
Operating expenses	(965)	(150)	(1,115)	(392)	(210)	(602)	(1,400)	(178)	(499)	(89)	(3,883)	-	(3,883)	
Profit/(loss) before impairment losses	578	64	642	419	60	479	(569)	(318)	209	33	476	(7)	469	
Impairment (losses)/releases	(79)	318	239	(12)	4	(8)	12	(1)	(46)	605	801	-	801	
Operating profit/(loss)	499	382	881	407	64	471	(557)	(319)	163	638	1,277	(7)	1,270	

<b>Additional information</b>															
Return on equity (3)	26.9%	22.2%	30.6%	16.0%	13.3%	15.5%	(11.0%)	nm	5.6%	nm	8.9%	-	8.9%		
Cost:income ratio	63%	70%	63%	48%	78%	56%	168%	nm	71%	nm	89%	-	89%		
Funded assets (£bn)	134.2	26.31	60.5	89.7	21.0	10.7	274.9	87.6	80.5	17.9	732.1	-	732.1		
Total assets (£bn)	134.2	26.51	60.7	89.7	21.11	10.8	572.9	89.5	80.9	31.8	1,046.1	-	1,046.1		
Risk-weighted assets (£bn)	44.7	23.9	68.6	64.9	12.2	77.1	123.2	17.8	64.4	30.6	381.7	-	381.7		
Employee numbers (FTEs - thousands)	25.2	4.5	29.7	6.8	3.5	10.3	4.0	48.5	17.5	0.8	110.8	-	110.8		
nm = not meaningful															

\* Operating profit/(loss) for the segments is presented before certain reconciling items, namely own credit adjustments, gain on redemption of own debt, write down of goodwill, strategic disposals, and RFS Holdings minority interest ('non-statutory'). The following adjustments are reallocations within segment operating profit/(loss): restructuring costs and litigation and conduct costs. These excluded or reallocated costs for the period presented reflect the following; non-interest income - gain of £49 million on own credit and £56 million loss on RFS Holdings minority interest; staff costs - reallocation of £79 million from restructuring costs; and other costs – reallocation of £101 million from restructuring costs and £780 million from litigation and conduct costs.

\*\* Other costs include the following: premises and equipment of £543 million, other administrative expenses of £1,344 million and depreciation and amortisation of £306 million.

For the notes to this table refer to page 23.

## Customer franchise and segment performance

Quarter ended 30 June 2014													
	PBB			CPB			CIB	Central items (1)	CFG	RCR	Non-	Reconciling Items *	Statutory total
	UK PBB	Ulster Bank	Total	Commercial Banking	Private Banking	Total					statutory total		
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Income statement</b>													
Net interest income	152	169	1,321	511	174	685	186	100	499	7	2,798	-	2,798
Non-interest income	647	42	389	287	98	385	890	44	391	28	2,127	(178)	1,949
Total income	799	211	1,710	798	272	1,070	1,076	144	890	35	4,925	(178)	4,747
Direct expenses													
- staff costs	(225)	(62)	(287)	(133)	(80)	(213)	(217)	(664)	(261)	(51)	(1,693)	(152)	(1,845)
- other costs**	(93)	(18)	(111)	(60)	(14)	(74)	(140)	(781)	(252)	(14)	(1,372)	(613)	(1,985)
Indirect expenses	(158)	(63)	(521)	(189)	(104)	(293)	(587)	1,433	-	(32)	-		
Restructuring costs													
- direct	(6)	8	2	(40)	(2)	(42)	(9)	(267)	(69)	-	(385)	385	-
- indirect	(23)	(20)	(43)	(21)	(1)	(22)	(143)	208	-	-	-	-	-
Litigation and conduct costs	(150)	-	(150)	(50)	-	(50)	(50)	-	-	-	(250)	250	-

Operating expenses	(955)	(155)	(1,110)	(493)	(201)	(694)	(1,146)	(71)	(582)	(97)	(3,700)	(130)	(3,830)
Profit/(loss) before impairment losses	544	56	600	305	71	376	(70)	73	308	(62)	1,225	(308)	917
Impairment (losses)/releases	(60)	(70)	(70)	9	(1)	8	45	13	(31)	128	93	-	93
Operating profit/(loss)	484	46	530	314	70	384	(25)	86	277	66	1,318	(308)	1,010
<b>Additional information</b>													
Return on equity (3)	25.3%	4.6%	17.4%	12.4%	14.5%	12.8%	(0.5%)	nm	9.8%	nm	1.7%	-	1.7%
Cost:income ratio	64%	73%	65%	62%	74%	65%	107%	nm	65%	nm	75%	-	81%
Funded assets (£bn)	133.6	26.6	160.2	88.6	20.8	109.4	278.7	91.3	75.7	20.9	736.2	-	736.2
Total assets (£bn)	133.6	26.7	160.3	88.6	20.8	109.4	537.6	93.3	76.1	34.4	1,011.1	-	1,011.1
Risk-weighted assets (£bn)	47.0	27.7	74.7	63.0	11.8	74.8	127.8	19.0	60.7	35.1	392.1	-	392.1
Employee numbers (FTEs - thousands)	25.7	4.5	30.2	7.1	3.5	10.6	4.3	49.9	17.7	0.9	113.6	-	113.6
RWAs - FLB3 basis at 1 January 2014 (£bn)	49.7	28.2	77.9	61.5	12.0	73.5	147.1	23.3	60.6	46.7	429.1	-	-

*	Reconciling items reflect the following; non-interest income - loss of £190 million on own credit and £12 million gain on RFS Holdings minority interest; staff costs - reallocation of £153 million from restructuring costs and a gain of £1 million on RFS Holdings minority interest; and other costs - reallocation of £232 million from restructuring costs, £250 million from litigation and conduct costs, a loss of £1million on RFS Holdings minority interest and £130 million from the write-down of goodwill.
**	Other costs include the following: premises and equipment of £622 million, other administrative expenses of £95 million, depreciation and amortisation of £282 million, write down of goodwill and other intangible assets of £130 million.

For the notes to this table refer to page 23.

## Customer franchise and segment performance

	Quarter ended 30 September 2013*											
	PBB			CPB			CIB					Non-
		Ulster		Commercial	Private			Central			statutory	
	UK PBB	Bank	Total	Banking	Banking	Total		items (1)	CFG	Non-Core	total	
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
<b>Income statement</b>												
Net interest income	1,141	153	1,294	511	168	679	162	205	485	(42)	2,783	
Non-interest income	349	60	409	281	102	383	1,090	43	263	(77)	2,111	
Total income	1,490	213	1,703	792	270	1,062	1,252	248	748	(119)	4,894	
Direct expenses												
- staff costs	(232)	(64)	(296)	(129)	(81)	(210)	(262)	(674)	(270)	(46)	(1,758)	
- other costs ***	(121)	(15)	(136)	(57)	(22)	(79)	(138)	(915)	(253)	(46)	(1,567)	
Indirect expenses	(485)	(63)	(548)	(206)	(112)	(318)	(614)	1,565	(32)	(53)	-	
Restructuring costs												
- direct	(21)	(3)	(24)	(3)	(3)	(6)	(17)	(159)	(2)	3	(205)	
- indirect	(29)	(3)	(32)	(8)	(2)	(10)	(112)	156	-	(2)	-	
Litigation and conduct costs	(250)	-	(250)	-	-	-	(99)	-	-	-	(349)	
Operating expenses	(1,138)	(148)	(1,286)	(403)	(220)	(623)	(1,242)	(27)	(557)	(144)	(3,879)	
Profit/(loss) before impairment losses	352	65	417	389	50	439	10	221	191	(263)	1,015	
Impairment (losses)/releases	(138)	(204)	(342)	(93)	(1)	(94)	(28)	(66)	(59)	(581)	(1,170)	
Operating profit/(loss)	214	(139)	75	296	49	345	(18)	155	132	(844)	(155)	



<b>Additional information</b>												
Return on equity (2)	10.2%	(11.8%)	2.2%	11.1%	9.9%	10.9%	(0.3%)	nm	4.9%	nm	(5.3%)	
Cost:income ratio	76%	69%	76%	51%	81%	59%	99%	nm	74%	nm	79%	
Funded assets (£bn)	131.9	29.2	161.1	88.9	21.0	109.9	309.6	116.4	71.5	37.3	805.8	
Total assets (£bn)	131.9	29.4	161.3	88.9	21.1	110.0	625.9	118.0	71.9	42.3	1,129.4	
Risk-weighted assets (£bn)	52.2	31.8	84.0	66.4	12.1	78.5	129.0	21.5	56.1	40.9	410.0	
Employee numbers (FTEs - thousands)	26.8	4.8	31.6	7.2	3.6	10.8	4.8	52.7	18.6	1.8	120.3	

\* Restated - refer to page 43

\*\* Reconciling items reflect the following; net interest income - £3 million loss on RFS Holdings minority interest; non-interest income - loss of £496 million on own credit, loss of £7 million on strategic disposals, gain of £13 million on redemption of own debt and £15 million gain on RFS Holdings minority interest; staff costs - reallocation of £137 million from restructuring costs; and other costs – reallocation of £68 million from restructuring costs, £349 million from litigation and conduct costs and a £1 million loss on RFS Holdings minority interest.

\*\*\* Other costs include the following: premises and equipment of £544 million, other administrative expenses of £1,103 million and depreciation and amortisation of £338 million.

For the notes to this table refer to page 23.

## Customer franchise and segment performance

	Nine months ended 30 September 2014										
	PBB			CPB			CIB			Non-statutory	
	UK PBB	Ulster Bank	Total	Commercial Banking	Private Banking	Total		Central items (1)	CFG	RCR	total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Income statement</b>											
Net interest income	3,474	486	3,960	1,520	516	2,036	595	312	1,480	(24)	8,359
Non-interest income	1,031	140	1,171	859	299	1,158	2,663	(103)	835	254	5,978
Total income	4,505	626	5,131	2,379	815	3,194	3,258	209	2,315	230	14,337
Direct expenses											
- staff costs	(672)	(182)	(854)	(390)	(239)	(629)	(666)	(1,909)	(767)	(126)	(4,951)
- other costs **	(298)	(55)	(353)	(176)	(51)	(227)	(300)	(2,648)	(732)	(56)	(4,316)
Indirect expenses	(1,463)	(187)	(1,650)	(598)	(310)	(908)	(1,773)	4,410	-	(79)	-
Restructuring costs											
- direct	(8)	8	-	(40)	(2)	(42)	(44)	(526)	(82)	-	(694)
- 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)	(1,581)	(265)	(10,991)
Profit/(loss) before impairment losses	1,720	176	1,896	1,085	205	1,290	(300)	(239)	734	(35)	3,346
Impairment (losses)/releases	(227)	261	34	(43)	4	(39)	51	11	(150)	625	532
Operating profit/(loss)	1,493	437	1,930	1,042	209	1,251	(249)	(228)	584	590	3,878

<b>Additional information</b>												
Return on equity (2)	<b>26.1%</b>	<b>14.9%</b>	<b>21.3%</b>	<b>13.7%</b>	<b>14.5%</b>	<b>13.8%</b>	<b>(1.5%)</b>	<b>nm</b>	<b>6.9%</b>	<b>nm</b>	<b>5.7%</b>	
Cost:income ratio	<b>62%</b>	<b>72%</b>	<b>63%</b>	<b>54%</b>	<b>75%</b>	<b>60%</b>	<b>109%</b>	<b>nm</b>	<b>68%</b>	<b>nm</b>	<b>77%</b>	
Funded assets (£bn)	<b>134.2</b>	<b>26.3</b>	<b>160.5</b>	<b>89.7</b>	<b>21.0</b>	<b>110.7</b>	<b>274.9</b>	<b>87.6</b>	<b>80.5</b>	<b>17.9</b>	<b>732.1</b>	
Total assets (£bn)	<b>134.2</b>	<b>26.5</b>	<b>160.7</b>	<b>89.7</b>	<b>21.1</b>	<b>110.8</b>	<b>572.9</b>	<b>89.5</b>	<b>80.9</b>	<b>31.3</b>	<b>1,046.1</b>	
Risk-weighted assets (£bn)	<b>44.7</b>	<b>23.9</b>	<b>68.6</b>	<b>64.9</b>	<b>12.2</b>	<b>77.1</b>	<b>123.2</b>	<b>17.8</b>	<b>64.4</b>	<b>30.6</b>	<b>381.7</b>	
Employee numbers (FTEs - thousands)	<b>25.2</b>	<b>4.5</b>	<b>29.7</b>	<b>6.8</b>	<b>3.5</b>	<b>10.3</b>	<b>4.0</b>	<b>48.5</b>	<b>17.5</b>	<b>0.8</b>	<b>110.8</b>	

nm = not meaningful

- \* Reconciling items reflect the following; net interest income - £3 million loss on RFS Holdings minority interest; non-interest income - loss of £2 million on own credit, a gain of £191 million on strategic disposals, a £31 million loss on RFS Holdings minority interest and a gain on redemption of own debt of £20 million; staff costs - reallocation of £275 million from restructuring costs; and other costs - reallocation of £419 million from restructuring costs, £1,030 million from litigation and conduct costs, a £1 million loss on RFS Holdings minority interest and £130 million from the write-down of goodwill.
- \*\* Other costs include the following: premises and equipment of £1,818 million, other administrative expenses of £3,006 million, depreciation and amortisation of £860 million and write down of goodwill and other intangible assets of £212 million.

For the notes to this table refer to page 23.

## Customer franchise and segment performance

	Nine months ended 30 September 2013*												
	PBB			CPB			CIB			Non-			
	Ulster			Commercial	Private			Central			statutory	Reconciling	Sta
	UK PBB	Bank	Total	Banking	Banking	Total		items (1)	CFG	RCR	total	Items **	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Income statement</b>													
Net interest income	3,341	455	3,796	1,447	485	1,932	476	656	1,424	(59)	8,225	(8)	
Non-interest income	978	202	1,180	894	316	1,210	3,484	264	833	306	7,277	194	
Total income	4,319	657	4,976	2,341	801	3,142	3,960	920	2,257	247	15,502	186	1
Direct expenses													
- staff costs	(698)	(188)	(886)	(381)	(254)	(635)	(841)	(1,984)	(842)	(155)	(5,343)	(279)	(
- other costs ***	(321)	(42)	(363)	(201)	(51)								