

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
April 29, 2016

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 April 29, 2016

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
Q1 2016 Results

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Introduction

Presentation of information

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. The results commentary in this document refers to measures of financial performance, principally operating performance before own credit adjustments, loss on redemption of own debt, write down of goodwill, strategic disposals, restructuring costs and litigation and conduct costs, to exclude items which distort period-on-period comparison. These measures, derived from the reported results, are non-GAAP financial measures.

Statutory results

The consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and related notes presented on pages 32 to 36 inclusive are on a statutory basis.

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 2015 will be filed with the Registrar of Companies following the company's Annual General Meeting. 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.

Restatements

Pension accounting policy

As set out in the 'Basis of preparation', in Q4 2015 RBS revised its accounting policy for determining whether or not it has an unconditional right to a refund of surpluses in its employee pension funds. The change was applied retrospectively and comparatives restated.

RBS also made certain changes to its financial reporting in Q4 2015 as follows.

- revised reportable segments;
- a change to the treatment of one-off and other items;

allocation of central balance sheet items;
revised treasury allocations; and
revised segmental return on equity.

Comparatives for Q1 2015 have been restated accordingly. For further information refer to the Restatement document issued on 4 February 2016, available on www.investors.rbs.com/restatement.

Introduction

Analysts and investors conference call

RBS will be hosting a call for analysts and investors on the results for the period ended 31 March 2016. Details are as follows:

Date: Friday 29 April 2016
Time: 9:00 am UK time
Conference ID 89104610
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

Financial supplement

A Financial supplement containing income statement and balance sheet information for each of the nine quarters ended 31 March 2016 is available on www.rbs.com/results.

Globally Systemically Important Institutions template as of and for the year ended 31 December 2015 is available on www.rbs.com/results.

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Highlights

RBS continues to deliver on its plan to build a strong, simple and fair bank for both customers and shareholders, and remains committed to delivering its 2016 targets. RBS reported a profit before tax of £421 million for Q1 2016. An

attributable loss of £968 million included payment of the final Dividend Access Share (DAS) dividend of £1,193 million to the UK Government.

Income was broadly stable compared with Q1 2015 across our core Personal & Business Banking (PBB) and Commercial & Private Banking (CPB) franchises. In Q1 2016, core PBB and CPB net loans and advances grew by 15% on an annualised basis with strong growth in both the mortgage and commercial businesses. RBS has made good progress on customer Net Promoter Score (NPS) in the last year, although there still remains much to do. Common Equity Tier 1 ratio (CET1) of 14.6% remains in excess of target. Adjusted return on equity(1) across our core PBB, CPB and CIB franchises was 10.9% in Q1 2016.

As a result of further extensive analysis on the separation and divestment of Williams & Glyn throughout Q1 2016, we have recently concluded that there is a significant risk that this will not be achieved by 31 December 2017 and alternative means to achieve this are being explored.

An attributable loss(2) of £968 million in Q1 2016 compared with £459 million in Q1 2015. Excluding the final DAS dividend of £1,193 million, the Bank made an attributable profit(2) of £225 million notwithstanding IFRS volatility(3) losses of £356 million, restructuring costs of £238 million and an impairment charge of £223 million largely related to its shipping portfolio. An own credit adjustment gain of £256 million was recorded in Q1 2016.

Operating profit was £421 million in Q1 2016 compared with £37 million in Q1 2015. Adjusted operating profit(4) of £440 million in Q1 2016 was down from £1,355 million in Q1 2015 primarily due to Capital Resolution and the IFRS volatility charge.

UK Personal & Business Banking (UK PBB) adjusted operating profit(5) of £531 million was £54 million, or 9%, lower than in Q1 2015. Adjusting for the impact of business transfers(6), net loans and advances increased by £11.2 billion compared with Q1 2015 primarily driven by strong mortgage growth. Total income fell by 3% compared with Q1 2015 reflecting margin pressure and reduced fee income, but was 2% higher than Q4 2015 as margins stabilised.

Commercial Banking adjusted operating profit(5) of £403 million was 7% up on Q1 2015. Excluding the impact of transfers(7), net loans and advances increased by £4.0 billion helping to drive an 8% increase in income.

Ulster Bank RoI adjusted operating profit(5) was stable at £64 million compared with Q1 2015.

Private Banking adjusted operating profit(5) was 40% lower at £26 million, as the business continues to invest in its infrastructure, whilst RBS International adjusted operating profit(5) was stable compared with Q1 2015 at £53 million, with return on equity remaining strong at 16%.

CIB recorded income of £341 million in Q1 2016. Adjusted income of £277 million was £165 million lower than Q1 2015, excluding a £42 million transfer of portfolios to Commercial Banking, reflecting difficult market conditions and the reduced scale of the business. An adjusted operating loss(5) of £54 million compared with a £100 million profit in Q1 2015. Adjusted expenses reduced by 16% as CIB moves towards a sustainable cost base.

Capital Resolution reported an adjusted operating loss(5) of £377 million, compared with an operating profit of £143 million in Q1 2015. A net impairment charge of £196 million was recognised in Q1 2016, principally in relation to the shipping portfolio. RWAs reduced by £36.7 billion from Q1 2015 to £47.6 billion.

Highlights

Net interest margin (NIM) was stable compared with Q1 2015 at 2.15% as the benefit from reductions in the low yielding non-core assets has been largely offset by modest asset margin pressure and mix impacts across the core franchises.

Adjusted operating expenses⁽⁵⁾ were down by £157 million compared with Q1 2015. Excluding expenses associated with Williams & Glyn and write down of intangible assets, adjusted operating expenses were down £189 million.

Restructuring costs were £238 million in the quarter, down £209 million, or 47%, compared with Q1 2015. Litigation and conduct costs of £31 million compared with £856 million in Q1 2015 and £2,124 million in Q4 2015, which included additional provisions for mortgage-backed securities and foreign exchange litigation in the US, additional PPI provisions and other customer redress.

Further to the announcement on 27 January 2016, RBS made a payment of £4.2 billion during March to The Royal Bank of Scotland Group Pension Fund, being an accelerated payment of existing committed future contributions. The impact of the £4.2 billion accelerated payment was largely reflected in the year end financial statements; the incremental impact of the accelerated payment being made during March was to reduce the CET1 ratio by around 30 basis points.

Tangible net asset value (TNAV) was 351p per ordinary share at 31 March 2016, broadly stable in the quarter. A 14p reduction due to the payment of the final Dividend Access Share dividend and the accelerated pension payment was offset by gains recognised in foreign exchange reserves (5p) reflecting the strengthening of the US dollar and the euro, and cash flow hedging reserves (8p) as swap rates decreased.

Progress on 2016 targets

RBS remains committed to achieving all its priority targets for 2016

Strategy goal	2016 target	Q1 2016 Progress
	Maintain Bank CET1 ratio of 13%	CET1 ratio of 14.6%
Strength and sustainability	£2 billion AT1 issuance	Continue to plan to issue in 2016, subject to market conditions
	Capital Resolution RWAs around £30 billion	RWAs down £1.4 billion to £47.6 billion despite adverse exchange rate and interest rate movements
Customer experience	Narrow the gap to No.1 in NPS in every primary UK brand	Year on year Ulster Bank Personal (NI) has narrowed the gap, and our NatWest and Royal Bank brands show improvements in NPS
Simplifying the bank	Reduce operating expenses by £800 million	Operating expenses down £189 million ⁽⁸⁾ ; on track
Supporting growth	Net 4% growth in PBB and CPB customer loans	Net lending in PBB and CPB up 15% on an annualised basis in the quarter
Employee engagement	Raise employee engagement to within two points of the GFS norm	Reviewed annually during Q3

Notes:

- (1) Excluding restructuring costs, litigation and conduct costs, write down of goodwill, own credit adjustments, loss on redemption of own debt and strategic disposals.
- (2) Attributable to ordinary shareholders.
- (3) IFRS volatility relates to loans which are economically hedged but for which hedge accounting is not permitted under IFRS.
- (4) Operating profit/(loss) before tax, own credit adjustments, loss on redemption of own debt, strategic disposals and excluding restructuring costs, litigation and conduct costs and write down of goodwill.
- (5) For unadjusted operating profit and expenses see segment performance on pages 19 to 21.
- (6) The transfer of Ulster Bank Northern Ireland commercial activities to Commercial Banking on 1 January 2016 represented £1.1 billion of net loans and advances.

- (7) The portfolio transfers included net loans and advances to customers of £7.3 billion (£6.2 billion at point of transfer)
- (8) Excluding litigation and conduct costs, restructuring costs, write down of goodwill and other intangible assets and the operating costs of Williams & Glyn.

Highlights

Building a stronger RBS

RBS remains on track with its plan to build a strong, simple, fair bank for customers and shareholders.

CET1 ratio remains ahead of our 13% target. The 90 basis points reduction in the CET1 ratio during the quarter was largely due to the payment of the final Dividend Access Share dividend, 50 basis points, and the accelerated pension payment, 30 basis points, actions that have been taken to normalise the ownership structure and increase the long-term resilience of the Bank.

RWAs increased by £6.9 billion during the quarter to £249.5 billion driven by strong loan growth alongside market volatility and exchange rate movements as sterling weakened over the quarter. Although market conditions have been difficult in Q1 2016, we remain on track to reduce RWAs by £19 billion in Capital Resolution to around £30 billion by the end of 2016.

RBS's leverage ratio reduced from 5.6% to 5.3% principally due to the attributable loss in the quarter. RBS continues to plan to issue £2 billion AT1 capital notes in 2016, subject to market conditions, which will provide further balance sheet resilience.

RBS successfully completed two senior unsecured debt issuances: €1.5 billion seven year 2.5% notes and \$1.5 billion ten year 4.8% notes. The debt will be eligible to meet RBS's Minimum Requirement for Own Funds and Eligible Liabilities (MREL) and forms a significant part of our targeted £3-5 billion senior debt issuance for 2016.

On 8 April 2016, RBS successfully completed the cash tender of £2.3 billion of certain US dollar, sterling and euro senior debt securities. The tender offers were part of the on-going transition to a holding company capital and term funding model in line with regulatory requirements and included securities that RBS considers non-compliant for MREL purposes. RBS will recognise a loss of c.£66 million in its Q2 2016 results in relation to the tender offer. Over the last six months to the end of April, RBS has reduced term funding by £11.7 billion.

On 11 April 2016, we completed the successful transfer of the Coutts International businesses in Asia and the Middle East to Union Bancaire Privée, the final milestone in the sale of our International Private Bank. We also completed the sale of our Russian subsidiary in early April.

RBS continued to deliver strong support for both household and business customers. Within UK PBB, gross new mortgage lending almost doubled from a subdued Q1 2015 performance to £7.0 billion. Our flow market share in Q1 2016 was approximately 11.4% compared with stock share of 8.3%. Buy-to-let new mortgage lending was £1.5 billion compared with £0.8 billion in Q1 2015 and £1.3 billion in Q4 2015. We now have nearly 1,000 mortgage advisors supporting our customers, an increase of over 20% since the beginning of 2015. Net new lending in Commercial Banking totalled £6.5 billion. Q1 2016 represents the fifth successive quarter of net lending growth in Commercial Banking.

The Reward account continues to show positive momentum and now has 539,000 fee-paying customers compared with 202,000 at 31 December 2015.

We continue to make better use of our digital channels to make it simpler to serve our customers and for them to do business with us. Online mortgage renewals more than doubled to £3.0 billion compared with Q1 2015, and NatWest customers can now apply for personal loans or credit cards via the mobile app. Active users of our mobile app increased by 20% over the last year, with over 200,000 new users in Q1 2016.

Highlights

Customer

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RBS remains committed to achieving its target of being number one bank for customer service, trust and advocacy by 2020.

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 an NPS for 2016. Year-on-year, NatWest Personal Banking, NatWest Business Banking and Royal Bank of Scotland Personal Banking have seen significant improvements in NPS.

In recent years, the bank has launched a number of initiatives to make it simpler, fairer and easier to do business, and it continues to deliver on the commitments that it made to its customers in 2014.

		Q1 2015	Q4 2015	Q1 2016	Year end 2016 target
Personal Banking	NatWest (England & Wales)(1)	5	9	13	15
	Royal Bank of Scotland (Scotland)(1)	-18	-9	-6	-5
	Ulster Bank (Northern Ireland)(2)	-18	-9	-14	-3
	Ulster Bank (Republic of Ireland)(2)	-16	-14	-12	-10
Business Banking	NatWest (England & Wales)(3)	-6	9	9	13
	Royal Bank of Scotland (Scotland)(3)	-17	-7	-7	2
Ulster Bank Corporate	Ulster Bank (Northern Ireland)(4)	n/a	-19	-10	-4
	Ulster Bank (Republic of Ireland) (5)	n/a	-21	n/a	-15
Commercial Banking(6)		12	9	15	17

Highlights

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).

Customer trust in RBS has continued to improve and is at its highest in two years. NatWest has not changed since last quarter - both are currently on track to meet the 2016 year end target.

	Q1 2015	Q4 2015	Q1 2016	Year end 2016 target
NatWest (England & Wales)	44%	48%	48%	51%
Customer trust(7)				

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Royal Bank of Scotland (Scotland)	10%	14%	21%	26%
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Notes:

- (1) Source: GfK FRS 6 month rolling data. Latest base sizes: NatWest (England & Wales) (3464) Royal Bank of Scotland (Scotland) (607). 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 month rolling data. Latest base sizes: Ulster Bank NI (359) Ulster Bank RoI (344) 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 (GB), based on interviews with businesses with an annual turnover up to £2 million. Quarterly rolling data. Latest base sizes: NatWest England & Wales (1347), RBS Scotland (425). Weighted by region and turnover to be representative of businesses in England & Wales/Scotland, 4 quarter rolling data.
- (4) Source: Charterhouse Research Business Banking Survey (NI). Latest base size: Ulster (383) Weighted by turnover and industry sector to be representative of businesses in Northern Ireland, 4 quarter rolling data.
In 2016 we switched the source of advocacy measurement for Ulster Bank Corporate NI to the Charterhouse Business Banking Study. Charterhouse is a recognised, independent syndicate study that provides more frequent reporting of NPS as well as additional diagnostic customer feedback to help us improve the customer experience. The Q4 2015 figure has been restated to reflect this.
- (5) Source: PWC Republic of Ireland Business Banking Tracker. Data collected annually. Latest base sizes: Ulster Bank RoI (222). Weighted by turnover to be representative of businesses in the Republic of Ireland.
- (6) Source: Charterhouse Research Business Banking Survey (GB), based on interviews with businesses with annual turnover between £2 million and £1 billion. Latest base size: RBSG Great Britain (888). Weighted by region and turnover to be representative of businesses in Great Britain, 4 quarter rolling data.
- (7) 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 (920), RBS Scotland (199).

Highlights

Outlook

We expect PBB and CPB income to be broadly stable in 2016 compared with 2015 as strong planned balance sheet growth, particularly in mortgages but also in core commercial lending, is balanced by headwinds from low interest rates and the uncertain macroeconomic environment. In Q1 2016 income was broadly stable across the combined PBB and CPB business. Compared with 2015, we expect to see modest income erosion in CIB following a difficult Q1 2016, albeit performance improved towards the end of the quarter.

RBS remains on track to achieve an £800 million cost reduction in 2016 after achieving a £189 million reduction in the first quarter. We retain our expectation that cost reduction will exceed any income erosion across our combined core businesses. We will incur a charge of approximately £50 million in respect of the Financial Services Compensation Scheme (FSCS) levy in our Q2 2016 results.

We anticipate a modest net impairment charge for the year in our core franchises. The impairment charge taken in the quarter largely related to the shipping portfolio and we continue to anticipate additional net impairments in the Capital Resolution business. We also recognise the increased risk of large single name events across our portfolios given the uncertain macroeconomic environment.

Restructuring costs are expected to remain high in 2016, totalling over £1 billion.

We expect Capital Resolution disposal losses of approximately £1.5 billion over the period 2015-19, and we anticipate that we will incur most of the remaining losses in 2016 (2015 - £367 million). Losses in Q1 2016 almost entirely comprise the £226 million impairment relating to the shipping portfolio. Although market conditions have been difficult in Q1 2016, Capital Resolution remains on track to reduce RWAs to around £30 billion by the end of 2016 following a £1.4 billion reduction in Q1 2016.

We continue to deal with a range of uncertainties in the external environment, not least those caused by the forthcoming referendum on the UK's continuing membership of the European Union. We will also have to manage conduct-related investigations and litigation, including US RMBS, throughout 2016, and substantial related incremental provisions may be recognised during the year.

Williams & Glyn

RBS announced an update on its plans to divest Williams & Glyn on 28 April 2016. Since the last update provided with the 2015 Annual Results, we have undertaken further extensive analysis on the separation and divestment of Williams & Glyn. As a result of this analysis, we have concluded that there is a significant risk that the separation and divestment to which we are committed will not be achieved by 31 December 2017. Due to the complexities of Williams & Glyn's customer and product mix, the programme to create a cloned banking platform continues to be very challenging and the timetable to achieve separation is uncertain. RBS is exploring alternative means to achieve separation and divestment. The overall financial impact on RBS is now likely to be significantly greater than previously estimated.

Analysis of results

Summary consolidated income statement for the period ended 31 March 2016

	Quarter ended		
	31 March 2016	December 2015	31 March 2015*
	£m	£m	£m
Net interest income	2,156	2,162	2,203
Own credit adjustments	256	(115)	120
Loss on redemption of own debt	-	(263)	-
Strategic disposals	(6)	(22)	(135)
Other operating income	658	722	1,331
Non-interest income	908	322	1,316
Total income	3,064	2,484	3,519
Litigation and conduct costs	(31)	(2,124)	(856)
Restructuring costs	(238)	(614)	(447)
Write down of goodwill	-	(498)	-
Other costs	(2,151)	(2,525)	(2,308)
Operating expenses	(2,420)	(5,761)	(3,611)
Profit/(loss) before impairment (losses)/releases	644	(3,277)	(92)
Impairment (losses)/releases	(223)	327	129
Operating profit/(loss) before tax	421	(2,950)	37
Tax (charge)/credit	(80)	261	(190)
Profit/(loss) from continuing operations	341	(2,689)	(153)

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Profit/(loss) from discontinued operations, net of tax	-	90	(316)
Profit/(loss) for the period	341	(2,599)	(469)
Attributable to:			
Non-controlling interests	22	20	(84)
Other owners	94	121	74
Dividend access share	1,193	-	-
Loss attributable to ordinary shareholders	(968)	(2,740)	(459)

Memo:

Total income - adjusted (1)	2,814	2,884	3,534
Operating expenses - adjusted (2)	(2,151)	(2,525)	(2,308)
Operating profit - adjusted (1,2)	440	686	1,355

*Restated, refer to Note 1 on page 32 for further details.

Key metrics and ratios

Net interest margin	2.15%	2.10%	2.15%
Cost:income ratio	79%	232%	103%
Cost:income ratio - adjusted (1,2)	76%	88%	65%
(Loss)/earnings per ordinary share from continuing operations			
- basic	(8.3p)	(24.5p)	(2.2p)
- adjusted (1,2)	(8.1p)	5.1p	8.6p
Return on tangible equity (3)	(9.6%)	(26.5%)	(4.3%)
Return on tangible equity - adjusted (1,2,3)	(9.4%)	6.6%	7.4%
Average tangible equity (3)	£40,383m	£41,319m	£42,392m
Average number of ordinary shares outstanding during the period (millions)	11,606	11,554	11,451

Notes:

- (1) Excluding own credit adjustments, loss on redemption of own debt and strategic disposals.
- (2) Excluding restructuring costs, litigation and conduct costs and write down of goodwill.
- (3) Tangible equity is equity attributable to ordinary shareholders less intangible assets.

Analysis of results

Summary consolidated balance sheet as at 31 March 2016

	31	
	March	December
	2016	2015
	£m	£m
Cash and balances at central banks	72,083	79,404
Net loans and advances to banks (1)	19,295	18,361
Net loans and advances to customers (1)	317,088	306,334

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Reverse repurchase agreements and stock borrowing	42,356	39,843
Debt securities and equity shares	88,877	83,458
Assets of disposal groups (2)	3,405	3,486
Other assets	27,609	22,008
Funded assets	570,713	552,894
Derivatives	312,217	262,514
Total assets	882,930	815,408
Bank deposits (3)	31,774	28,030
Customer deposits (3)	352,344	343,186
Repurchase agreements and stock lending	39,030	37,378
Debt securities in issue	29,576	31,150
Subordinated liabilities	20,870	19,847
Derivatives	304,789	254,705
Liabilities of disposal groups (2)	2,816	2,980
Other liabilities	47,566	43,985
Total liabilities	828,765	761,261
Non-controlling interests	788	716
Owners' equity	53,377	53,431
Total liabilities and equity	882,930	815,408
Contingent liabilities and commitments	150,729	153,752
Balance sheet related key metrics and ratios		
Tangible net asset value per ordinary share (4)	351p	352p
Loan:deposit ratio (3,5)	90%	89%
Short-term wholesale funding (3,6)	£16.6bn	£17.2bn
Wholesale funding (3,6)	£58.9bn	£58.7bn
Liquidity portfolio	£157bn	£156bn
Liquidity coverage ratio (LCR) (7)	121%	136%
Net stable funding ratio (NSFR) (8)	119%	121%
Tangible equity (9)	£40,892m	£40,943m
Number of ordinary shares in issue (millions) (10)	11,661	11,625
Common Equity Tier 1 ratio	14.6%	15.5%
Risk-weighted assets	£249.5bn	£242.6bn
Leverage ratio (11)	5.3%	5.6%

Notes:

- (1) Excludes reverse repurchase agreements and stock borrowing.
- (2) Primarily international private banking business.
- (3) Excludes repurchase agreements and stock lending.
- (4) Tangible net asset value per ordinary share represents tangible equity divided by the number of ordinary shares in issue.
- (5) Includes disposal groups.
- (6) Excludes derivative collateral.
- (7)

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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. The published LCR excludes Pillar 2 add-ons. RBS calculates the LCR using its own interpretation of the EU LCR Delegated Act, which may change over time and may not be fully comparable with that of other institutions.

- (8) 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.
- (9) Tangible equity is equity attributable to ordinary shareholders less intangible assets.
- (10) Includes 36 million Treasury shares (31 December 2015 - 26 million).
- (11) Based on end-point CRR Tier 1 capital and leverage exposure under the CRR Delegated Act.

Analysis of results

	Quarter ended		31 March 2015 £m
	31 March 2016 £m	31 December 2015 £m	
Net interest income			
Net interest income (1)			
RBS	2,156	2,162	2,203
- UK Personal & Business Banking	1,019	1,030	1,032
- Ulster Bank RoI	105	85	95
- Commercial Banking	536	512	482
- Private Banking	113	108	110
- RBS International	75	78	76
- Corporate & Institutional Banking	19	28	14
- Capital Resolution	86	6	157
- Williams & Glyn	162	165	163
- Central items & other	41	150	74
Average interest-earning assets (IEA)			
RBS	403,384	407,061	415,380
- UK Personal & Business Banking	135,793	134,687	127,973
- Ulster Bank RoI	24,178	23,195	23,244
- Commercial Banking	114,855	111,600	103,479
- Private Banking	16,259	16,025	15,575
- RBS International	21,075	20,773	20,639
- Corporate & Institutional Banking	11,568	10,190	14,227
- Capital Resolution	30,767	39,875	82,990
- Williams & Glyn	23,356	23,327	22,636
- Central items & other	25,533	27,389	4,617
Yields, spreads and margins of the banking business			
Gross yield on interest-earning assets of the banking business (2)	2.82%	2.78%	3.00%
Cost of interest-bearing liabilities of banking business	(1.01%)	(1.00%)	(1.22%)

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Interest spread of banking business (3)	1.81%	1.78%	1.78%
Benefit from interest-free funds	0.34%	0.32%	0.37%
Net interest margin (1,4)			
RBS	2.15%	2.10%	2.15%
- UK Personal & Business Banking (5)	3.02%	3.03%	3.27%
- Ulster Bank RoI (5)	1.75%	1.45%	1.66%
- Commercial Banking (5)	1.88%	1.82%	1.89%
- Private Banking (5)	2.80%	2.67%	2.86%
- RBS International (5)	1.43%	1.49%	1.49%
- Corporate & Institutional Banking	0.66%	1.09%	0.40%
- Capital Resolution	1.12%	0.06%	0.77%
- Williams & Glyn	2.79%	2.81%	2.92%
Third party customer rates (6)			
Third party customer asset rate			
- UK Personal & Business Banking	3.95%	4.00%	4.21%
- Ulster Bank RoI (7)	2.33%	2.19%	2.28%
- Commercial Banking	2.87%	2.84%	2.98%
- Private Banking	3.01%	3.06%	3.19%
- RBS International	3.29%	3.09%	3.15%
Third party customer funding rate			
- UK Personal & Business Banking	(0.62%)	(0.63%)	(0.71%)
- Ulster Bank RoI (7)	(0.59%)	(0.74%)	(1.05%)
- Commercial Banking	(0.35%)	(0.36%)	(0.39%)
- Private Banking	(0.23%)	(0.25%)	(0.28%)
- RBS International	(0.24%)	(0.24%)	(0.45%)

Analysis of results

Key points

- Net interest income of £2,156 million was down £47 million, or 2%, compared with £2,203 million in Q1 2015 principally driven by a 45% reduction in Capital Resolution to £86 million in line with the planned shrinkage of the balance sheet. Partially offsetting, Commercial Banking net interest income increased £54 million, or 11%, to £536 million reflecting increased asset volumes. Q1 2016 net interest income benefits from one additional day compared with Q1 2015, £24 million, and is impacted by one fewer day compared with Q4 2015, £24 million.
- NIM for RBS of 2.15% was stable compared with Q1 2015 as the benefit associated with reductions in the low yielding 'non-core' assets has been offset by modest asset margin pressure and mix impacts across the core franchises. NIM was 5 basis points higher than Q4 2015 principally reflecting rundown of the low yielding 'non-core' assets.
- NIM for our combined core PBB and CPB franchises was 2.38% in Q1 2016 compared with 2.50% in Q1 2015 and 2.35% in Q4 2015.
- In UK PBB, NIM declined by 25 basis points to 3.02% compared with Q1 2015 reflecting lower current account hedge income, the impact of the overall portfolio mix being increasingly weighted towards secured lending and mortgage customers switching from standard variable rate (SVR) to lower rate products. SVR balances represented 16% of the mortgage book at 31 March 2016 compared with 20% a year earlier and 17% at the end of Q4 2015. NIM was broadly stable compared with Q4 2015.
- Commercial Banking NIM was broadly stable compared with Q1 2015.

Notes:

- (1) For the purpose of net interest margin (NIM) calculations, no decrease (Q4 2015 - £3 million; Q1 2015 - £5 million) was made in respect of interest on financial assets and liabilities designated as at fair value through profit or loss. Related average interest-earning assets and average interest-bearing liabilities have also been adjusted.
- (2) Gross yield is the interest earned on average interest-earning assets as a percentage of average interest-earning assets.
- (3) Interest spread is the difference between the gross yield and interest paid on average interest-bearing liabilities as a percentage of average interest-bearing liabilities.
- (4) Net interest margin is net interest income as a percentage of average interest-earning assets.
- (5) PBB NIM was 2.83% (Q4 2015 - 2.80%; Q1 2015 - 3.02%); CPB NIM was 1.91% (Q4 2015 - 1.87%; Q1 2015 - 1.94%).
- (6) Net interest margin includes Treasury allocations and interest on intercompany borrowings, which are excluded from third party customer rates.
- (7) Ulster Bank Ireland Limited manages its funding and liquidity requirements locally. Its liquid asset portfolios and non-customer related funding sources are included within its net interest margin, but excluded from its third party asset and liability rates.

Analysis of results

	Quarter ended		31 March 2015
	31 March 2016	31 December 2015	
	£m	£m	£m
Non-interest income			
Net fees and commissions	654	653	812
Income from trading activities	(110)	59	235
Own credit adjustments	256	(115)	120
Loss on redemption of own debt	-	(263)	-
Strategic disposals	(6)	(22)	(135)
Other operating income	114	10	284
Total non-interest income	908	322	1,316
Memo:			
IFRS volatility in Treasury	(356)	59	(123)

Note:

- (1) IFRS volatility relates to loans which are economically hedged but for which hedge accounting is not permitted under IFRS.

Key points

- Non-interest income was £908 million, a reduction of £408 million, or 31%, compared with £1,316 million in Q1 2015. The reduction principally reflects a £234 million fall in Capital Resolution due to planned asset disposals, a £233 million increase in the charge for volatile items under IFRS (£356 million in Q1 2016 compared with £123 million in Q1 2015) and a £194 million reduction in CIB, reflecting a challenging market and the reduced scale of the business. Partially offsetting, strategic disposal losses were £135 million in Q1 2015, largely in respect of International Private Banking.
- Compared with Q4 2015, non-interest income was £586 million higher principally reflecting an own credit adjustment gain of £256 million compared with a charge of £115 million in Q4 2015, a £263 million loss on

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redemption of own debt in Q4 2015 and a reduction in Capital Resolution losses. Partially offsetting, a £356 million charge for volatile items under IFRS was reported in the quarter compared with a gain of £59 million in Q4 2015.

- Net fees and commissions fell by £158 million, or 19%, compared with Q1 2015 to £654 million reflecting the planned Capital Resolution asset run-down, £59 million, lower CIB income, down £104 million, and lower interchange fees in UK PBB, down £25 million.
- Losses from trading activities totalled £110 million in Q1 2016 compared with income of £235 million in Q1 2015, reflecting an increased charge for volatile items under IFRS as well as income reductions across CIB and Capital Resolution.
- Other operating income of £114 million was £170 million lower than Q1 2015 principally reflecting planned Capital Resolution run-down.

Analysis of results

	Quarter ended		
	31 March 2016	31 December 2015	31 March 2015*
	£m	£m	£m
Operating expenses			
Staff costs	1,202	1,072	1,285
Premises and equipment	315	422	411
Other administrative expenses	446	786	380
Restructuring costs (see below)	238	614	447
Litigation and conduct costs	31	2,124	856
Administrative expenses	2,232	5,018	3,379
Depreciation and amortisation	178	170	232
Write down of goodwill	-	498	-
Write down of other intangible assets	10	75	-
Operating expenses	2,420	5,761	3,611
Adjusted operating expenses (1)	2,151	2,525	2,308
Restructuring costs comprise:			
- staff expenses	121	205	56
- premises, equipment, depreciation and amortisation	9	41	288
- other	108	368	103
	238	614	447
Staff costs as a % of total income	39%	43%	37%
Cost:income ratio	79%	232%	103%
Cost:income ratio - adjusted (2)	76%	88%	65%
Employee numbers (FTE - thousands)	92.4	91.5	91.7

*Restated, refer to Note 1 on page 32 for further details.

Notes:

(1) Excluding restructuring costs, litigation and conduct costs, and write down of goodwill.

(2) Excluding restructuring costs, litigation and conduct costs, write down of goodwill, own credit adjustments, loss on redemption of own debt and strategic disposals.

Key points

- Total operating expenses of £2,420 million were £1,191 million, or 33%, lower than Q1 2015 principally reflecting lower litigation and conduct costs of £31 million (Q1 2015 - £856 million) and lower restructuring costs of £238 million (Q1 2015 - £447 million).
- Adjusted operating expenses fell by £157 million, or 7%, from Q1 2015 to £2,151 million. Excluding expenses associated with Williams & Glyn and the write down of intangible assets, adjusted operating expenses reduced by £189 million and remain on target to achieve an £800 million reduction for the year.
- Staff costs of £1,202 million were down £83 million, or 6%, on Q1 2015 reflecting reduced headcount in CIB and Capital Resolution.
- Restructuring costs of £238 million in the quarter principally related to the Williams & Glyn separation, £158 million.
- Litigation and conduct costs of £31 million were significantly lower than recorded in previous quarters which included additional provisions for mortgage-backed securities and foreign exchange litigation in the US, additional PPI provisions and other customer redress.

Analysis of results

	Quarter ended		
	31 March 2016	31 December 2015	31 March 2015
	£m	£m	£m
Impairment losses/(releases)			
Loan impairment losses/(releases)			
- individually assessed	186	(271)	(15)
- collectively assessed	16	(27)	12
- latent	21	(28)	(225)
Total loan impairment losses/(releases)	223	(326)	(228)
Securities	-	(1)	99
Total impairment losses/(releases)	223	(327)	(129)
	31 March 2016	31 December 2015	31 March 2015
Credit metrics (1)			
Gross customer loans	£325,339m	£315,111m	£413,900m
Loan impairment provisions	£6,701m	£7,139m	£13,785m
Risk elements in lending (REIL)	£11,867m	£12,157m	£22,278m
Provisions as a % of REIL	57%	59%	62%
REIL as a % of gross customer loans	3.6%	3.9%	5.4%

Note:

(1) Includes disposal groups and excludes reverse repos.

Key points

- A net impairment loss of £223 million was reported in Q1 2016 compared with a release of £129 million in Q1 2015 and a release of £327 million in Q4 2015.
- Capital Resolution reported an impairment loss of £196 million compared with a release of £145 million in Q1 2015. The charge for the quarter included £226 million (Q4 2015 - £83 million; Q1 2015 - £59 million) in relation to exposures in the shipping portfolio reflecting difficult conditions in some parts of the sector.
- Provision coverage decreased from 59% at 31 December 2015 to 57% at 31 March 2016.

Analysis of results

Selected credit risk portfolios

	31 March 2016			31 December 2015		
	CRA (1) £m	TCE (2) £m	EAD (3) £m	CRA (1) £m	TCE (2) £m	EAD (3) £m
Natural Resources						
Oil & Gas	3,518	6,735	5,225	3,533	6,609	5,606
Mining & Metals	1,050	1,998	1,465	1,134	2,105	1,555
Electricity	3,606	8,344	6,055	2,848	7,454	5,205
Water & Waste	5,125	6,290	6,242	4,835	5,948	5,873
	13,299	23,367	18,987	12,350	22,116	18,239
Commodity Traders (4)	668	1,187	1,215	749	1,117	1,350
Of which: Natural Resources	506	889	796	548	772	776
Shipping	6,894	7,380	7,140	7,140	7,688	7,509

Notes:

- (1) Credit risk assets (CRA) consist of lending gross of impairment provisions and derivative exposures after netting and contingent obligations.
- (2) Total committed exposure (TCE) comprises CRA, securities financing transactions after netting, banking book debt securities and committed undrawn facilities.
- (3) Exposure at default (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.
- (4) Commodity Traders represent customers in a number of industry sectors, predominantly Natural Resources above.

Key points

- Oil & Gas - The portfolio remained broadly unchanged. Non-performing loans increased to £182 million (31 December 2015 - £138 million) reflecting the continued challenging market environment.
- Mining & Metals - Exposure continued to reduce in Q1 2016 predominantly due to proactive credit management. The sector remains under stress and continues to be subject to heightened monitoring. Non-performing loans increased to £101 million (31 December 2015 - £48 million).
- Commodity Traders - Exposure is mainly to the largest independent physical commodity traders, funding is predominantly short-dated and used for working capital.

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Shipping - Following deterioration in market values and charter rates to historic lows in the dry bulk sector, provisions increased from £181 million to £374 million in Q1 2016. Non-performing loans increased to £827 million (31 December 2015 - £434 million).

	31 March 2016		31 December 2015	
	Balance sheet £m	Total exposure £m	Balance sheet £m	Total exposure £m
Emerging markets (1)				
India	1,412	1,646	1,563	1,879
China	1,004	1,028	1,054	1,094

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 Capital and Risk management section of the 2015 Annual Report and Accounts for detailed definitions and additional disclosures.

Key points

- Exposure to most emerging markets decreased in Q1 2016 in line with the RBS strategy to focus on home markets in the UK and the Republic of Ireland.
- Exposure in China was stable in Q1 2016. The drop in exposure to India mainly reflected reductions in corporate lending.

Analysis of results

Capital and leverage ratios

	End-point CRR basis			
	(1)		PRA transitional basis	
	31 March 2016	31 December 2015	31 March 2016	31 December 2015
Risk asset ratios	%	%	%	%
CET1	14.6	15.5	14.6	15.5
Tier 1	15.4	16.3	17.7	19.1
Total	18.8	19.6	22.9	24.7
Capital	£m	£m	£m	£m
Tangible equity	40,892	40,943	40,892	40,943
Expected loss less impairment provisions	(936)	(1,035)	(936)	(1,035)
Prudential valuation adjustment	(408)	(381)	(408)	(381)
Deferred tax assets	(1,075)	(1,110)	(1,075)	(1,110)

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Own credit adjustments	(371)	(104)	(371)	(104)
Pension fund adjustment	(458)	(161)	(458)	(161)
Other deductions	(1,214)	(544)	(1,214)	(522)
Total deductions	(4,462)	(3,335)	(4,462)	(3,313)
CET1 capital	36,430	37,608	36,430	37,630
AT1 capital	1,997	1,997	7,756	8,716
Tier 1 capital	38,427	39,605	44,186	46,346
Tier 2 capital	8,422	8,002	13,028	13,619
Total regulatory capital	46,849	47,607	57,214	59,965
Risk-weighted assets				
Credit risk				
- non-counterparty	171,600	166,400		
- counterparty	27,100	23,400		
Market risk	21,200	21,200		
Operational risk	29,600	31,600		
Total RWAs	249,500	242,600		
Leverage (2)				
Derivatives	312,200	262,500		
Loans and advances	338,600	327,000		
Reverse repos	42,500	39,900		
Other assets	189,600	186,000		
Total assets	882,900	815,400		
Derivatives				
- netting	(303,500)	(258,600)		
- potential future exposures	75,900	75,600		
Securities financing transactions gross up	7,100	5,100		
Undrawn commitments	62,300	63,500		
Regulatory deductions and other adjustments	3,600	1,500		
Leverage exposure	728,300	702,500		
Tier 1 capital	38,427	39,605		
Leverage ratio %	5.3	5.6		

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 both bases with the exception of unrealised gains on AFS securities which have been included from 2015 under the PRA transitional basis.

(2) Based on end-point CRR Tier 1 capital and leverage exposure under the CRR Delegated Act.

Analysis of results

Key points

CET1 ratio of 14.6% fell by 90 basis points in the quarter reflecting lower CET1 capital as well as higher RWAs.

CET1 capital decreased by £1.2 billion due to the payment of the final DAS dividend (50 basis points impact on CET1 ratio) and the accelerated pension payment (30 basis points).

RWAs have increased by £6.9 billion in the quarter to £249.5 billion reflecting loan growth in the core franchises alongside market volatility and exchange rate movements as sterling weakened (£3.3 billion).

Increases in non-counterparty credit risk RWAs (£5.2 billion) and counterparty risk RWAs (£3.7 billion) were partly offset by a £2.0 billion reduction associated with the annual recalculation of operational risk RWAs.

The increase in credit risk RWAs was principally across Commercial Banking (£3.9 billion), UK PBB (£1.5 billion) and RBSI (£0.8 billion). Partially offsetting, Capital Resolution reduced by £1.8 billion in line with planned run-down.

Commercial Banking and RBSI credit risk RWAs increased as a result of asset growth and the impact of foreign exchange movements.

UK PBB credit risk RWAs increased due to mortgage lending growth and a recalibration of mortgage risk parameter models.

Counterparty risk RWAs increased in the quarter in CIB and Capital Resolution driven by market volatility and the implementation of new risk parameter models.

Leverage ratio decreased in the quarter from 5.6% to 5.3% due to lower Tier 1 capital (as discussed above) and an increase in funded assets reflecting loan growth.

Segment performance

	Quarter ended 31 March 2016									
	PBB		CPB				Central items			Total
	UK PBB £m	RoI £m	Commercial Banking £m	Private Banking £m	RBS International £m	Capital Resolution CIB £m	Williams & Glyn £m	& (1) £m	RBS £m	
Income statement										
Net interest income	1,019	105	536	113	75	19	86	162	41	2,156
Other non-interest income	256	50	317	52	15	258	(35)	43	(298)	658
Total income - adjusted (2)	1,275	155	853	165	90	277	51	205	(257)	2,814
Own credit adjustments	-	3	-	-	-	64	108	-	81	256
Strategic disposals	-	-	-	-	-	-	(6)	-	-	(6)
Total income	1,275	158	853	165	90	341	153	205	(176)	3,064
Direct expenses - staff costs	(181)	(51)	(131)	(40)	(10)	(67)	(45)	(62)	(615)	(1,202)

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other costs	(63)	(11)	(49)	(14)	(5)	(14)	(33)	(15)	(745)	(949)
Indirect expenses	(484)	(42)	(256)	(83)	(20)	(250)	(154)	(21)	1,310	-
Operating expenses - adjusted (3)	(728)	(104)	(436)	(137)	(35)	(331)	(232)	(98)	(50)	(2,151)
Restructuring costs - direct	(13)	(6)	(1)	(1)	-	-	(7)	(20)	(190)	(238)
- indirect	(9)	-	1	(15)	(1)	(12)	(9)	-	45	-
Litigation and conduct costs	-	-	(2)	-	-	(18)	(10)	-	(1)	(31)
Operating expenses	(750)	(110)	(438)	(153)	(36)	(361)	(258)	(118)	(196)	(2,420)
Profit/(loss) before impairment losses	525	48	415	12	54	(20)	(105)	87	(372)	644
Impairment releases/(losses)	(16)	13	(14)	(2)	(2)	-	(196)	(6)	-	(223)
Operating profit/(loss)	509	61	401	10	52	(20)	(301)	81	(372)	421
Operating profit/(loss) - adjusted (2,3)	531	64	403	26	53	(54)	(377)	101	(307)	440
Additional information										
Return on equity (4)	26.1%	8.8%	11.1%	1.5%	16.0%	(2.6%)	nm	nm	nm	(9.6%)
Return on equity - adjusted (2,3,4)	27.3%	9.2%	11.2%	5.1%	16.3%	(4.4%)	nm	nm	nm	(9.4%)
Cost:income ratio	59%	70%	51%	93%	40%	106%	nm	58%	nm	79%
Cost:income ratio - adjusted (2,3)	57%	67%	51%	83%	39%	119%	nm	48%	nm	76%
Total assets (£bn)	146.3	22.7	139.4	17.4	23.7	255.9	218.8	24.2	34.5	882.9
Funded assets (£bn)	146.3	22.6	139.4	17.3	23.7	116.0	50.2	24.2	31.0	570.7
Net loans and advances to customers (£bn)	121.8	17.9	96.4	11.6	8.0	18.6	22.4	20.1	1.8	318.6
Risk elements in lending (£bn)	2.4	4.5	2.2	0.1	0.1	-	2.2	0.4	-	11.9
Impairment provisions (£bn)	(1.6)	(2.7)	(1.1)	-	-	-	(1.0)	(0.3)	-	(6.7)
Customer deposits (£bn)	136.9	13.7	97.1	23.2	21.6	6.7	24.9	24.3	6.6	355.0
Risk-weighted assets (RWAs) (£bn)	34.7	20.4	75.7	8.6	9.1	36.1	47.6	9.7	7.6	249.5
RWA equivalent (£bn)	37.5	21.7	79.7	8.6	9.1	36.7	48.4	10.1	7.8	259.6
Employee numbers (FTEs - thousands)	21.4	3.2	6.0	1.8	0.7	1.3	1.0	5.5	51.5	92.4

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For the notes to this table refer to page 21. nm = not meaningful

Segment performance

	Quarter ended 31 December 2015									
	PBB		CPB				Central items			Total RBS
	Ulster UK Bank PBB £m	RoI £m	Commercial Banking £m	Private Banking £m	RBS International £m	CIB Resolution £m	Capital Williams & Glyn £m	& other (1) £m	£m	
Income statement										
Net interest income	1,030	85	512	108	78	28	6	165	150	2,162
Other non-interest income	224	31	285	50	17	224	(239)	43	87	722
Total income adjusted (2)	1,254	116	797	158	95	252	(233)	208	237	2,884
Own credit adjustments	-	-	-	-	-	(66)	(5)	-	(44)	(115)
Loss on redemption of own debt	-	-	-	-	-	-	-	-	(263)	(263)
Strategic disposals	-	-	-	-	-	-	(24)	-	2	(22)
Total income	1,254	116	797	158	95	186	(262)	208	(68)	2,484
Direct expenses - staff costs	(199)	(40)	(124)	(43)	(12)	(63)	(54)	(61)	(476)	(1,072)
other costs	(82)	(28)	(80)	(7)	(5)	(50)	(54)	(24)	(1,123)	(1,453)
Indirect expenses	(596)	(49)	(380)	(109)	(24)	(251)	(286)	(22)	1,717	-
Operating expenses - adjusted (3)	(877)	(117)	(584)	(159)	(41)	(364)	(394)	(107)	118	(2,525)
Restructuring costs - direct	(31)	7	(40)	(7)	-	-	(21)	(28)	(494)	(614)
indirect	(56)	(1)	(14)	12	1	(62)	(83)	-	203	-
Litigation and conduct costs	(607)	4	8	(10)	-	(5)	(1,498)	-	(16)	(2,124)
Write down of goodwill	-	-	-	(498)	-	-	-	-	-	(498)
Operating expenses	(1,571)	(107)	(630)	(662)	(40)	(431)	(1,996)	(135)	(189)	(5,761)
(Loss)/profit before impairment losses	(317)	9	167	(504)	55	(245)	(2,258)	73	(257)	(3,277)
	27	10	(27)	(12)	-	-	356	(20)	(7)	327

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Impairment releases/(losses)

Operating (loss)/profit	(290)	19	140	(516)	55	(245)	(1,902)	53	(264)	(2,950)
Operating profit/(loss) - adjusted (2,3)	404	9	186	(13)	54	(112)	(271)	81	348	686
Additional information										
Return on equity (4)	(16.8%)	3.0%	3.1%	(118.9%)	19.1%	(15.1%)	nm	nm	nm	(26.5%)
Return on equity - adjusted (2,3,4)	19.8%	1.4%	4.6%	(4.4%)	18.7%	(7.6%)	nm	nm	nm	6.6%
Cost:income ratio	125%	92%	79%	419%	42%	232%	nm	65%	nm	232%
Cost:income ratio - adjusted (2,3)	70%	101%	73%	101%	43%	144%	nm	51%	nm	88%
Total assets (£bn)	143.9	21.3	133.5	17.0	23.1	215.3	201.5	24.1	35.7	815.4
Funded assets (£bn)	143.9	21.2	133.5	17.0	23.1	103.3	53.4	24.1	33.4	552.9
Net loans and advances to customers (£bn)	119.8	16.7	91.3	11.2	7.3	16.1	23.6	20.0	2.0	308.0
Risk elements in lending (£bn)	2.7	3.5	1.9	0.1	0.1	-	3.4	0.5	-	12.2
Impairment provisions (£bn)	(1.8)	(1.9)	(0.7)	-	(0.1)	-	(2.3)	(0.3)	-	(7.1)
Customer deposits (£bn)	137.8	13.1	88.9	23.1	21.3	5.7	26.0	24.1	6.0	346.0
Risk-weighted assets (RWAs) (£bn)	33.3	19.4	72.3	8.7	8.3	33.1	49.0	9.9	8.6	242.6
RWA equivalent (£bn)	35.5	20.4	77.6	8.7	8.3	33.4	50.3	10.4	8.8	253.4
Employee numbers (FTEs - thousands)	22.4	2.5	5.8	1.9	0.7	1.3	1.4	5.1	50.4	91.5

For the notes to this table refer to page 21. nm = not meaningful

Segment performance

	Quarter ended 31 March 2015									
	PBB		CPB				Capital Williams		Central items & other	Total
	Ulster UK PBB	Bank RoI	Commercial Banking	Private Banking	RBS International	CIB	Resolution	& Glyn	(1)	RBS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement										
Net interest income	1,032	95	482	110	76	14	157	163	74	2,203

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Other non-interest income	282	43	307	55	17	470	250	41	(134)	1,331
Total income - adjusted (2)	1,314	138	789	165	93	484	407	204	(60)	3,534
Own credit adjustments	-	-	-	-	-	46	65	-	9	120
Strategic disposals	-	-	-	-	-	-	(14)	-	(121)	(135)
Total income	1,314	138	789	165	93	530	458	204	(172)	3,519
Direct expenses - staff costs	(200)	(40)	(123)	(46)	(10)	(109)	(92)	(45)	(620)	(1,285)
- other costs	(64)	(18)	(51)	(9)	(4)	(26)	(57)	(6)	(788)	(1,023)
Indirect expenses	(445)	(43)	(241)	(68)	(24)	(257)	(260)	(25)	1,363	-
Operating expenses - adjusted (3)	(709)	(101)	(415)	(123)	(38)	(392)	(409)	(76)	(45)	(2,308)
Restructuring costs - direct	-	-	-	-	-	-	(16)	-	(431)	(447)
- indirect	(30)	1	1	3	(2)	(91)	(184)	-	302	-
Litigation and conduct costs	(354)	-	-	(2)	-	(334)	(166)	-	-	(856)
Operating expenses	(1,093)	(100)	(414)	(122)	(40)	(817)	(775)	(76)	(174)	(3,611)
Profit/(loss) before impairment losses	221	38	375	43	53	(287)	(317)	128	(346)	(92)
Impairment (losses)/releases	(20)	25	1	1	(2)	8	145	21	(50)	129
Operating profit/(loss)	201	63	376	44	51	(279)	(172)	149	(396)	37
Operating profit/(loss) - adjusted (2,3)	585	62	375	43	53	100	143	149	(155)	1,355
Additional information *										
Return on equity (4)	8.4%	10.1%	12.4%	7.8%	18.8%	(13.3%)	nm	nm	nm	(4.3%)
Return on equity - adjusted (2,3,4)	27.2%	9.9%	12.4%	7.5%	19.5%	3.0%	nm	nm	nm	7.4%
Cost:income ratio	83%	72%	52%	74%	43%	154%	nm	37%	nm	103%
Cost:income ratio - adjusted (2,3)	54%	73%	53%	75%	41%	81%	nm	37%	nm	65%
Total assets (£bn)	137.8	21.7	131.1	17.3	24.3	308.7	338.7	23.7	101.6	1,104.9
Funded assets (£bn)	137.8	21.6	131.1	17.3	24.3	152.1	108.3	23.7	97.7	713.9
	111.7	16.7	86.2	11.1	7.2	31.6	48.5	19.5	67.7	400.2

Net loans and
advances to
customers (£bn)
Risk elements in
lending (£bn)

3.4	4.0	2.3	0.1
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