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-________

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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<br>UK Free Call – 0800 694 8082<br>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.

Contacts

For analyst enquiries:

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

For media enquiries:

| | | |
|---|---|---|
| RBS Press Office | | +44 (0) 131 523 4205 |

## 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.

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 |
|---|---|---|
| Strength and sustainability | Maintain Bank CET1 ratio of 13% | CET1 ratio of 14.6% |
| | £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

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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

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Customer

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

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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 |
|---|---|---|---|---|---|
| Customer trust(7) | NatWest (England & Wales) | 44% | 48% | 48% | 51% |

| | | | | |
|---|---|---|---|---|
| Royal Bank of Scotland (Scotland) | 10% | 14% | 21% | 26% |

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 | 31 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) |

| | | | |
|---|---|---|---|
| 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

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Summary consolidated balance sheet as at 31 March 2016

| | 31 March 2016 £m | 31 December 2015 £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 |

| | | |
|---|---|---|
| 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)

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 2016 | 31 December 2015 | 31 March 2015 |
| Net interest income | £m | £m | £m |
| 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%) |

| | | | |
|---|---|---|---|
| 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 2016 | 31 December 2015 | 31 March 2015 |
| Non-interest income | £m | £m | £m |
| 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 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* |
| Operating expenses | £m | £m | £m |
| 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 |
| Impairment losses/(releases) | £m | £m | £m |
| 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) |

| Credit metrics (1) | 31 March 2016 | 31 December 2015 | 31 March 2015 |
|---|---|---|---|
| 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

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Selected credit risk portfolios

| | 31 March 2016 | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | CRA (1) | TCE (2) | EAD (3) | CRA (1) | TCE (2) | EAD (3) |
| Natural Resources | £m | £m | £m | £m | £m | £m |
| 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.
-

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 | |
|---|---|---|---|---|
| Emerging markets (1) | Balance sheet £m | Total exposure £m | Balance sheet £m | Total exposure £m |
| 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 | |
|---|---|---|---|---|
| Risk asset ratios | 31 March 2016 % | 31 December 2015 % | 31 March 2016 % | 31 December 2015 % |
| 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) |

| | | | | |
|---|---|---|---|---|
| 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 | | | | | | | |
| | UK PBB | Ulster Bank RoI | Commercial Banking | Private Banking | RBS International | CIB | Capital Resolution | Williams & Glyn | Central items & other (1) | Total RBS |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £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) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| - | | | | | | | | | | |
| 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 |

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

Segment performance

| | Quarter ended 31 December 2015 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | PBB | | CPB | | | | | | | |
| | UK PBB | Ulster Bank RoI | Commercial Banking | Private Banking | RBS International | CIB | Capital Resolution | Williams & Glyn | Central items & other (1) | Total RBS |
| | £m | £m | £m | £m | £m | £m | £m | £m | £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) |