ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
May 15, 2015

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

15 May 2015

Form 6-K

The Royal Bank of Scotland Group plc

Gogarburn

PO Box 1000

Edinburgh EH12 1HQ

Scotland

United Kingdom

(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-______

This report on Form 6-K shall be deemed incorporated by reference into the company's Registration Statement on Form F-3 (File Nos. 333-203157 and 333-203157-01) and to be a part thereof from the date which it was filed, to the extent not superseded by documents or reports subsequently filed or furnished.

The Royal Bank of Scotland Group plc

Q1 2015 Results

Contents

Forward-looking statements

Certain sections in this document contain ‘forward-looking statements’ as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include the words ‘expect’, ‘estimate’, ‘project’, ‘anticipate’, ‘believe’, ‘should’, ‘intend’, ‘plan’, ‘could’, ‘probability’, ‘risk’, ‘Value-at-Risk (VaR)’, ‘target’, ‘goal’, ‘objective’, ‘may’, ‘endeavour’, ‘outlook’, ‘optimistic’, ‘prospects’ and similar expressions or variations on these expressions.

In particular, this document includes forward-looking statements relating, but not limited to: The Royal Bank of Scotland Group plc’s (RBS) Transformation Plan (which includes RBS’s 2013/2014 strategic plan relating to the implementation of its new divisional and functional structure and the continuation of its balance sheet reduction programme including its proposed divestments of CFG and Williams & Glyn, RBS’s information technology and operational investment plan, the proposed restructuring of RBS’s CIB business and the restructuring of RBS as a result of the implementation of the regulatory ring-fencing regime), as well as restructuring, capital and strategic plans, divestments, capitalisation, portfolios, net interest margin, capital and leverage ratios, liquidity, risk-weighted assets (RWAs), RWA equivalents (RWAe), Pillar 2A, Maximum Distributable Amount (MDA), total loss absorbing capital (TLAC), minimum requirements for eligible liabilities (MREL) return on equity (ROE), profitability, cost:income ratios, loan:deposit ratios, funding and risk profile; litigation, government and regulatory investigations including investigations relating to the setting of interest rates and foreign exchange trading and rate setting activities; costs or exposures borne by RBS arising out of the origination or sale of mortgages or mortgage-backed securities in the US; RBS’s future financial performance; the level and extent of future impairments and write-downs; and RBS’s exposure to political risks, credit rating risk and to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates, targets and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk and other disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

Other factors that could adversely affect our results and the accuracy of forward looking statements in this document include the risk factors and other uncertainties discussed in RBS’s 2014 Annual Report on Form 20-F.. These include the significant risks presented by the execution of the Transformation Plan; RBS’s ability to successfully implement the various initiatives that are comprised in the Transformation Plan, particularly the balance sheet reduction programme including the divestment of Williams & Glyn and its remaining stake in CFG, the proposed restructuring of its CIB business and the significant restructuring undertaken by RBS as a result of the implementation of the ring fence; whether RBS will emerge from implementing the Transformation Plan as a viable, competitive, customer focussed and profitable bank; RBS’ ability to achieve its capital targets which depend on RBS’ success in reducing the size of its business; the cost and complexity of the implementation of the ring-fence and the extent to which it will have a material adverse effect on RBS; the risk of failure to realise the benefit of RBS’s substantial investments in its information technology and operational infrastructure and systems, the significant changes, complexity and costs relating to the implementation of the Transformation Plan, the risks of lower revenues resulting from lower customer retention and revenue generation as RBS refocuses on the UK as well as increasing competition. In addition, there are other risks and uncertainties. These include RBS's ability to attract and retain qualified personnel; uncertainties regarding the outcomes of legal, regulatory and governmental actions and investigations that RBS is subject to and any resulting material adverse effect on RBS of unfavourable outcomes; heightened regulatory and governmental scrutiny and the increasingly regulated environment in which RBS operates; uncertainty relating to how policies of the new government elected in the May 2015 UK election may impact RBS including a possible referendum on the UK's membership of the EU; operational risks that are inherent in RBS's business and that could increase as RBS implements its Transformation Plan; the potential negative impact on RBS's business of actual or perceived global economic and financial market conditions and other global risks; how RBS will be increasingly impacted by UK developments as its operations become gradually more focussed on the UK; uncertainties regarding RBS exposure to any weakening of economies within the EU and renewed threat of default by certain counties in the Eurozone; the risks resulting from RBS implementing the State Aid restructuring plan including with respect to the disposal of certain assets and businesses as announced or required as part of the State Aid restructuring plan; the achievement of capital and costs reduction targets; ineffective management of capital or changes to regulatory requirements relating to capital adequacy and liquidity; the ability to access sufficient sources of capital, liquidity and funding when required; deteriorations in borrower and counterparty credit quality; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by RBS; the impact of unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices; basis, volatility and correlation risks; changes in the credit ratings of RBS; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; regulatory or legal changes (including those requiring any restructuring of RBS's operations); changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies; changes in UK and foreign laws, regulations, accounting standards and taxes; impairments of goodwill; the high dependence of RBS' operations on its information technology systems and its increasing exposure to cyber security threats; the reputational risks inherent in RBS' operations; the risk that RBS may suffer losses due to employee misconduct; pension fund shortfalls; the recoverability of deferred tax assets; HM Treasury exercising influence over the operations of RBS; limitations on, or additional requirements imposed on, RBS's activities as a result of HM Treasury's investment in RBS; and the success of RBS in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as of the date of this announcement, and RBS does not undertake to update any forward-looking statement to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The information, statements and opinions contained in this document do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

Presentation of information

Non-GAAP financial information

The directors manage RBS's performance by class of business, before certain reconciling items, as is presented in the segment performance on pages 21 to 23 (the "non-statutory basis"). The following are reported as reconciling items: own credit adjustments, gain/(loss) on redemption of own debt, write-down of goodwill and strategic disposals. RFS Holdings minority interest was a reconciling item for the periods ended 31 December and 31 March 2014. Further the results of Citizens are included in the appropriate caption in the financial results presented on a non-statutory basis and included in discontinued operations in the financial results presented on a statutory basis. Discussion of RBS's performance in this report presents RBS's results on a non-statutory basis as management believes that such measures allow a more meaningful analysis of RBS's financial condition and the results of its operations. These measures are non-GAAP financial measures. A body of generally accepted accounting principles such as IFRS is commonly referred to as 'GAAP'. A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. Reconciliations of these non-GAAP measures to the closest equivalent GAAP measure are presented throughout this document and in the segment performance on pages 21 to 23. These non-GAAP financial measures are not a substitute for GAAP measures. Furthermore, RBS has divided its operations into "RBS excluding RBS Capital Resolution (RCR)." Certain measures disclosed in this document for RBS excluding RCR are non-GAAP financial measures used by management as they represent a combination of all reportable segments including Citizens with the exception of RCR. The presentation of Personal & Business Banking ("PBB") which combines the reportable segments of UK Personal & Business Banking and Ulster Bank and the presentation of Commercial and Private Banking ("CPB") which combines the reportable segments of Commercial Banking and Private Banking are non GAAP financial measures. In addition the presentation of operating profit, operating expenses and other performance measures excluding the impact of restructuring costs and litigation and conduct costs is a non-GAAP financial measure and is not a substitute for the equivalent GAAP measure. Lastly, the liquidity coverage ratio, stressed outflow coverage, net stable funding ratio and further metrics included represent non-GAAP financial measures and are being presented for informational purposes given they are metrics that are not yet required to be disclosed by a government, governmental authority or self-regulatory organisation.

Recent developments

Securitisation and securities related litigation in the United States

As previously disclosed, RBS Securities Inc. is a defendant in a mortgage-backed securities lawsuit filed by the US Federal Housing Finance Agency (FHFA) in which the primary defendant is Nomura Holding America Inc. and subsidiaries (Nomura). On 11 May 2015, following a trial which concluded on 9 April 2015, the United States District Court for the Southern District of New York issued a written decision in favor of FHFA on its claims, finding, as relevant to RBS, that the offering documents for four Nomura securitizations for which RBS Securities Inc. served as an underwriter contained materially misleading statements about the mortgage loans that backed the securitizations, in violation of the US Securities Act and Virginia securities law. Nomura was also found liable with respect to those securitizations. Pursuant to the Court's decision,the amount of the judgment that will be entered against RBS Securities Inc. is expected to be approximately $636 million. RBS Securities Inc. intends to pursue a contractual claim for indemnification against Nomura with respect to these damages. The Court's decision is subject to appeal.

Condensed consolidated income statement for the period ended 31 March 2015

	Quarter ended		
	31 March	31 December	31 March
	2015	2014	2014
	£m	£m	£m
Interest receivable	**3,076**	3,238	3,265
Interest payable	**(873)**	(856)	(1,058)
Net interest income	**2,203**	2,382	2,207
Fees and commissions receivable	**989**	1,055	1,117
Fees and commissions payable	**(177)**	(204)	(231)
Income from trading activities	**330**	(403)	922
Gain on redemption of own debt	**-**	-	20
Other operating income	**174**	135	651
Non-interest income	**1,316**	583	2,479
Total income	**3,519**	2,965	4,686
Staff costs	**(1,325)**	(1,325)	(1,439)
Premises and equipment	**(419)**	(480)	(580)
Other administrative expenses	**(1,339)**	(1,999)	(577)
Depreciation, amortisation and write downs	**(512)**	(203)	(229)
Write down of goodwill and other intangible assets	**-**	(311)	(82)
Operating expenses	**(3,595)**	(4,318)	(2,907)
(Loss)/profit before impairment losses	**(76)**	(1,353)	1,779
Impairment releases/(losses)	**129**	670	(289)
Operating profit/(loss) before tax	**53**	(683)	1,490
Tax charge	**(193)**	(1,040)	(314)
(Loss)/profit from continuing operations	**(140)**	(1,723)	1,176
(Loss)/profit from discontinued operations, net of tax			
- Citizens	**(320)**	(3,885)	104

- Other	**4**	3	9
(Loss)/profit from discontinued operations, net of tax	**(316)**	(3,882)	113
(Loss)/profit for the period	**(456)**	(5,605)	1,289
Non-controlling interests	**84**	(71)	(19)
Preference share and other dividends	**(74)**	(115)	(75)
(Loss)/profit attributable to ordinary and B shareholders	**(446)**	(5,791)	1,195
Loss per ordinary and equivalent B share (EPS) (1)			
Basic and diluted EPS from continuing and discontinued operations	**(3.9p)**	(50.7p)	-
Basic and diluted EPS from continuing operations	**(2.1p)**	(16.2p)	-

Note:

(1) Q1 2014 earnings were all attributable to the DAS.

Condensed consolidated balance sheet at 31 March 2015

	31 March 2015	31 December 2014
	£m	£m
Assets		
Cash and balances at central banks	**75,521**	74,872
Net loans and advances to banks	**25,002**	23,027
Reverse repurchase agreements and stock borrowing	**16,071**	20,708
Loans and advances to banks	**41,073**	43,735
Net loans and advances to customers	**333,173**	334,251
Reverse repurchase agreements and stock borrowing	**53,329**	43,987
Loans and advances to customers	**386,502**	378,238
Debt securities	**79,232**	86,649
Equity shares	**6,325**	5,635
Settlement balances	**11,341**	4,667
Derivatives	**390,565**	353,590
Intangible assets	**7,619**	7,781
Property, plant and equipment	**5,336**	6,167
Deferred tax	**1,430**	1,540
Prepayments, accrued income and other assets	**5,995**	5,878
Assets of disposal groups	**93,673**	82,011
Total assets	**1,104,612**	1,050,763
Liabilities		
Bank deposits	**37,235**	35,806
Repurchase agreements and stock lending	**27,997**	24,859
Deposits by banks	**65,232**	60,665
Customer deposits	**349,289**	354,288
Repurchase agreements and stock lending	**41,386**	37,351
Customer accounts	**390,675**	391,639
Debt securities in issue	**45,855**	50,280
Settlement balances	**11,083**	4,503
Short positions	**19,716**	23,029
Derivatives	**386,056**	349,805
Accruals, deferred income and other liabilities	**14,242**	13,346
Retirement benefit liabilities	**1,843**	2,579
Deferred tax	**381**	500

Subordinated liabilities	**22,004**	22,905
Liabilities of disposal groups	**85,244**	71,320
Total liabilities	**1,042,331**	990,571
Equity		
Non-controlling interests	**5,473**	2,946
Owners' equity*		
Called up share capital	**6,925**	6,877
Reserves	**49,883**	50,369
Total equity	**62,281**	60,192
Total liabilities and equity	**1,104,612**	1,050,763
* Owners' equity attributable to:		
Ordinary and B shareholders	**51,861**	52,149
Other equity owners	**4,947**	5,097
	56,808	57,246
Contingent liabilities and commitments	**237,087**	241,186

Highlights

Q1 2015 performance

The loss attributable to ordinary and B shareholders was £446 million, compared with a loss of £5,791 million in Q4 2014 and a profit of £1,195 million in Q1 2014.

Total income was £3,519 million compared with £2,965 million in Q4 2014 and £4,686 million in Q1 2014, reflecting the reduction in the scale and risk profile of CIB and the strengthening of sterling against the US dollar. On a non-statutory basis total income was £4,331 million, up 12% from Q4 2014 but 14% lower than Q1 2014. Net interest income was £2,203 million, with new business margins broadly stable but with a lower Q1 day count. Non-interest income of £1,316 million benefited from lower IFRS volatility costs and disposal gains in RBS Capital Resolution (RCR).

Operating expenses were £3,595 million compared with £4,318 million in Q4 2014 and £2,907 million in Q1 2014. Operating expenses included £856 million of litigation and conduct costs, relating to foreign exchange and mortgage-backed securities litigation and investigations in the United States together with other customer redress. Restructuring costs amounted to £453 million, down from Q4 2014 but higher than Q1 2014, and related principally to a write-down of the value of US premises. On a non-statutory basis operating expenses totalled £4,097 million compared with £3,408 million in Q1 2014 with operating expenses excluding restructuring costs of £453 million (Q1 2014 - £129 million) and litigation and conduct costs of £856 million (Q1 2014 – nil) down 15% from Q1 2014 at £2,788 million, reflecting continuing headcount reductions. Compared with Q4 2014, operating expenses on a non-statutory basis excluding restructuring costs of £453 million (Q4 2014 - £563 million) and litigation and conduct costs of £856 million (Q4 2014 – £1,164 million) were down 11%, 8% of which was driven by the impact of the UK bank levy of £250 million booked in Q4 2014

Impairment releases of £129 million reflected continuing benign credit conditions in all franchises, though at a lower rate than in Q4 2014.

Operating profit before tax was £53 million, compared with a loss of £683 million in Q4 2014 and a profit of £1,490 million in Q1 2014. After a tax charge of £193 million the loss from continuing operations was £140 million. The Q1 tax rate reflects property and conduct costs in the US for which a deferred tax asset has not been recognised and the non deductibility of certain other UK conduct costs and strategic disposal losses. On a non-statutory basis operating profit was £325 million, compared with a profit of £1,283 million in Q1 2014 and a loss of £375 million in Q4 2014. Excluding restructuring, litigation and conduct costs of £1,309 million (Q1 2014 - £129 million), operating profit on a non-statutory basis was £1,634 million, up 16% from Q1 2014.

Results from discontinued operations included a net loss of £320 million reflecting the fall in the market value of Citizens shares during the quarter, from $24.86 at 31 December 2014 to $24.13 at 31 March 2015.

Strategic disposals losses comprise a net charge of £122 million in respect of International Private Banking and £13 million mainly in relation to RBS Kazakhstan.

Tangible net asset value per ordinary and equivalent B share was 384p at 31 March 2015, compared with 387p at 31 December 2014.

Balance sheet and capital

Funded assets which exclude derivatives of £391 billion (Q1 2014 - £277 billion; Q4 2014 - £354 billion) at 31 March 2015 were £714 billion, up 2% from December 2014 but down 4% from the prior year. The increase in Q1 principally reflected the strengthening of the US dollar against sterling, together with client-driven trading activity and settlement balances returning from seasonal lows at the year end.

Loans and advances to customers, totalled £333 billion, with the continuing wind-down in RCR offsetting growth in certain strategic segments. Risk elements in lending fell by 21%, £5.9 billion to £22.3 billion at 31 March 2015, representing 5.4% of gross customer loans compared with 6.8% at 31 December 2014 and 9.0% at March 2014.

Highlights

Balance sheet and capital (continued)

Customer deposits, were down 1% from year end, including a £1 billion reduction in CIB deposits.
RWAs declined to £349 billion, down £7 billion from Q4 2014 and £66 billion from Q1 2014. The decline over the past year has been driven principally by reductions in CIB and RCR, down £37 billion and £23 billion respectively. The annual recalculation of operational risk RWAs led to a reduction of £5 billion in Q1 2015, partially offset by the effect of the strong US dollar on credit and counterparty risk RWAs (£3 billion).
Capital and leverage ratios continued to improve and were 11.5% and 4.3% respectively compared with 11.2% and 4.2% at year end and 9.4% and 3.6% a year ago.

Highlights

RBS reports a loss attributable to ordinary and B shareholders of £446 million for the first quarter of 2015, but makes good progress towards its stated 2015 targets, with further steps to build a bank that is stronger, simpler and better for both customers and shareholders.

A loss attributable to ordinary and B shareholders of £446 million for the first quarter of 2015 included restructuring costs of £453 million and £856 million of litigation and conduct costs. A net charge of £122 million was recorded in relation to the reclassification of the International Private Banking business to disposal groups, together with a net loss within discontinued operations of £320 million reflecting the fall in the market price of Citizens shares during the quarter.

On a non-statutory basis operating profit totalled £325 million, compared with profit of £1,283 million in Q1 2014 and a loss of £375 million in Q4 2014. Non-statutory operating profit excluding restructuring costs of £453 million and litigation an conduct costs of £856 million, was £1,634 million, up 16% from Q1 2014. These results continued to benefit from generally benign credit conditions, with a £91 million net release of impairment provisions on a non-statutory basis, and from continuing reductions in operating costs.

Our UK franchises have seen volume growth, with increased operating profits in both Personal & Business Banking (PBB) and Commercial & Private Banking (CPB), compared with Q4 2014 supported by benign credit conditions. Corporate & Institutional Banking (CIB) has made a good start on reshaping its business following its strategy announcement in February 2015, beginning the wind-down of legacy activities and cementing management structures for the continuing business.

Tangible net asset value per ordinary and equivalent B share was 384p at 31 March 2015, compared with 387p at 31 December 2014.

On track to achieve 2015 targets

The capital position continued to strengthen, with a Common Equity Tier 1 ratio of 11.5% at 31 March 2015, up 30 basis points from the end of 2014.

Risk-weighted assets (RWAs) were down 2% from the end of 2014 to £349 billion, on track to be less than £300 billion by the end of 2015.

RBS moved closer to the deconsolidation of Citizens with the successful sale in March 2015 of 155 million shares, realising $3.7 billion. Following a further $250 million share repurchase by Citizens in April 2015, RBS's holding has been reduced to 40.8%.

RBS Capital Resolution (RCR) remains on course to complete its targeted run-down by the end of 2015, with funded assets which exclude derivatives of £12 billion (Q4 2014 - £14 billion) down £4 billion during Q1 2015 to £11 billion.

Net Promoter Scores show year-on-year improvement in Business Banking and Commercial Banking. There has been no significant change in Personal Banking.

RBS remains committed to delivering an £800 million cost reduction(1) in 2015, notwithstanding the increase in the UK bank levy.

Note:

(1) Excluding restructuring, litigation and conduct costs, write-off of intangible assets, and operating expenses of Citizens and Williams & Glyn.

Highlights

In the UK, UK PBB provided 8% of gross new mortgage lending in Q1 2015, in line with historical market share, delivering £0.4 billion net mortgage growth. New mortgage applications accelerated towards the end of quarter with volume in March up 10% year on year. March was the highest month for mortgage application numbers and volumes since the start of 2014. Mortgage balances were £103.6 billion, 3% higher than at the end of Q1 2014. Business and personal loans saw positive momentum in the quarter as business and consumer confidence continue to improve, while in Commercial Banking net new loan growth was £1.3 billion.

RBS has continued to make good progress on its transformation plan, with further steps taken to improve resilience and simplicity in the bank's structures and systems, and momentum building in disposal plans, including the sales of:

- Two portfolios of US and Canadian loan commitments (approximately $9 billion of RWAs) to Mizuho Bank, scheduled to complete respectively in Q2 and Q3 2015;
- The International Private Banking business to Union Bancaire Privée, with most of the business scheduled to transfer in Q4 2015, subject to regulatory approval;
- The RBS Kazakhstan subsidiary (subject to regulatory approvals and other conditions); and
- Additional sales were agreed for legacy ABN Amro assets including a portfolio of UAE loans.

Key customer initiatives during Q1 2015 include:

The mortgage platform was upgraded and the number of mortgage advisors increased to 835 in UK PBB (up 91 or 12% compared with start of 2015 and up 205 or 33% compared with start of 2014) which have increased lending capacity.

RBS became the first UK-based bank to enable customers to log in to their mobile banking app using only their fingerprint, recording over 22 million logins since launch.

Working closely with the Royal National Institute of Blind People (RNIB), RBS launched new cards specifically designed for blind and partially sighted customers. This is the first banking product to be awarded the new national quality assurance mark 'RNIB approved'.

In partnership with Entrepreneurial Spark, RBS launched the first of eight entrepreneurial accelerator hubs in Birmingham, providing free space, financial support and mentoring to small businesses. We also announced the opening of our headquarters in Edinburgh to entrepreneurs and enterprise. The Entrepreneurial Centre will house business organisations including Entrepreneurial Scotland, Business Gateway and The Prince's Trust Scotland as well as up to 80 entrepreneurs.

RBS has made it easier for thousands of small businesses to access finance by referring customers to leading peer-to-peer lending platforms.

The pilot of a new online onboarding smart form in CPB saw a 75% reduction in pages that a customer received in order to fill out their application. This is now being rolled out across the business.

Real Time Registration allows new customers to have access to mobile banking within 1 day of an account being opened. This gives our customers the functionality that Mobile offers: Get Cash, Pay your Contacts and much more without having to wait 3-5 days for their Debit card to arrive.

Outlook

The business outlook remains as indicated in our FY 2014 6-K filed on 27 March 2015.

Customer

Building the number one bank for customer service, trust and advocacy in the UK

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. The Net Promoter Score (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 Q1 2015. None of the NPS movements during Q1 2015 represents a statistically significant change but, year-on-year, Business Banking and Commercial Banking have seen significant improvements in NPS.

		Q1 2014	Q4 2014	Q1 2015	Year end 2015 target
Personal Banking	NatWest (England & Wales)(1)	4	6	5	9
	RBS (Scotland)(1)	-16	-13	-18	-10
	Ulster Bank (Northern Ireland)(2)	-31	-24	-18	-21
	Ulster Bank (Republic of Ireland)(2)	-23	-18	-16	-15
Business Banking	NatWest (England & Wales)(3)	-13	-11	-6	-7
	RBS (Scotland)(3)	-37	-23	-17	-21
Commercial Banking(4)		4	12	12	15

Notes:

Suitable measures for Private Banking and for Corporate & Institutional Banking are in development. NPS for Ulster Bank Business Banking is measured at Q4.

(1) Source: GfK FRS 6 month rolling data. Latest base sizes: NatWest England & Wales (3,444) RBS Scotland (520). 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. Question: “Please indicate to what extent you would be likely to recommend (brand) to your friends or family using a scale of 0 to 10 where 0 is not at all likely and 10 is extremely likely”.
(3) Source: Charterhouse Research Business Banking Survey, based on interviews with businesses with an annual turnover up to £2 million. 12 month rolling data. Latest base sizes: NatWest England & Wales (1,240), RBS Scotland (419). Weighted by region and turnover to be representative of businesses in England & Wales/Scotland.
(4) Source: Charterhouse Research Business Banking Survey, based on interviews with businesses with annual turnover between £2 million and £1 billion. Latest base size: RBSG Great Britain (965). Weighted by region and turnover to be representative of businesses in Great Britain.

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).

		Q1 2014	Q4 2014	Q1 2015	Year end 2015 target
Customer Trust(5)	NatWest (England & Wales)	40%	41%	44%	46%
	RBS (Scotland)	6%	2%	10%	11%

(5) Source: Populus. Latest quarter’s data. Measured as a net of those that trust RBS/NatWest to do the right thing, less those that do not. Latest base sizes: NatWest, England & Wales (916), RBS Scotland (209).

Analysis of results

Income

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

	Quarter ended		
	31 March	31 December	31 March
	2015	2014	2014
Net interest income	**£m**	£m	£m
Net interest income			
- non-statutory basis	**2,756**	2,915	2,698
- Citizens	**(553)**	(533)	(488)
- RFS Holdings minority interest	**-**	-	(3)
Statutory basis	**2,203**	2,382	2,207
Average interest-earning assets			
- RBS	**415,579**	420,540	444,891
- Personal & Business Banking	**155,999**	156,002	153,711
- Commercial & Private Banking	**93,052**	93,184	93,151
Gross yield on interest-earning assets of banking business	**3.00%**	3.05%	2.97%
Cost of interest-bearing liabilities of banking business	**(1.25%)**	(1.17%)	(1.34%)
Interest spread of banking business	**1.75%**	1.88%	1.63%
Benefit from interest free funds	**0.40%**	0.37%	0.38%
Net interest margin			
- RBS	**2.15%**	2.25%	2.01%
- Personal & Business Banking	**3.32%**	3.46%	3.37%
- Commercial & Private Banking	**2.94%**	2.96%	2.89%
Non-interest income			
Fees and commissions receivable			
- non-statutory basis	**1,178**	1,247	1,291
- Citizens	**(189)**	(192)	(174)

Statutory basis	**989**	1,055	1,117
Fees and commissions payable			
- non-statutory basis	**(186)**	(211)	(236)
- Citizens	**9**	7	5
Statutory basis	**(177)**	(204)	(231)
Net fees and commissions - non-statutory basis	**992**	1,036	1,055
Net fees and commissions - statutory basis	**812**	851	886
Income from trading activities			
- non-statutory basis	**270**	(295)	856
- own credit adjustments	**95**	(84)	95
- Citizens	**(35)**	(24)	(30)
- RFS Holdings minority interest	**-**	-	1
Statutory basis	**330**	(403)	922
Gain on redemption of own debt - statutory basis	**-**	-	20
Other operating income			
- non-statutory basis	**313**	204	444
- own credit adjustments	**25**	(60)	44
- strategic disposals	**(135)**	-	191
- Citizens	**(29)**	(22)	(40)
- RFS Holdings minority interest	**-**	13	12
Statutory basis	**174**	135	651
Total non-interest income - non-statutory basis	**1,575**	945	2,355
Total non-interest income - statutory basis	**1,316**	583	2,479

Analysis of results

Income (continued)

Key points

Q1 2015 compared with Q4 2014

Net interest income decreased by £179 million or 8% and was adversely affected by two fewer days in Q1. UK PBB net interest income was down from Q4, which had benefited from recognition of income on previously non-performing assets, with underlying margins broadly stable, as some narrowing of mortgage margins offset improvement in deposit margins. Ulster Bank net interest margin (NIM), down from 2.14% to 1.95%, reflected in part declining returns on free funds. On a non-statutory basis, net interest income decreased by £159 million or 5%.

Non-interest income increased by £733 million or 126%, as a result of disposal gains and credit and funding valuation adjustments in RCR, lower volatile items under IFRS and higher income from trading activities in CIB. On a non-statutory basis, non-interest income increased by £630 million or 67%.

Q1 2015 compared with Q1 2014

Net interest income remained flat at £2,203 million. On a non-statutory basis, net interest income increased by £58 million or 2%.

Non-interest income declined by £1,163 million or 47%, primarily reflecting lower income from trading activities, driven by risk and balance sheet reductions in CIB including the wind-down of the US asset-backed products business. On a non-statutory basis, non-interest income declined by £780 million or 33%.

Losses on the disposal of available-for-sale securities in Treasury totalled £27 million compared with a gain of £203 million in Q1 2014.

NIM increased by 14 basis points to 2.15%, with improvements in CPB. The UK PBB margin was stable and the Ulster Bank margin was down reflecting lower return on free funds and an increase in the liquid asset portfolio.

Analysis of results

Operating expenses

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

	Quarter ended		
	31 March	31 December	31 March
	2015	2014	2014
Operating expenses	**£m**	£m	£m
Staff costs			
- non-statutory basis	**(1,558)**	(1,455)	(1,647)
- integration and restructuring costs	**(55)**	(134)	(43)
- Citizens	**288**	264	252
- RFS Holdings minority interest	**-**	-	(1)
Statutory basis	**(1,325)**	(1,325)	(1,439)
Premises and equipment			
- non-statutory basis	**(487)**	(525)	(594)
- integration and restructuring costs	**(10)**	(31)	(59)
- Citizens	**78**	76	73
Statutory basis	**(419)**	(480)	(580)
Other administrative expenses			
- non-statutory basis	**(511)**	(827)	(687)
- litigation and conduct costs	**(856)**	(1,164)	-
- integration and restructuring costs	**(108)**	(151)	(25)
- Citizens	**136**	145	134
- RFS Holdings minority interest	**-**	(2)	1
Statutory basis	**(1,339)**	(1,999)	(577)
Depreciation, amortisation and write downs			
- non-statutory basis	**(232)**	(250)	(269)
- integration and restructuring costs	**(280)**	-	(2)
- Citizens	**-**	47	43
- RFS Holdings minority interest	**-**	-	(1)

Statutory basis	**(512)**	(203)	(229)
Integration and restructuring costs (1)			
- non-statutory basis	**(453)**	(563)	(129)
- staff costs	**55**	134	43
- premises and equipment	**10**	31	59
- other administrative expenses	**108**	151	25
- write down of intangible assets	**-**	247	-
- depreciation, amortisation and write downs	**280**	-	2
Statutory basis	**-**	-	-
Litigation and conduct costs (1)			
- non-statutory basis	**(856)**	(1,164)	-
- other administrative expenses	**856**	1,164	-
Statutory basis	**-**	-	-
Write down of goodwill and other intangible assets			
- non-statutory basis	**-**	(74)	(82)
- write down of intangible assets	**-**	(247)	-
- Citizens	**-**	10	-
Statutory basis	**-**	(311)	(82)
Operating expenses - non-statutory basis	**(4,097)**	(4,858)	(3,408)
Operating expenses - statutory basis	**(3,595)**	(4,318)	(2,907)

Note:

(1) Items reallocated to other expense lines, not reconciling items.

Analysis of results

Operating expenses (continued)

Key points

Q1 2015 compared with Q4 2014

Operating expenses decreased by £723 million or 17% to £3,595 million.

On a non-statutory basis, operating expenses decreased by £761 million or 16% to £4,097 million. On a non-statutory basis operating expenses excluding litigation and conduct costs of £856 million (Q4 2014 - £1,164 million) and restructuring costs of £453 million (Q4 2014 - £563 million) declined by £343 million or 11% to £2,788 million.

Litigation and conducts costs totalled £856 million compared with £1,164 million in Q4 2014.

Restructuring costs decreased by £110 million to £453 million, including a £277 million write-down of the value of US premises and £133 million in relation to Williams & Glyn.

Q1 2015 compared with Q1 2014

Operating expenses increased by £688 million or 24% to £3,595 million.

On a non-statutory basis, operating expenses increased by £689 million or 20% to £4,097 million. On a non-statutory basis operating expenses excluding litigation and conduct costs of £856 million (Q1 2014 - nil) and restructuring costs of £453 million (Q1 2014 - £129 million) declined by £491 million or 15% to £2,788 million.

Litigation and conducts costs totalled £856 million in Q1 2015 against a nil charge in Q1 2014.

Restructuring costs increased by £324 million to £453 million, principally due to the property related charge in the US.

Analysis of results

Impairment (releases)/losses

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

	Quarter ended		
	31 March	31 December	31 March
	2015	2014	2014
Impairment (releases)/losses	**£m**	£m	£m
Loans			
- non-statutory basis	**(190)**	(638)	360
- Citizens	**(38)**	(46)	(73)
Statutory basis	**(228)**	(684)	287
Securities			
- non-statutory basis	**99**	15	2
- Citizens	**-**	(1)	-
Statutory basis	**99**	14	2
Impairment (releases)/losses - non-statutory basis	**(91)**	(623)	362
Impairment (releases)/losses - statutory basis	**(129)**	(670)	289
Loan impairment (releases)/losses			
Individually assessed			
- non-statutory basis	**(6)**	(502)	155
- Citizens	**(9)**	(12)	(14)
Statutory basis	**(15)**	(514)	141
Collectively assessed			
- non-statutory basis	**69**	(85)	127
- Citizens	**(56)**	(35)	(38)
Statutory basis	**13**	(120)	89

Latent			
- non-statutory basis	**(253)**	(51)	78
- Citizens	**27**	1	(21)
Statutory basis	**(226)**	(50)	57
Loan impairment (releases)/losses - non-statutory basis	**(190)**	(638)	360
Loan impairment (releases)/losses - statutory basis	**(228)**	(684)	287
Loan impairment (releases)/losses			
RBS excluding RCR	**(30)**	53	254
RCR	**(160)**	(691)	106
Customer loan impairment (releases)/losses as a % of gross loans			
and advances (1)			
RBS non-statutory basis	**(0.2%)**	(0.6%)	0.3%
RBS statutory basis	**(0.3%)**	(0.8%)	0.3%
RBS excluding RCR	**-**	0.1%	0.3%
RCR	**(4.2%)**	(12.6%)	1.2%

15

Analysis of results

Impairment (releases)/losses (continued)

	31 March	31 December	31 March
	2015	2014	2014
Loan impairment provisions (1)			
- RBS	**£13.8bn**	£18.0bn	£24.2bn
- RBS excluding RCR	**£6.6bn**	£7.1bn	£8.5bn
- RCR	**£7.2bn**	£10.9bn	£15.7bn
Risk elements in lending (1)			
- RBS	**£22.3bn**	£28.2bn	£37.4bn
- RBS excluding RCR	**£12.1bn**	£12.8bn	£14.4bn
- RCR	**£10.2bn**	£15.4bn	£23.0bn
Provisions as a % of REIL (1)			
- RBS	**62%**	64%	65%
- RBS excluding RCR	**55%**	55%	59%
- RCR	**70%**	71%	68%
REIL as a % of gross customer loans (1)			
- RBS	**5.4%**	6.8%	9.0%
- RBS excluding RCR	**3.0%**	3.3%	3.8%
- RCR	**68%**	70%	68%

Note:

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

Analysis of results

Risk elements in lending (REIL) and loan impairment provisions							
	Quarter ended 31 March 2015						
	REIL (1)				**Impairment provisions (1,2)**		
	RBS				**RBS**		
	excl. RCR	**RCR**	**Total**		**excl. RCR**	**RCR**	**Total**
	£m	**£m**	**£m**		**£m**	**£m**	**£m**
At beginning of period	**12,819**	**15,400**	**28,219**		**7,094**	**10,946**	**18,040**
Currency translation and other adjustments	**(257)**	**(593)**	**(850)**		**(142)**	**(407)**	**(549)**
Additions	**805**	**372**	**1,177**				
Transfers between REIL and potential problem loans	**(52)**	**-**	**(52)**				
Transfer to performing book	**(144)**	**(16)**	**(160)**				
Repayments and disposals	**(761)**	**(1,733)**	**(2,494)**				
Amounts written-off	**(357)**	**(3,205)**	**(3,562)**		**(357)**	**(3,205)**	**(3,562)**
Recoveries of amounts previously written-off					**80**	**11**	**91**
Release to the income statement from continuing operations					**(68)**	**(160)**	**(228)**
Charge to the income statement from discontinued operations					**38**	**-**	**38**
Unwind of discount (3)					**(30)**	**(15)**	**(45)**
At end of period	**12,053**	**10,225**	**22,278**		**6,615**	**7,170**	**13,785**

Notes:

(1) Includes disposal groups.
(2) Includes provisions relating to loans and advances to banks of £38 million.
(3) Recognised in interest income.

Key points

Q1 2015 compared with Q4 2014

Net impairment releases decreased by £541 million to £129 million at Q1 2015. Releases were recorded across most core businesses, notably in CIB (£44 million), and in RCR (£109 million) and included releases of latent provisions totalling £226 million compared with £50 million in Q4 2014. On a non-statutory basis, net impairment releases decreased by £532 million to £91 million at Q1 2015.

REIL decreased by £5.9 billion, primarily in RCR, reflecting the completion of a sizeable loan portfolio sale. This loan sale also contributed to the £3.3 billion reduction in gross commercial real estate (CRE) lending to £40.0 billion.

The £85 million increase in securities losses, included in impairments, related to a small number of single name exposures, predominantly an exposure in the RBS N.V. liquidity portfolio.

Q1 2015 compared with Q1 2014

Net impairment releases totalled £129 million compared with a net impairment loss of £289 million in Q1 2014. Releases including latent provision releases of £226 million compared with a loss of £57 million in Q1 2014, were recorded across most core segments, notably in CIB (£44 million), and in RCR (£109 million). On a non-statutory basis, net impairment releases totalled £91 million compared with a net impairment loss of £362 million in Q1 2014.

Analysis of results

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

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

					Credit metrics				
					REIL as a % of gross loans	Provisions as a % of REIL	Provisions as a % of gross loans	Impairment losses/ (releases)	Amounts written-off
31 March 2015 (1)		Gross loans	REIL	Provisions					
		£m	£m	£m	%	%	%	£m	£m
Central and local government		9,725	17	9	0.2	53	0.1	8	-
Finance		44,326	316	207	0.7	66	0.5	(5)	15
Personal	- mortgages	150,200	5,239	1,402	3.5	27	0.9	15	60
	- unsecured	31,042	1,790	1,506	5.8	84	4.9	102	187
Property		47,810	8,922	5,916	18.7	66	12.4	(115)	2,568
Construction		5,464	637	426	11.7	67	7.8	(32)	140
of which: CRE		*40,040*	*9,056*	*5,985*	*22.6*	*66*	*14.9*	*(135)*	*2,581*
Manufacturing		22,360	377	262	1.7	69	1.2	-	49
Finance leases (2)		13,991	147	102	1.1	69	0.7	(2)	6
Retail, wholesale and repairs		18,116	761	501	4.2	66	2.8	(5)	117
Transport and storage		13,547	1,146	536	8.5	47	4.0	66	44
Health, education and leisure		15,743	608	291	3.9	48	1.8	(2)	66
Hotels and restaurants		7,918	855	475	10.8	56	6.0	16	91
Utilities		5,704	106	48	1.9	45	0.8	(14)	19
Other		27,954	1,318	1,017	4.7	77	3.6	31	200
Latent		-	-	1,049	-	-	-	(253)	n/a
Customers		413,900	22,239	13,747	5.4	62	3.3	(190)	3,562

Geographic regional analysis								
UK								
- residential mortgages	114,015	1,326	187	1.2	14	0.2	10	10
- personal lending	15,329	1,523	1,360	9.9	89	8.9	55	155
- property	36,248	4,757	2,770	13.1	58	7.6	(53)	834
- construction	4,166	441	257	10.6	58	6.2	(60)	44
- other	120,227	3,219	2,254	2.7	70	1.9	(89)	137
Europe								
- residential mortgages	14,455	2,909	1,058	20.1	36	7.3	(18)	11
- personal lending	1,377	61	61	4.4	100	4.4	2	-
- property	5,184	4,073	3,097	78.6	76	59.7	(52)	1,733
- construction	803	188	162	23.4	86	20.2	27	96
- other	16,735	2,040	1,747	12.2	86	10.4	(38)	442
US								
- residential mortgages	21,730	1,004	157	4.6	16	0.7	23	39
- personal lending	12,371	189	68	1.5	36	0.5	45	32
- property	5,703	67	24	1.2	36	0.4	(9)	1
- construction	438	2	2	0.5	100	0.5	1	-
- other	32,891	204	369	0.6	181	1.1	(22)	4
RoW								
- personal lending	1,965	17	17	0.9	100	0.9	-	-
- property	675	25	25	3.7	100	3.7	(1)	-
- construction	57	6	5	10.5	83	8.8	-	-
- other	9,531	188	127	2.0	68	1.3	(11)	24
Customers	413,900	22,239	13,747	5.4	62	3.3	(190)	3,562
Banks	29,328	39	38	0.1	97	0.1	-	-

Notes:

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

Analysis of results

Capital and leverage ratios					
	End-point CRR basis (1)			PRA transitional basis	
	31 March	31 December		**31 March**	31 December
	2015	2014		**2015**	2014
Risk asset ratios	**%**	%		**%**	%
CET1	**11.5**	11.2		**11.5**	11.1
Tier 1	**11.5**	11.2		**13.3**	13.2
Total	**14.0**	13.7		**17.0**	17.1
Capital	**£m**	£m		**£m**	£m
Tangible equity	**44,242**	44,368		**44,242**	44,368
Expected loss less impairment provisions	**(1,512)**	(1,491)		**(1,512)**	(1,491)
Prudential valuation adjustment	**(393)**	(384)		**(393)**	(384)
Deferred tax assets	**(1,140)**	(1,222)		**(1,140)**	(1,222)
Own credit adjustments	**609**	500		**609**	500
Pension fund assets	**(245)**	(238)		**(245)**	(238)
Other deductions	**(1,436)**	(1,614)		**(1,414)**	(1,884)
Total deductions	**(4,117)**	(4,449)		**(4,095)**	(4,719)
CET1 capital	**40,125**	39,919		**40,147**	39,649
AT1 capital	**-**	-		**6,206**	7,468
Tier 1 capital	**40,125**	39,919		**46,353**	47,117
Tier 2 capital	**8,689**	8,717		**12,970**	13,626
Total regulatory capital	**48,814**	48,636		**59,323**	60,743
Risk-weighted assets					
Credit risk					
- non-counterparty	**263,000**	264,700		**263,000**	264,700
- counterparty	**31,200**	30,400		**31,200**	30,400
Market risk	**22,800**	24,000		**22,800**	24,000
Operational risk	**31,600**	36,800		**31,600**	36,800

Total RWAs	**348,600**	355,900		**348,600**	355,900
Leverage (2)					
Derivatives	**391,100**	354,000			
Loans and advances	**429,400**	419,600			
Reverse repos	**69,900**	64,700			
Other assets	**214,200**	212,500			
Total assets	**1,104,600**	1,050,800			
Derivatives					
- netting	**(379,200)**	(330,900)			
- potential future exposures	**96,000**	98,800			
Securities financing transactions gross up	**20,200**	25,000			
Undrawn commitments	**94,900**	96,400			
Regulatory deductions and other adjustments (3)	**900**	(600)			
Leverage exposure	**937,400**	939,500			
Leverage ratio %	**4.3**	4.2			

Notes:

(1) Capital Requirements Regulation (CRR) as implemented by the Prudential Regulation Authority in the UK, with effect from 1 January 2014. All regulatory adjustments and deductions to CET1 have been applied in full for the end-point CRR basis with the exception of unrealised gains on AFS securities which has been included from 2015 for the PRA transitional basis.

(2) Based on end-point CRR Tier 1 capital and revised 2014 Basel III leverage ratio framework.

(3) The change in regulatory adjustments was driven by the increase in disallowable settlement balances.

Analysis of results

Key points

Q1 2015 compared with Q4 2014

The end-point CRR CET1 ratio improved to 11.5% from 11.2%, reflecting a reduction in RWAs.

CET1 capital has improved by £0.2 billion in the quarter. The current period loss has been offset by a reduction in other intangibles and deferred tax deductions.

The leverage ratio improved by 10 basis points to 4.3% reflecting both increased CET1 capital and reduced leverage exposure driven by higher derivatives netting offsetting higher funded assets.

RWAs have decreased by £7.3 billion in the quarter principally due to the annual recalculation of the operational risk charge resulting in a decrease of £5.2 billion, reductions in non-modelled market risk of £1.2 billion and disposals, partially offset by the effect of foreign currency movements in credit risk and counterparty risk RWAs.

RCR RWAs reduced by £4.8 billion principally reflecting disposals and write-offs and repayments of £3.2 billion, £1.6 billion of risk parameter and other changes, including £0.6 billion due to counterparties moving into default.

CIB RWAs decreased by £4.3 billion due to portfolio reduction of £3.2 billion, partly offset by the impact of credit risk model changes of £1 billion and foreign exchange movements of £0.7 billion. The operational risk recalculation resulted in a further decrease of £3.3 billion.

The increase of £3.6 billion in Citizens Financial Group RWAs related primarily to the appreciation of the dollar against sterling.

Ulster Bank's RWAs decreased by £1.4 billion is due to the euro weakening against sterling in the quarter of £1.2 billion and the operational risk recalculation decrease.

Segment performance

	Quarter ended 31 March 2015											
	PBB			CPB			CIB				Non-	Recon ite
	UK PBB	Ulster Bank	Total	Commercial Banking	Private Banking	Total		Central items (1)	CFG	RCR	statutory total	Other*
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement												
Net interest income	1,143	133	1,276	546	128	674	202	62	553	(11)	2,756	-
Non-interest income	309	57	366	276	86	362	602	(130)	244	131	1,575	(15)
Total income	1,452	190	1,642	822	214	1,036	804	(68)	797	120	4,331	(15)
Direct expenses												
- staff costs	(216)	(60)	(276)	(129)	(76)	(205)	(180)	(583)	(289)	(25)	(1,558)	(55)
- other costs **	(70)	(17)	(87)	(54)	(12)	(66)	(78)	(786)	(207)	(6)	(1,230)	(1,254)
Indirect expenses	(460)	(63)	(523)	(225)	(98)	(323)	(540)	1,403	-	(17)	-	-
Restructuring costs												
- direct	-	-	-	-	-	-	(16)	(431)	(6)	-	(453)	453
- indirect	(30)	1	(29)	(1)	1	-	(275)	304	-	-	-	-
Litigation and conduct costs	(354)	-	(354)	-	(2)	(2)	(500)	-	-	-	(856)	856
Operating expenses	(1,130)	(139)	(1,269)	(409)	(187)	(596)	(1,589)	(93)	(502)	(48)	(4,097)	-
Profit/(loss) before impairment losses	322	51	373	413	27	440	(785)	(161)	295	72	234	(15)
Impairment (loses)/releases	26	-	26	(1)	1	-	44	(50)	(38)	109	91	-
Operating profit/(loss)	348	51	399	412	28	440	(741)	(211)	257	181	325	(15)

Additional information

Return on equity (3)	**15.4%**	**6.2%**	**12.3%**	**11.9%**	**4.4%**	**10.9%**	**(17.1%)**	**nm**	**7.2%**	**nm**	**(4.1%)**	**-**
Cost:income ratio	**78%**	**73%**	**77%**	**50%**	**87%**	**58%**	**198%**	**nm**	**63%**	**nm**	**95%**	**-**
Funded assets (£bn)	**134.6**	**26.5**	**161.1**	**93.3**	**17.8**	**111.1**	**248.4**	**90.6**	**91.3**	**11.1**	**713.6**	**-**
Total assets (£bn)	**134.6**	**26.6**	**161.2**	**93.3**	**17.9**	**111.2**	**623.8**	**93.8**	**91.8**	**22.8**	**1,104.6**	**-**
Risk-weighted assets (RWAs) (£bn)	**42.6**	**22.4**	**65.0**	**65.5**	**10.2**	**75.7**	**102.8**	**15.9**	**72.0**	**17.2**	**348.6**	**-**
RWA equivalent (£bn) (4)	**46.4**	**21.5**	**67.9**	**71.0**	**10.2**	**81.2**	**105.1**	**16.2**	**72.2**	**21.7**	**364.3**	**-**
Net loans and advances to customers (£bn)	**127.4**	**20.5**	**147.9**	**88.8**	**14.0**	**102.8**	**76.7**	**1.4**	**63.4**	**8.0**	**400.2**	**(3.6)**
Risk elements in lending (£bn)	**3.6**	**4.4**	**8.0**	**2.4**	**0.1**	**2.5**	**0.2**	**-**	**1.4**	**10.2**	**22.3**	**-**
Impairment provisions (£bn)	**(2.4)**	**(2.5)**	**(4.9)**	**(0.9)**	**(0.1)**	**(1.0)**	**(0.1)**	**-**	**(0.6)**	**(7.2)**	**(13.8)**	**-**
Customer deposits (£bn)	**148.0**	**19.2**	**167.2**	**99.0**	**29.6**	**128.6**	**58.4**	**1.5**	**65.8**	**1.1**	**422.6**	**(7.5)**
Employee numbers (FTEs - thousands)	**24.2**	**4.3**	**28.5**	**6.2**	**2.8**	**9.0**	**3.5**	**50.1**	**17.5**	**0.6**	**109.2**	**-**

*Operating profit/(loss) for the segments is presented before certain reconciling items, namely own credit adjustments, gain on redemption of own debt, write down of goodwill, strategic disposals, and RFS Holdings minority interest ('non-statutory'). The following adjustments are reallocations within segment operating profit/(loss): restructuring costs and litigation and conduct costs. These excluded or reallocated costs for the period presented reflect the following; non-interest income - £135 million loss on strategic disposals and gain on own credit adjustment of £120 million; staff costs - reallocation of £55 million loss from restructuring costs; and other costs – reallocation of £398 million loss from restructuring costs and £856 million from litigation and conduct costs.

** Other costs include the following: premises and equipment of £419 million, other administrative expenses of £1,339 million and depreciation, amortisation and write downs of £512 million.

For the notes to this table refer to page 23. nm = not meaningful

Segment performance

	Quarter ended 31 December 2014													
	PBB			CPB			CIB					Reconciling items		
	UK PBB £m	Ulster Bank £m	Total £m	Commercial Banking £m	Private Banking £m	Total £m	£m	Central items (1) £m	CFG £m	RCR £m	Non-statutory total £m	Other* £m	CFG(2) £m	Statutory Total £m
Income statement														
Net interest income	1,209	150	1,359	521	175	696	222	128	533	(23)	2,915	-	(533)	2,382
Non-interest income	323	54												