

ROYAL BANK OF SCOTLAND GROUP PLC

Form 6-K

October 27, 2017

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Report of Foreign Private Issuer

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

of the Securities Exchange Act of 1934

For October 27, 2017

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  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

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Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes \_\_\_ No X

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The following information was issued as Company announcements in London, England and is furnished pursuant to General Instruction B to the General Instructions to Form 6-K:

The Royal Bank of Scotland Group plc  
Q3 2017 Interim Management Statement  
Highlights

Our strategy

RBS is progressing with its plan to build a strong, simple, fair bank for customers and shareholders, and remains committed to achieving its target of being the number one bank for customer service, trust and advocacy by 2020. In order to achieve this ambition, our strategic priorities and long term targets remain as follows:

Strength and sustainability - CET1 ratio of 13% and a return on tangible equity of 12% or above;  
Customer experience - number one for service, trust and advocacy;

Simplifying the bank - cost:income ratio of less than 50%;  
Supporting sustainable growth - leading market positions in every franchise; and  
Employee engagement - employee engagement in upper quartile of Global Financial Services norm.

### Q3 2017 RBS highlights

#### Headline performance

RBS reported a profit before tax of £871 million and an attributable profit(1) of £392 million for Q3 2017, the third successive quarter of profit, and an attributable profit of £1,331 million for the year to date.

Return on tangible equity was 4.5% for the quarter, and 5.2% for the year to date, with a core(2) adjusted return on equity of 15.0% in Q3 2017.

RBS delivered positive operating JAWS(3) of 19.9% for the year to date.

Net interest margin (NIM) reduced by 1 basis point to 2.12% compared with Q2 2017. Excluding various one-off interest income releases impacting Capital Resolution and Centre, NIM reduced by 7 basis points with 4 basis points driven by a build up in liquidity and the remainder due to continued structural hedge roll-off and ongoing margin pressure associated with mortgage balance growth.

RBS remains on track to achieve all of its 2017 financial targets.

#### Delivering against our 2017 ambition

RBS's stated ambition for the year is to grow income, cut costs and use less capital across its core businesses and to make progress on resolving legacy issues. In Q3 2017 we have continued to make progress against this ambition.

**Grow income:** Across the core businesses, adjusted income has increased by 5.6% in Q3 2017 compared with Q3 2016 and has increased by 7.5% for the year to date.

**Cut costs:** Excluding VAT recoveries, adjusted operating expenses have reduced by £708 million for the year to date, with 33% delivered by the core businesses, and we remain on track to meet our full year £750 million cost reduction target.

**Reduce capital usage:** Excluding volume growth, core RWAs have reduced £10.2 billion for the year to date.

**Resolve legacy issues:** Capital Resolution RWAs reduced by a further £3.5 billion in the quarter to £23.1 billion, or £16.1 billion excluding RBS's stake in Alawwal Bank. In addition, RBS has received formal approval from the European Commission for its alternative remedies package in respect of Williams & Glyn. This quarter is the last time we will report Capital Resolution and Williams & Glyn separately.

#### Continued loan growth while remaining within our risk appetite

Across PBB and CPB, net loans and advances increased by 3.4% on an annualised basis for the year to date, largely driven by mortgage growth within UK PBB, and we remain on track to meet our 3% full year target.

A net impairment charge of £143 million, 17 basis points of gross customer loans, was reported in Q3 2017. Risk elements in lending (REIL) were £9.0 billion, representing 2.7% of gross customer loans compared with 2.8% at Q2 2017. Within UK PBB, LTV on the mortgage portfolio was 56%, in line with FY 2016, and LTV on new mortgage lending was 70% for the year to date.

#### Building a stronger RBS

RBS continued to strengthen its capital position; CET1 ratio increased by 70 basis points in the quarter to 15.5% reflecting continued RWA reduction, the attributable profit and a reduction in the prudential valuation capital deduction, broadly offsetting the Capital Resolution losses taken in the quarter.

Leverage ratio increased by 20 basis points in the quarter to 5.3%.

Fully diluted tangible net asset value per ordinary share was stable at 298p.

Employee engagement has improved by 7 points to 83 (1 point above GFS Norm) meeting our target for 2017.

RBSG's Commercial Banking franchise NPS is significantly ahead of its three biggest competitors, however more work is required to close the gap in some of our other target segments.

For notes refer to page 3.





## Summary consolidated results

## Summary consolidated income statement for the period ended 30 September 2017

|                                       | Nine months ended    |                      | Quarter ended        |                 |                      |
|---------------------------------------|----------------------|----------------------|----------------------|-----------------|----------------------|
|                                       | 30 September<br>2017 | 30 September<br>2016 | 30 September<br>2017 | 30 June<br>2017 | 30 September<br>2016 |
|                                       | £m                   | £m                   | £m                   | £m              | £m                   |
| Net interest income                   | 6,776                | 6,500                | 2,304                | 2,238           | 2,167                |
| Own credit adjustments                | (78)                 | 294                  | (5)                  | (44)            | (156)                |
| (Loss)/gain on redemption of own debt | (7)                  | (127)                | -                    | (9)             | 3                    |
| Strategic disposals                   | 156                  | 164                  | -                    | 156             | (31)                 |
| Other non-interest income             | 3,229                | 2,543                | 858                  | 1,366           | 1,327                |
| Non-interest income                   | 3,300                | 2,874                | 853                  | 1,469           | 1,143                |
| Total income                          | 10,076               | 9,374                | 3,157                | 3,707           | 3,310                |
| Litigation and conduct costs          | (521)                | (1,740)              | (125)                | (342)           | (425)                |
| Restructuring costs                   | (1,034)              | (1,099)              | (244)                | (213)           | (469)                |
| Other expenses                        | (5,440)              | (6,001)              | (1,774)              | (1,844)         | (2,017)              |
| Operating expenses                    | (6,995)              | (8,840)              | (2,143)              | (2,399)         | (2,911)              |
| Profit before impairment losses       | 3,081                | 534                  | 1,014                | 1,308           | 399                  |
| Impairment losses                     | (259)                | (553)                | (143)                | (70)            | (144)                |
| Operating profit/(loss) before tax    | 2,822                | (19)                 | 871                  | 1,238           | 255                  |
| Tax charge                            | (992)                | (922)                | (265)                | (400)           | (582)                |
| Profit/(loss) for the period          | 1,830                | (941)                | 606                  | 838             | (327)                |
| Attributable to:                      |                      |                      |                      |                 |                      |
| Non-controlling interests             | 21                   | 37                   | (8)                  | 18              | 7                    |
| Other owners                          | 478                  | 343                  | 222                  | 140             | 135                  |
| Dividend access share                 | -                    | 1,193                | -                    | -               | -                    |
| Ordinary shareholders                 | 1,331                | (2,514)              | 392                  | 680             | (469)                |
| Memo items:                           |                      |                      |                      |                 |                      |
| Total income - adjusted (4)           | 10,005               | 9,043                | 3,162                | 3,604           | 3,494                |
| Operating expenses - adjusted (5)     | (5,440)              | (6,001)              | (1,774)              | (1,844)         | (2,017)              |
| Operating profit - adjusted (6)       | 4,306                | 2,489                | 1,245                | 1,690           | 1,333                |
| Performance key metrics and ratios    |                      |                      |                      |                 |                      |
| Net interest margin                   | 2.16%                | 2.18%                | 2.12%                | 2.13%           | 2.17%                |
| Average interest earning assets       | £419,450m            | £398,943m            | £430,962m            | £421,981m       | £397,345m            |
| Cost:income ratio (7)                 | 69.1%                | 94.2%                | 67.5%                | 64.4%           | 87.8%                |

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|   |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| Cost:income ratio - adjusted (4,5,7)  | 53.9%    | 65.9%    | 55.6%    | 50.7%    | 57.3%    |
| Earnings/(loss) per share   |          |          |          |          |          |
| - basic   | 11.2p    | (21.5p)  | 3.3p     | 5.7p     | (3.9p)   |
| - basic fully diluted   | 11.2p    | (21.5p)  | 3.3p     | 5.7p     | (3.9p)   |
| - adjusted basic (4,5)  | 22.3p    | (1.6p)   | 5.9p     | 9.2p     | 3.9p     |
| - adjusted fully diluted (4,5,8)  | 22.3p    | (1.6p)   | 5.9p     | 9.2p     | 3.9p     |
| Return on tangible equity (9,10)  | 5.2%     | (8.5%)   | 4.5%     | 8.0%     | (4.8%)   |
| Return on tangible equity - adjusted (4,5,10)                                 | 10.4%    | (0.6%)   | 8.2%     | 12.9%    | 4.6%     |
| Average tangible equity (10)  | £33,964m | £39,516m | £34,465m | £33,974m | £38,696m |
| Average number of ordinary shares<br>outstanding during the period (millions) |          |          |          |          |          |
| - basic   | 11,840   | 11,668   | 11,886   | 11,841   | 11,724   |
| - fully diluted (8)   | 11,913   | 11,709   | 11,943   | 11,923   | 11,764   |

For notes to this table refer to the following page.





## Summary consolidated results

|   | 30 September<br>2017 | 30 June<br>2017 | 31 December<br>2016 |
|---|----------------------|-----------------|---------------------|
| Balance sheet related key metrics and ratios                            |                      |                 |                     |
| Total assets  | £751.8bn             | £782.7bn        | £798.7bn            |
| Funded assets (11)  | £580.0bn             | £589.1bn        | £551.7bn            |
| Loans and advances to customers (excludes reverse repos)                | £324.7bn             | £326.1bn        | £323.0bn            |
| Customer deposits (excludes repos)                                      | £359.9bn             | £359.9bn        | £353.9bn            |
| Liquidity coverage ratio (LCR) (12,13)                                  | 147%                 | 145%            | 123%                |
| Liquidity portfolio   | £177bn               | £178bn          | £164bn              |
| Net stable funding ratio (NSFR) (14)                                    | 126%                 | 123%            | 121%                |
| Loan:deposit ratio (15)   | 90%                  | 91%             | 91%                 |
| Risk elements in lending  | £9.0bn               | £9.3bn          | £10.3bn             |
| Impairment provisions   | £3.9bn               | £3.9bn          | £4.5bn              |
| Short-term wholesale funding (15,16)                                    | £21bn                | £18bn           | £14bn               |
| Wholesale funding (15,16)   | £69bn                | £70bn           | £59bn               |
| Common Equity Tier 1 (CET1) ratio                                       | 15.5%                | 14.8%           | 13.4%               |
| Total capital ratio   | 20.6%                | 20.0%           | 19.2%               |
| Risk-weighted assets (RWAs)   | £210.6bn             | £215.4bn        | £228.2bn            |
| CRR leverage ratio (17)   | 5.3%                 | 5.1%            | 5.1%                |
| UK leverage ratio (18)  | 6.0%                 | 5.8%            | 5.6%                |
| Tangible net asset value (TNAV) per ordinary share (10)                 | 299p                 | 300p            | 296p                |
| Tangible net asset value (TNAV) per ordinary share - fully diluted (10) | 298p                 | 298p            | 294p                |
| Tangible equity (10)  | £35,621m             | £35,682m        | £34,982m            |
| Number of ordinary shares in issue (millions) (19)                      | 11,905               | 11,876          | 11,823              |
| Number of ordinary shares in issue (millions) - fully diluted (8,19)    | 11,950               | 11,956          | 11,906              |

## Notes:

- (1) Attributable to ordinary shareholders.
- (2) Core business comprises Personal & Business Banking (PBB), Commercial & Private Banking (CPB) and NatWest Markets.
- (3) JAWS represents the combined net growth / reduction in income and costs over the period.
- (4) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.
- (5) Excluding restructuring costs and litigation and conduct costs.
- (6) Operating profit before tax excluding own credit adjustments, (loss)/gain on redemption of own debt, strategic disposals, restructuring, litigation and conduct costs.  
Operating lease depreciation included in income (nine months ended 30 September 2017 - £107 million; Q3 2017 - £35 million; nine months ended 30 September 2016 - £115 million; Q2 2017 - £36 million, Q3 2016 - £39 million).
- (7) Includes the effect of dilutive share options and convertible securities. Dilutive shares on an average basis for Q3 2017 were 57 million shares and for the nine months ended 30 September 2017 were 73 million (Q2 2017 – 82 million; Q3 2016 – 40 million; nine months ended 30 September 2016 – 41 million) and as at 30 September 2017 were 45 million (30 June 2017 – 80 million; 31 December 2016 – 83 million).

- (9) Calculated using profit/(loss) for the period attributable to ordinary shareholders.
- (10) Tangible equity is equity attributable to ordinary shareholders less intangible assets.
- (11) Total assets less derivatives.  
On 1 October 2015 the LCR became the Prudential Regulation Authority's (PRA) primary regulatory liquidity standard; UK banks are required to meet a minimum standard of 90% from 1 January 2017, rising to 100% by 1
- (12) 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 those of other institutions.  
The LCR of 145% at 30 June 2017 excludes the impact of the litigation settlement with the FHFA in respect of claims relating to RBS issuance and underwriting of RMBS in the US, as announced on 12 July 2017. The
- (13) estimated impact of the settlement on the LCR was a 6% reduction to 139% as at 30 June 2017. The LCR of 147% at 30 September 2017 includes the impact of settling with the FHFA.  
NSFR for all periods have been calculated using RBS's current interpretations of the revised BCBS guidance on
- (14) 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.
- (15) Excludes repurchase agreements and stock lending.
- (16) Excludes derivative collateral.
- (17) Based on end-point Capital Requirements Regulation (CRR) Tier 1 capital and leverage exposure under the CRR Delegated Act.
- (18) Based on end-point CRR Tier 1 capital and UK leverage exposures reflecting the post EU referendum measures announced by the Bank of England in the third quarter of 2016.
- (19) Includes 17 million treasury shares (30 June 2017 – 17 million; 31 December 2016 – 39 million).



## Analysis of results

### Q3 2017 progress

#### PBB, CPB & NatWest Markets businesses

##### Grow income

Across the core businesses, adjusted income has increased by 7.5% for the year to date and by 5.6% in Q3 2017 compared with Q3 2016. Across Personal & Business Banking (PBB) and Commercial & Private Banking (CPB), income growth has been supported by increased lending, with net loans and advances 3.6% higher than Q3 2016. NatWest Markets adjusted income was 14.4% higher for the year to date as the business continues to navigate markets well.

On an annualised basis, PBB and CPB net loans and advances have increased by 3.4% in the first nine months of the year, with mortgage growth driving an 8.4% increase in UK PBB. Gross new mortgage lending was £7.1 billion with market share of new mortgages at approximately 10%, supporting growth in stock share to approximately 9.2%. Mortgage approval share was around 14% in the quarter, up from 12% in Q2 2017. Across CPB, net loans and advances have reduced by 2.1% on an annualised basis as growth in targeted segments has been more than offset by active capital management of our lending book.

##### Cut costs

Across the core businesses, adjusted operating expenses have reduced £231 million for the year to date, representing 33% of the £708 million reduction achieved across the bank. Cost:income ratio across the core bank improved to 53.1% for the year to date compared with 59.8% for the equivalent period in 2016, with operating JAWS of 11.8%.

RBS now has 5.2 million customers regularly using its mobile app, 14% higher than December 2016. Within UK PBB, digital service transactions were 7% higher than Q3 2016 and in Q3 2017 more than 60% of existing customers transferring to a new fixed rate mortgage deal switched digitally. New Bankline, our new best in class commercial web access tool, continues to be rolled out, simplifying the customer experience and saving customers' time.

##### Reduce capital usage

Excluding volume growth, RWAs reduced by £10.2 billion across the core businesses for the year to date and we remain committed to achieving a gross RWA reduction of at least £20 billion by the end of 2018. The reduction comprised £0.5 billion in PBB, £6.3 billion in CPB and £3.4 billion in NatWest Markets.

##### Capital Resolution and legacy issues

Capital Resolution RWAs reduced by a further £3.5 billion in the quarter to £23.1 billion, or £16.1 billion excluding RBS's stake in Alawwal Bank (£7.0 billion as at 30 September 2017), already towards the lower end of our £15 - £20 billion full year guidance. Disposal losses, other adjustments and impairments of £375 million were incurred in Q3 2017, although the charge is broadly CET1 neutral as the prudential valuation adjustment increase taken in Q2 2017 in anticipation of these losses has largely reversed. It remains our intention to wind up Capital Resolution during Q4 2017 and transfer the remaining assets back into the rest of the bank.

##### Williams & Glyn

On 18 September 2017 RBS announced that it had received confirmation from the European Commission that the alternative remedies package regarding Williams & Glyn, announced on 26 July 2017, had been formally approved in the form proposed. In full year 2017 reporting we will no longer report Williams & Glyn as a separate segment, but include as part of UK PBB.

##### Outlook (1)

We retain the 2017 full year financial guidance and medium term financial outlook we provided in the 2016 Annual Results document. In addition, and subject to any further provisions for the investigations of the US Department of Justice into the Group's historic RMBS related activities being substantially taken in 2017, our expectation remains that we will be profitable in 2018.

On 24 October 2017, RBS completed the disposal of its shares in Euroclear for a cash consideration of €275 million. RBS expects to recognise a gain on disposal before tax of around £175 million in Q4 2017.

Note:

(1)

The targets, expectations and trends discussed in this section represent management's current expectations and are subject to change, including as a result of the factors described in this document and in the "Risk Factors" on pages 432 to 463 of the Annual Report and Accounts 2016. These statements constitute forward-looking statements; refer to Forward-looking statements in this announcement.



## Analysis of results

|  | Nine months ended    |                      | Quarter ended        |                 |                      |
|--|----------------------|----------------------|----------------------|-----------------|----------------------|
|  | 30 September<br>2017 | 30 September<br>2016 | 30 September<br>2017 | 30 June<br>2017 | 30 September<br>2016 |
| Operating profit/(loss) before tax         | £m                   | £m                   | £m                   | £m              | £m                   |
| Statutory operating profit/(loss)          | 2,822                | (19)                 | 871                  | 1,238           | 255                  |
| Adjusted for                               |                      |                      |                      |                 |                      |
| Own credit adjustments                     | 78                   | (294)                | 5                    | 44              | 156                  |
| Loss/(gain) on redemption of own debt      | 7                    | 127                  | -                    | 9               | (3)                  |
| Strategic disposals                        | (156)                | (164)                | -                    | (156)           | 31                   |
| Litigation and conduct costs               | 521                  | 1,740                | 125                  | 342             | 425                  |
| Restructuring costs                        | 1,034                | 1,099                | 244                  | 213             | 469                  |
| Adjusted operating profit                  | 4,306                | 2,489                | 1,245                | 1,690           | 1,333                |
| PBB, CPB & NWM - adjusted operating profit | 4,072                | 3,401                | 1,394                | 1,352           | 1,331                |

Adjusted operating profit reduced by 6.6% compared with Q3 2016 largely reflecting increased losses in Capital Resolution, up £248 million to £366 million.

Across the core businesses adjusted operating profit increased by 4.7%. UK PBB increased by 32.3%, benefiting from a £168 million debt sale gain. Partially offsetting this, lower income drove a £89 million reduction in NatWest Markets adjusted operating profit.

Compared with Q2 2017, adjusted operating profits were £445 million lower reflecting increased Capital Resolution losses, lower IFRS volatility gains (£21 million compared with £172 million in Q2 2017) and higher impairment losses in Commercial Banking, partially offset by the debt sale gain in UK PBB.

|   | Nine months ended    |                      | Quarter ended        |                 |                      |
|---|----------------------|----------------------|----------------------|-----------------|----------------------|
|   | 30 September<br>2017 | 30 September<br>2016 | 30 September<br>2017 | 30 June<br>2017 | 30 September<br>2016 |
| Total income  | £m                   | £m                   | £m                   | £m              | £m                   |
| Statutory total income                              | 10,076               | 9,374                | 3,157                | 3,707           | 3,310                |
| Adjusted for  |                      |                      |                      |                 |                      |
| Own credit adjustments                              | 78                   | (294)                | 5                    | 44              | 156                  |
| Loss/(gain) on redemption of own debt               | 7                    | 127                  | -                    | 9               | (3)                  |
| Strategic disposals                                 | (156)                | (164)                | -                    | (156)           | 31                   |
| Adjusted total income                               | 10,005               | 9,043                | 3,162                | 3,604           | 3,494                |
| PBB, CPB & NWM - adjusted total income              | 9,587                | 8,916                | 3,290                | 3,143           | 3,115                |
| Notable items within adjusted total income          |                      |                      |                      |                 |                      |
| IFRS volatility in Central items (1)                | 175                  | (818)                | 21                   | 172             | (150)                |
| UK PBB debt sale gain                               | 176                  | 4                    | 168                  | -               | -                    |
| Commercial Banking disposal gain                    | 52                   | -                    | 52                   | -               | -                    |
| FX reserve (loss)/gain in Central items             | (37)                 | 97                   | (37)                 | -               | 97                   |
| Unwind of securitisations in the property portfolio | (105)                | -                    | -                    | -               | -                    |
| FX (losses)/gains in Central items                  | (138)                | 209                  | (30)                 | (56)            | (44)                 |

|   |       |       |       |      |       |
|---|-------|-------|-------|------|-------|
| Capital Resolution disposal losses<br>and other adjustments | (549) | (166) | (446) | (53) | (113) |
|---|-------|-------|-------|------|-------|

Excluding a £168 million debt sale gain, UK PBB adjusted income increased by 3.3% compared with Q3 2016 as increased mortgage lending has more than offset margin pressure. Excluding the impact of foreign exchange movements, Ulster Bank RoI adjusted income reduced by 2.9% due to lower income on free funds and one-off items in Q3 2016.

Commercial Banking adjusted income increased by 9.3% compared with Q3 2016 reflecting a £52 million asset disposal gain, increased deposit volumes and re-pricing benefits. RBS International increased by 4.3% whilst Private Banking income was stable at £166 million.

NatWest Markets adjusted income of £401 million was 23.8% lower than Q3 2016 which benefited from heightened customer activity and favourable market conditions following the EU referendum and central bank actions.

Compared with Q2 2017, adjusted income was £442 million lower reflecting increased Capital Resolution losses, reduced IFRS volatility gains and lower NatWest Markets income, partially offset by the debt sale gain in UK PBB.

Note:

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





## Analysis of results

|                           | Nine months ended    |                      | Quarter ended        |                 |                      |
|---------------------------|----------------------|----------------------|----------------------|-----------------|----------------------|
|                           | 30 September<br>2017 | 30 September<br>2016 | 30 September<br>2017 | 30 June<br>2017 | 30 September<br>2016 |
| Net interest margin       | %                    | %                    | %                    | %               | %                    |
| Net interest margin (NIM) | 2.16%                | 2.18%                | 2.12%                | 2.13%           | 2.17%                |

NIM reduced by 5 basis points versus Q3 2016 principally reflecting increased liquidity requirements and asset margin pressure.

Compared with Q2 2017, NIM reduced by 1 basis point. Excluding various one-off interest income releases impacting Capital Resolution and Centre, NIM reduced by 7 basis points with 4 basis points driven by a build up in liquidity and the remainder due to continued structural hedge roll-off and ongoing margin pressure associated with mortgage balance growth.

The sensitivity of net interest earnings, over the next 12 months, to an immediate increase of 25 basis points to all interest rates is c.£175 million across all currencies.

|  | Nine months ended    |                      | Quarter ended        |                 |                         |
|--|----------------------|----------------------|----------------------|-----------------|-------------------------|
|  | 30 September<br>2017 | 30 September<br>2016 | 30 September<br>2017 | 30 June<br>2017 | 30<br>September<br>2016 |
| Operating expenses                               | £m                   | £m                   | £m                   | £m              | £m                      |
| Statutory operating expenses                     | 6,995                | 8,840                | 2,143                | 2,399           | 2,911                   |
| Adjusted for                                     |                      |                      |                      |                 |                         |
| Litigation and conduct costs                     | (521)                | (1,740)              | (125)                | (342)           | (425)                   |
| Restructuring costs                              | (1,034)              | (1,099)              | (244)                | (213)           | (469)                   |
| Adjusted operating expenses                      | 5,440                | 6,001                | 1,774                | 1,844           | 2,017                   |
| PBB, CPB & NWM - adjusted operating expenses     | 5,144                | 5,375                | 1,693                | 1,702           | 1,773                   |
| Notable items within adjusted operating expenses |                      |                      |                      |                 |                         |
| VAT recovery in Central items                    | (80)                 | (227)                | (29)                 | -               | -                       |
| Notable items within restructuring costs         |                      |                      |                      |                 |                         |
| Property exit costs                              | 203                  | -                    | (14)                 | (18)            | -                       |
| Williams and Glyn restructuring costs            | 75                   | 646                  | 17                   | 46              | 301                     |

UK PBB adjusted operating expenses reduced by 2.6% compared with Q3 2016 reflecting reduced headcount coupled with process and productivity improvements, partially offset by increased technology infrastructure costs. Excluding the impact of foreign exchange movements, Ulster Bank RoI adjusted operating expenses reduced by 5.8%.

Commercial Banking adjusted operating expenses reduced 6.0% compared with Q3 2016 reflecting cost efficiencies and a 15.5% reduction in headcount. Cost efficiencies also drove an 8.3% reduction in Private Banking adjusted operating expenses. RBSI increased 22.5% reflecting increased investment spend and regulatory expenses, in part

associated with the creation of a bank outside the ring-fence.

NatWest Markets adjusted operating expenses were 10.5% lower than Q3 2016 principally due to the prior year including a one-off expense adjustment for investment spend that had previously been capitalised.

Capital Resolution adjusted operating expenses reduced by 64.7% to £61 million compared with Q3 2016.

Compared with Q2 2017, adjusted operating expenses of £1,774 million were £70 million lower and included a £29 million VAT recovery.

|   | Nine months ended    |                      | Quarter ended        |                 |                      |
|---|----------------------|----------------------|----------------------|-----------------|----------------------|
|   | 30 September<br>2017 | 30 September<br>2016 | 30 September<br>2017 | 30 June<br>2017 | 30 September<br>2016 |
|   | £m                   | £m                   | £m                   | £m              | £m                   |
| Impairment losses                               |                      |                      |                      |                 |                      |
| Impairment losses                               | 259                  | 553                  | 143                  | 70              | 144                  |
| Notable items within impairment losses          |                      |                      |                      |                 |                      |
| Capital Resolution impairment (releases)/losses | (149)                | 383                  | (71)                 | (33)            | 120                  |
| Ulster Bank RoI impairment (releases)/losses    | (21)                 | (66)                 | (10)                 | 13              | (39)                 |
| Commercial Banking impairment losses            | 245                  | 123                  | 151                  | 33              | 20                   |

UK PBB reported a net impairment loss of £67 million, 19 basis points of gross customer loans, £40 million higher than Q3 2016 primarily reflecting reduced provision releases. Defaults remain low across all portfolios.

Commercial Banking reported a net impairment loss of £151 million in the quarter.

Capital Resolution reported a net impairment release of £71 million compared with a charge of £120 million in Q3 2016, which included a £190 million charge in respect of the shipping portfolio.

Compared with Q2 2017, impairments increased by £73 million reflecting higher impairment losses in Commercial Banking.



## Analysis of results

|   | End-point CRR basis (1) |                 |                     |
|---|-------------------------|-----------------|---------------------|
|   | 30 September<br>2017    | 30 June<br>2017 | 31 December<br>2016 |
| Risk asset ratios                         | %                       | %               | %                   |
| CET1                                      | 15.5                    | 14.8            | 13.4                |
| Tier 1                                    | 17.4                    | 16.7            | 15.2                |
| Total                                     | 20.6                    | 20.0            | 19.2                |
| Capital                                   | £m                      | £m              | £m                  |
| Tangible equity                           | 35,621                  | 35,682          | 34,982              |
| Expected loss less impairment provisions  | (1,197)                 | (1,226)         | (1,371)             |
| Prudential valuation adjustment           | (459)                   | (854)           | (532)               |
| Deferred tax assets                       | (865)                   | (877)           | (906)               |
| Own credit adjustments                    | (110)                   | (142)           | (304)               |
| Pension fund assets                       | (185)                   | (186)           | (208)               |
| Cash flow hedging reserve                 | (298)                   | (575)           | (1,030)             |
| Other adjustments for regulatory purposes | 51                      | 52              | (8)                 |
| Total deductions                          | (3,063)                 | (3,808)         | (4,359)             |
| CET1 capital                              | 32,558                  | 31,874          | 30,623              |
| AT1 capital                               | 4,041                   | 4,041           | 4,041               |
| Tier 1 capital                            | 36,599                  | 35,915          | 34,664              |
| Tier 2 capital                            | 6,841                   | 7,107           | 9,161               |
| Total regulatory capital                  | 43,440                  | 43,022          | 43,825              |
| Risk-weighted assets                      |                         |                 |                     |
| Credit risk                               |                         |                 |                     |
| - non-counterparty                        | 154,400                 | 157,300         | 162,200             |
| - counterparty                            | 16,000                  | 17,800          | 22,900              |
| Market risk                               | 16,400                  | 16,500          | 17,400              |
| Operational risk                          | 23,800                  | 23,800          | 25,700              |
| Total RWAs                                | 210,600                 | 215,400         | 228,200             |
| Leverage (2)                              |                         |                 |                     |
| Cash and balances at central banks        | 88,200                  | 86,800          | 74,200              |
| Derivatives                               | 171,700                 | 193,500         | 247,000             |
| Loans and advances                        | 341,500                 | 346,800         | 340,300             |
| Reverse repos                             | 36,700                  | 40,000          | 41,800              |
| Other assets                              | 113,700                 | 115,600         | 95,400              |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Total assets                                | 751,800   | 782,700   | 798,700   |
| Derivatives                                 |           |           |           |
| - netting and variation margin              | (169,500) | (193,400) | (241,700) |
| - potential future exposures                | 54,100    | 56,700    | 65,300    |
| Securities financing transactions gross up  | 2,300     | 1,900     | 2,300     |
| Undrawn commitments                         | 52,600    | 53,100    | 58,600    |
| Regulatory deductions and other adjustments | 200       | 800       | 100       |
| <br>  |           |           |           |
| CRR Leverage exposure                       | 691,500   | 701,800   | 683,300   |
| <br>  |           |           |           |
| CRR leverage ratio%                         | 5.3       | 5.1       | 5.1       |
| <br>  |           |           |           |
| UK leverage exposure (3)                    | 609,400   | 618,700   | 614,600   |
| <br>  |           |           |           |
| UK leverage ratio% (3)                      | 6.0       | 5.8       | 5.6       |

Notes:

CRR as implemented by the PRA in the UK, with effect from 1 January 2014. All regulatory adjustments and

- (1) deductions to CET1 have been applied in full with the exception of unrealised gains on available-for-sale 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.
- (3) Based on end-point CRR Tier 1 capital and UK leverage exposures reflecting the post EU referendum measures announced by the Bank of England in the third quarter of 2016.



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Segment performance

|   | Nine months ended 30 September 2017 |          |         |         |               |         |                 |            |                            |                           |           |
|---|-------------------------------------|----------|---------|---------|---------------|---------|-----------------|------------|----------------------------|---------------------------|-----------|
|   | PBB                                 |          | CPB     |         |               | RBS     | NatWest Capital |            | Williams & Glyn & Glyn (1) | Central items & other (2) | Total RBS |
|   | UK PBB                              | Bank RoI | Banking | Banking | International |         | Markets         | Resolution |                            |                           |           |
| £m  | £m                                  | £m       | £m      | £m      | £m            | £m      | £m              | £m         | £m                         | £m                        |           |
| Income statement  |                                     |          |         |         |               |         |                 |            |                            |                           |           |
| Net interest income   | 3,359                               | 310      | 1,711   | 342     | 244           | 65      | 100             | 499        | 146                        | 6,776                     |           |
| Other non-interest income                                   | 944                                 | 136      | 967     | 145     | 48            | 1,316   | (556)           | 127        | 102                        | 3,229                     |           |
| Total income - adjusted (3)                                 | 4,303                               | 446      | 2,678   | 487     | 292           | 1,381   | (456)           | 626        | 248                        | 10,005                    |           |
| Own credit adjustments                                      | -                                   | (3)      | -       | -       | -             | (55)    | (20)            | -          | -                          | (78)                      |           |
| Loss on redemption of own debt                              | -                                   | -        | -       | -       | -             | -       | -               | -          | (7)                        | (7)                       |           |
| Strategic disposals   | -                                   | -        | -       | -       | -             | -       | -               | -          | 156                        | 156                       |           |
| Total income  | 4,303                               | 443      | 2,678   | 487     | 292           | 1,326   | (476)           | 626        | 397                        | 10,076                    |           |
| Direct expenses - staff costs                               | (492)                               | (146)    | (358)   | (110)   | (36)          | (440)   | (33)            | (141)      | (1,239)                    | (2,995)                   |           |
| other costs   | (172)                               | (41)     | (166)   | (18)    | (10)          | (149)   | (38)            | (29)       | (1,822)                    | (2,445)                   |           |
| Indirect expenses   | (1,448)                             | (149)    | (771)   | (190)   | (93)          | (355)   | (123)           | (60)       | 3,189                      | -                         |           |
| Operating expenses - adjusted (4)                           | (2,112)                             | (336)    | (1,295) | (318)   | (139)         | (944)   | (194)           | (230)      | 128                        | (5,440)                   |           |
| Restructuring costs - direct                                | (24)                                | (25)     | (42)    | (1)     | (2)           | (48)    | (195)           | -          | (697)                      | (1,034)                   |           |
| indirect  | (184)                               | (27)     | (96)    | (16)    | (4)           | (86)    | 35              | -          | 378                        | -                         |           |
| Litigation and conduct costs                                | (13)                                | (34)     | (6)     | -       | (8)           | (47)    | (361)           | -          | (52)                       | (521)                     |           |
| Operating expenses  | (2,333)                             | (422)    | (1,439) | (335)   | (153)         | (1,125) | (715)           | (230)      | (243)                      | (6,995)                   |           |
| Operating profit/(loss) before impairment (losses)/releases | 1,970                               | 21       | 1,239   | 152     | 139           | 201     | (1,191)         | 396        | 154                        | 3,081                     |           |
| Impairment (losses)/releases                                | (139)                               | 21       | (245)   | (4)     | (3)           | (1)     | 149             | (36)       | (1)                        | (259)                     |           |
| Operating profit/(loss)                                     | 1,831                               | 42       | 994     | 148     | 136           | 200     | (1,042)         | 360        | 153                        | 2,822                     |           |
| Operating profit/(loss) - adjusted (3,4)                    | 2,052                               | 131      | 1,138   | 165     | 150           | 436     | (501)           | 360        | 375                        | 4,306                     |           |
| Additional information                                      |                                     |          |         |         |               |         |                 |            |                            |                           |           |
| Return on equity (5)  | 30.8%                               | 2.1%     | 8.3%    | 9.5%    | 12.2%         | 1.8%    | nm              | 23.0%      | nm                         | 5.2%                      |           |
| Return on equity - adjusted (3,4,5)                         | 34.8%                               | 6.5%     | 9.9%    | 10.8%   | 13.7%         | 6.1%    | nm              | 23.0%      | nm                         | 10.4%                     |           |



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|   |       |       |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Cost:income ratio (6)                     | 54.2% | 95.3% | 51.8% | 68.8% | 52.4% | 84.8% | nm    | 36.7% | nm    | 69.1% |
| Cost:income ratio - adjusted (3,4,6)      | 49.1% | 75.3% | 46.2% | 65.3% | 47.6% | 68.4% | nm    | 36.7% | nm    | 53.9% |
| Average interest earning assets (£bn)     | 153.0 | 25.3  | 131.2 | 18.5  | 23.9  | 17.7  | 15.1  | 25.3  | nm    | 419.5 |
| Net interest margin                       | 2.93% | 1.64% | 1.74% | 2.48% | 1.37% | 0.49% | 0.88% | 2.63% | nm    | 2.16% |
| Total assets (£bn)                        | 164.5 | 25.1  | 147.3 | 19.9  | 24.3  | 215.7 | 89.3  | 25.6  | 40.1  | 751.8 |
| Funded assets (£bn) (7)                   | 164.5 | 25.1  | 147.3 | 19.9  | 24.3  | 112.7 | 22.2  | 25.6  | 38.4  | 580.0 |
| Net loans and advances to customers (£bn) | 140.4 | 19.5  | 96.6  | 13.3  | 9.3   | 16.7  | 8.4   | 20.4  | 0.1   | 324.7 |
| Risk elements in lending (£bn)            | 1.7   | 3.4   | 1.7   | 0.1   | 0.1   | -     | 1.6   | 0.3   | 0.1   | 9.0   |
| Impairment provisions (£bn)               | (1.1) | (1.1) | (0.8) | -     | -     | -     | (0.5) | (0.2) | (0.2) | (3.9) |
| Customer deposits (£bn)                   | 154.0 | 17.3  | 98.2  | 27.0  | 24.9  | 7.1   | 6.6   | 24.6  | 0.2   | 359.9 |
| Risk-weighted assets (RWAs) (£bn)         | 34.0  | 17.9  | 74.6  | 9.2   | 9.6   | 31.8  | 23.1  | 9.3   | 1.1   | 210.6 |
| RWA equivalent (£bn) (5)                  | 37.2  | 18.9  | 77.4  | 9.2   | 9.6   | 33.5  | 25.6  | 9.8   | 1.3   | 222.5 |
| Employee numbers (FTEs - thousands) (8)   | 17.4  | 2.8   | 4.9   | 1.6   | 0.8   | 5.4   | 0.1   | 4.0   | 36.6  | 73.6  |

For the notes to this table refer to page 10. nm = not meaningful



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Segment performance

|   | Quarter ended 30 September 2017 |                   |                         |                             |                          |                            |                          |                             |                                 |                                  |       |
|---|---------------------------------|-------------------|-------------------------|-----------------------------|--------------------------|----------------------------|--------------------------|-----------------------------|---------------------------------|----------------------------------|-------|
|   | PBB                             |                   | CPB                     |                             |                          |                            |                          |                             |                                 | Central                          | Total |
|   | UK<br>PBB<br>£m                 | Bank<br>RoI<br>£m | Ulster<br>Banking<br>£m | Commercial<br>Banking<br>£m | Private<br>Banking<br>£m | RBS<br>International<br>£m | NatWest<br>Markets<br>£m | Capital<br>Resolution<br>£m | Williams<br>& Glyn<br>(1)<br>£m | items<br>&<br>other<br>(2)<br>£m |       |
| Income statement  |                                 |                   |                         |                             |                          |                            |                          |                             |                                 |                                  |       |
| Net interest income   | 1,128                           | 104               | 570                     | 116                         | 83                       | 23                         | 76                       | 166                         | 38                              | 2,304                            |       |
| Other non-interest income                                   | 420                             | 46                | 358                     | 50                          | 14                       | 378                        | (452)                    | 43                          | 1                               | 858                              |       |
| Total income adjusted (3)                                   | 1,548                           | 150               | 928                     | 166                         | 97                       | 401                        | (376)                    | 209                         | 39                              | 3,162                            |       |
| Own credit adjustments                                      | -                               | -                 | -                       | -                           | -                        | (7)                        | 2                        | -                           | -                               | (5)                              |       |
| Total income  | 1,548                           | 150               | 928                     | 166                         | 97                       | 394                        | (374)                    | 209                         | 39                              | 3,157                            |       |
| Direct expenses - staff costs                               | (163)                           | (50)              | (113)                   | (36)                        | (13)                     | (143)                      | (7)                      | (45)                        | (384)                           | (954)                            |       |
| other costs   | (51)                            | (17)              | (55)                    | (6)                         | (3)                      | (50)                       | (19)                     | (9)                         | (610)                           | (820)                            |       |
| Indirect expenses   | (485)                           | (52)              | (252)                   | (58)                        | (33)                     | (113)                      | (35)                     | (18)                        | 1,046                           | -                                |       |
| Operating expenses - adjusted (4)                           | (699)                           | (119)             | (420)                   | (100)                       | (49)                     | (306)                      | (61)                     | (72)                        | 52                              | (1,774)                          |       |
| Restructuring costs - direct                                | (1)                             | (1)               | (2)                     | (1)                         | (2)                      | (18)                       | (65)                     | -                           | (154)                           | (244)                            |       |
| Restructuring costs - indirect                              | (47)                            | (8)               | (19)                    | (2)                         | -                        | (13)                       | 39                       | -                           | 50                              | -                                |       |
| Litigation and conduct costs                                | -                               | (1)               | (2)                     | -                           | (8)                      | (13)                       | (89)                     | -                           | (12)                            | (125)                            |       |
| Operating expenses  | (747)                           | (129)             | (443)                   | (103)                       | (59)                     | (350)                      | (176)                    | (72)                        | (64)                            | (2,143)                          |       |
| Operating profit/(loss) before impairment (losses)/releases | 801                             | 21                | 485                     | 63                          | 38                       | 44                         | (550)                    | 137                         | (25)                            | 1,014                            |       |
| Impairment (losses)/releases                                | (67)                            | 10                | (151)                   | 3                           | 2                        | -                          | 71                       | (11)                        | -                               | (143)                            |       |
| Operating profit/(loss)                                     | 734                             | 31                | 334                     | 66                          | 40                       | 44                         | (479)                    | 126                         | (25)                            | 871                              |       |
|   | 782                             | 41                | 357                     | 69                          | 50                       | 95                         | (366)                    | 126                         | 91                              | 1,245                            |       |

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|   |       |       |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Operating profit/(loss) - adjusted (3,4)  |       |       |       |       |       |       |       |       |       |       |
| Additional information                    |       |       |       |       |       |       |       |       |       |       |
| Return on equity (5)                      | 36.8% | 4.6%  | 8.6%  | 13.2% | 10.4% | 0.6%  | nm    | 24.6% | nm    | 4.5%  |
| Return on equity - adjusted (3,4,5)       | 39.3% | 6.1%  | 9.3%  | 13.8% | 13.6% | 3.6%  | nm    | 24.6% | nm    | 8.2%  |
| Cost:income ratio (6)                     | 48.3% | 86.0% | 45.7% | 62.0% | 60.8% | 88.8% | nm    | 34.4% | nm    | 67.5% |
| Cost:income ratio - adjusted (3,4,6)      | 45.2% | 79.3% | 43.1% | 60.2% | 50.5% | 76.3% | nm    | 34.4% | nm    | 55.6% |
| Average interest earning assets (£bn)     | 155.8 | 26.1  | 130.0 | 19.2  | 23.7  | 19.1  | 13.5  | 25.4  | nm    | 431.0 |
| Net interest margin                       | 2.87% | 1.58% | 1.74% | 2.39% | 1.39% | 0.48% | 2.23% | 2.60% | nm    | 2.12% |
| Total assets (£bn)                        | 164.5 | 25.1  | 147.3 | 19.9  | 24.3  | 215.7 | 89.3  | 25.6  | 40.1  | 751.8 |
| Funded assets (£bn) (7)                   | 164.5 | 25.1  | 147.3 | 19.9  | 24.3  | 112.7 | 22.2  | 25.6  | 38.4  | 580.0 |
| Net loans and advances to customers (£bn) | 140.4 | 19.5  | 96.6  | 13.3  | 9.3   | 16.7  | 8.4   | 20.4  | 0.1   | 324.7 |
| Risk elements in lending (£bn)            | 1.7   | 3.4   | 1.7   | 0.1   | 0.1   | -     | 1.6   | 0.3   | 0.1   | 9.0   |
| Impairment provisions (£bn)               | (1.1) | (1.1) | (0.8) | -     | -     | -     | (0.5) | (0.2) | (0.2) | (3.9) |
| Customer deposits (£bn)                   | 154.0 | 17.3  | 98.2  | 27.0  | 24.9  | 7.1   | 6.6   | 24.6  | 0.2   | 359.9 |
| Risk-weighted assets (RWAs) (£bn)         | 34.0  | 17.9  | 74.6  | 9.2   | 9.6   | 31.8  | 23.1  | 9.3   | 1.1   | 210.6 |
| RWA equivalent (£bn) (5)                  | 37.2  | 18.9  | 77.4  | 9.2   | 9.6   | 33.5  | 25.6  | 9.8   | 1.3   | 222.5 |
| Employee numbers (FTEs - thousands) (8)   | 17.4  | 2.8   | 4.9   | 1.6   | 0.8   | 5.4   | 0.1   | 4.0   | 36.6  | 73.6  |

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



## Condensed consolidated income statement for the period ended 30 September 2017 (unaudited)

|  | Nine months ended    |                      | Quarter ended        |                 |                      |
|--|----------------------|----------------------|----------------------|-----------------|----------------------|
|  | 30 September<br>2017 | 30 September<br>2016 | 30 September<br>2017 | 30 June<br>2017 | 30 September<br>2016 |
|  | £m                   | £m                   | £m                   | £m              | £m                   |
| Interest receivable                      | 8,280                | 8,488                | 2,818                | 2,730           | 2,796                |
| Interest payable                         | (1,504)              | (1,988)              | (514)                | (492)           | (629)                |
| Net interest income (1)                  | 6,776                | 6,500                | 2,304                | 2,238           | 2,167                |
| Fees and commissions receivable          | 2,492                | 2,519                | 826                  | 844             | 843                  |
| Fees and commissions payable             | (652)                | (592)                | (204)                | (231)           | (200)                |
| Income from trading activities           | 832                  | 384                  | (52)                 | 485             | 401                  |
| (Loss)/gain on redemption of own debt    | (7)                  | (127)                | -                    | (9)             | 3                    |
| Other operating income                   | 635                  | 690                  | 283                  | 380             | 96                   |
| Non-interest income                      | 3,300                | 2,874                | 853                  | 1,469           | 1,143                |
| Total income                             | 10,076               | 9,374                | 3,157                | 3,707           | 3,310                |
| Staff costs                              | (3,576)              | (3,982)              | (1,129)              | (1,132)         | (1,287)              |
| Premises and equipment                   | (1,041)              | (1,006)              | (363)                | (301)           | (354)                |
| Other administrative expenses            | (1,736)              | (3,234)              | (528)                | (789)           | (1,095)              |
| Depreciation and amortisation            | (630)                | (529)                | (119)                | (169)           | (175)                |
| Write down of other intangible assets    | (12)                 | (89)                 | (4)                  | (8)             | -                    |
| Operating expenses                       | (6,995)              | (8,840)              | (2,143)              | (2,399)         | (2,911)              |
| Profit before impairment losses          | 3,081                | 534                  | 1,014                | 1,308           | 399                  |
| Impairment losses                        | (259)                | (553)                | (143)                | (70)            | (144)                |
| Operating profit/(loss) before tax       | 2,822                | (19)                 | 871                  | 1,238           | 255                  |
| Tax charge                               | (992)                | (922)                | (265)                | (400)           | (582)                |
| Profit/(loss) for the period             | 1,830                | (941)                | 606                  | 838             | (327)                |
| Attributable to:                         |                      |                      |                      |                 |                      |
| Non-controlling interests                | 21                   | 37                   | (8)                  | 18              | 7                    |
| Preference share and other dividends     | 478                  | 343                  | 222                  | 140             | 135                  |
| Dividend access share                    | -                    | 1,193                | -                    | -               | -                    |
| Ordinary shareholders                    | 1,331                | (2,514)              | 392                  | 680             | (469)                |
| Earnings/(loss) per ordinary share (EPS) |                      |                      |                      |                 |                      |
| Earnings/(loss) per ordinary share (2)   | 11.2p                | (21.5p)              | 3.3p                 | 5.7p            | (3.9p)               |

Notes:

- Negative interest on loans and advances is classed as interest payable. Negative interest on customer deposits is classed as interest receivable. Nine months ended and quarter ended 30 September 2016 have been re-presented accordingly.
- (1) classed as interest receivable. Nine months ended and quarter ended 30 September 2016 have been re-presented accordingly.
  - (2) There is no dilutive impact in any period.

Notes to segment performance on pages 8 and 9

- Williams & Glyn refers to the business formerly intended to be divested as a separate legal entity and comprises
- (1) RBS England and Wales branch-based businesses, along with certain small and medium enterprises and corporate activities across the UK. During the period presented W&G has not operated as a separate legal entity.
  - (2) Central items include unallocated transactions which principally comprise volatile items under IFRS and balances in relation to international private banking for Q1 2016.
  - (3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.
  - (4) Excluding restructuring costs and litigation and conduct costs.
- RBS's CET 1 target is 13% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by average notional equity allocated at different rates of 14% (Ulster Bank RoI - 11% prior to Q1 2017), 11% (Commercial Banking), 14% (Private Banking - 15% prior to Q1 2017), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAs). RBS's Return on equity is calculated using profit for the period attributable to ordinary shareholders.
- (5) Operating lease depreciation included in income (nine months ended September 2017 - £107 million and Q3 2017 - £35 million).
  - (6) Funded assets exclude derivative assets.
  - (7) On 1 January 2017 4.5 thousand employees on a FTE basis were transferred from Central items to NatWest Markets in preparation for ring-fencing.
  - (8)





## Condensed consolidated statement of comprehensive income for the period ended 30 September 2017 (unaudited)

|  | Nine months ended    |                      | Quarter ended        |                 |                      |
|--|----------------------|----------------------|----------------------|-----------------|----------------------|
|  | 30 September<br>2017 | 30 September<br>2016 | 30 September<br>2017 | 30 June<br>2017 | 30 September<br>2016 |
|  | £m                   | £m                   | £m                   | £m              | £m                   |
| Profit/(loss) for the period   | 1,830                | (941)                | 606                  | 838             | (327)                |
| Items that do not qualify for reclassification   |                      |                      |                      |                 |                      |
| Loss on remeasurement of retirement benefit schemes  | (26)                 | (1,047)              | -                    | (5)             | (52)                 |
| Loss on fair value of credit in financial liabilities designated at fair value through profit or loss due to own credit risk | (107)                | -                    | (30)                 | (57)            | -                    |
| Tax  | (5)                  | 285                  | 3                    | 8               | 12                   |
|  | (138)                | (762)                | (27)                 | (54)            | (40)                 |
| Items that do qualify for reclassification   |                      |                      |                      |                 |                      |
| Available-for-sale financial assets  | 37                   | (162)                | 8                    | (31)            | (67)                 |
| Cash flow hedges   | (983)                | 1,515                | (372)                | (422)           | (66)                 |
| Currency translation   | 82                   | 1,276                | (21)                 | 109             | 205                  |
| Tax  | 237                  | (297)                | 76                   | 128             | 63                   |
|  | (627)                | 2,332                | (309)                | (216)           | 135                  |
| Other comprehensive (loss)/income after tax  | (765)                | 1,570                | (336)                | (270)           | 95                   |
| Total comprehensive income/(loss) for the period   | 1,065                | 629                  | 270                  | 568             | (232)                |
| Total comprehensive income/(loss) is attributable to:  |                      |                      |                      |                 |                      |
| Non-controlling interests  | 30                   | 157                  | (19)                 | 39              | 32                   |
| Preference shareholders  | 155                  | 192                  | 70                   | 45              | 79                   |
| Paid-in equity holders   | 323                  | 151                  | 152                  | 95              | 56                   |
| Dividend access share  | -                    | 1,193                | -                    | -               | -                    |
| Ordinary shareholders  | 557                  | (1,064)              | 67                   | 389             | (399)                |
|  | 1,065                | 629                  | 270                  | 568             | (232)                |



## Condensed consolidated balance sheet as at 30 September 2017 (unaudited)

|   | 30 September<br>2017<br>£m | 30 June<br>2017<br>£m | 31 December<br>2016<br>£m |
|---|----------------------------|-----------------------|---------------------------|
| <b>Assets</b>                                     |                            |                       |                           |
| Cash and balances at central banks                | 88,210                     | 86,807                | 74,250                    |
| Net loans and advances to banks                   | 16,671                     | 20,685                | 17,278                    |
| Reverse repurchase agreements and stock borrowing | 12,905                     | 14,847                | 12,860                    |
| Loans and advances to banks                       | 29,576                     | 35,532                | 30,138                    |
| Net loans and advances to customers               | 324,650                    | 326,059               | 323,023                   |
| Reverse repurchase agreements and stock borrowing | 23,767                     | 25,183                | 28,927                    |
| Loans and advances to customers                   | 348,417                    | 351,242               | 351,950                   |
| Debt securities                                   | 87,860                     | 86,169                | 72,522                    |
| Equity shares                                     | 507                        | 518                   | 703                       |
| Settlement balances                               | 8,528                      | 12,091                | 5,526                     |
| Derivatives                                       | 171,720                    | 193,531               | 246,981                   |
| Intangible assets                                 | 6,484                      | 6,467                 | 6,480                     |
| Property, plant and equipment                     | 4,777                      | 4,823                 | 4,590                     |
| Deferred tax                                      | 1,637                      | 1,677                 | 1,803                     |
| Prepayments, accrued income and other assets      | 4,046                      | 3,797                 | 3,713                     |
| <b>Total assets</b>                               | <b>751,762</b>             | <b>782,654</b>        | <b>798,656</b>            |
| <b>Liabilities</b>                                |                            |                       |                           |
| Bank deposits                                     | 36,186                     | 38,965                | 33,317                    |
| Repurchase agreements and stock lending           | 7,047                      | 5,183                 | 5,239                     |
| Deposits by banks                                 | 43,233                     | 44,148                | 38,556                    |
| Customer deposits                                 | 359,879                    | 359,882               | 353,872                   |
| Repurchase agreements and stock lending           | 33,245                     | 37,855                | 27,096                    |
| Customer accounts                                 | 393,124                    | 397,737               | 380,968                   |
| Debt securities in issue                          | 31,700                     | 31,997                | 27,245                    |
| Settlement balances                               | 9,094                      | 11,379                | 3,645                     |
| Short positions                                   | 31,793                     | 29,862                | 22,077                    |
| Derivatives                                       | 164,394                    | 184,161               | 236,475                   |
| Provisions for liabilities and charges            | 7,109                      | 11,227                | 12,836                    |
| Accruals and other liabilities                    | 6,925                      | 6,603                 | 7,006                     |
| Retirement benefit liabilities                    | 152                        | 182                   | 363                       |
| Deferred tax                                      | 516                        | 585                   | 662                       |
| Subordinated liabilities                          | 14,248                     | 14,724                | 19,419                    |
| <b>Total liabilities</b>                          | <b>702,288</b>             | <b>732,605</b>        | <b>749,252</b>            |
| <b>Equity</b>                                     |                            |                       |                           |
| Non-controlling interests                         | 746                        | 844                   | 795                       |
| Owners' equity*                                   |                            |                       |                           |
| Called up share capital                           | 11,906                     | 11,876                | 11,823                    |
| Reserves  | 36,822                     | 37,329                | 36,786                    |

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|                                  |         |         |         |
|----------------------------------|---------|---------|---------|
| Total equity                     | 49,474  | 50,049  | 49,404  |
| Total liabilities and equity     | 751,762 | 782,654 | 798,656 |
| *Owners' equity attributable to: |         |         |         |
| Ordinary shareholders            | 42,105  | 42,149  | 41,462  |
| Other equity owners              | 6,623   | 7,056   | 7,147   |
|                                  | 48,728  | 49,205  | 48,609  |



## Condensed consolidated statement of changes in equity for the period ended 30 September 2017 (unaudited)

|   | Share<br>capital and<br>statutory<br>reserves<br>£m | Paid-in<br>equity<br>£m | Retained<br>earnings<br>£m | Other<br>reserves*<br>£m | Total<br>owners'<br>equity<br>£m | Non<br>controlling<br>interests<br>£m | Total<br>equity<br>£m |
|---|---|-------------------------|----------------------------|--------------------------|----------------------------------|---------------------------------------|-----------------------|
| At 1 January 2017   | 41,926  | 4,582                   | (12,936)                   | 15,037                   | 48,609                           | 795                                   | 49,404                |
| Profit attributable to ordinary<br>shareholders<br>and other equity owners  | -   | -                       | 1,809                      | -                        | 1,809                            | 21                                    | 1,830                 |
| Other comprehensive income  |   |                         |                            |                          |                                  |                                       |                       |
| - changes in fair value of credit in<br>financial<br>liabilities designated at fair value<br>through profit<br>or loss due to own credit risk | -   | -                       | (107)                      | -                        | (107)                            | -                                     | (107)                 |
| - other amounts recognised in equity  | -   | -                       | (26)                       | (175)                    | (201)                            | 9                                     | (192)                 |
| - amounts transferred from equity to<br>profit or loss  | -   | -                       | -                          | (677)                    | (677)                            | -                                     | (677)                 |
| - recycled to profit or loss on disposal<br>of businesses (1)   | -   | -                       | -                          | (21)                     | (21)                             | -                                     | (21)                  |
| - tax   | -   | -                       | (5)                        | 237                      | 232                              | -                                     | 232                   |
| Preference share and other dividends<br>paid  | -   | -                       | (478)                      | -                        | (478)                            | (20)                                  | (498)                 |
| Shares and securities issued during the<br>period   | 226   | -                       | (5)                        | -                        | 221                              | -                                     | 221                   |
| Redemption of preference shares (2)   | 692   | -                       | (692)                      | -                        | -                                | -                                     | -                     |
| Reclassification of paid-in equity (3)  | -   | (524)                   | (196)                      | -                        | (720)                            | -                                     | (720)                 |
| Capital reduction (4)   | (30,331)  | -                       | 30,331                     | -                        | -                                | -                                     | -                     |
| Share-based payments - gross  | -   | -                       | (26)                       | -                        | (26)                             | -                                     | (26)                  |
| Movement in own shares held   | 87  | -                       | -                          | -                        | 87                               | -                                     | 87                    |
| Equity withdrawn  | -   | -                       | -                          | -                        | -                                | (59)                                  | (59)                  |
| At 30 September 2017  | 12,600  | 4,058                   | 17,669                     | 14,401                   | 48,728                           | 746                                   | 49,474                |

|                                  |                      |
|----------------------------------|----------------------|
|                                  | 30 September<br>2017 |
| Total equity is attributable to: | £m                   |
| Non-controlling interests        | 746                  |
| Preference shareholders          | 2,565                |
| Paid-in equity holders           | 4,058                |
| Ordinary shareholders            | 42,105               |
|                                  | 49,474               |

\*Other reserves consist of:

|                            |        |
|----------------------------|--------|
| Merger reserve             | 10,881 |
| Available-for-sale reserve | 260    |
| Cash flow hedging reserve  | 298    |
| Foreign exchange reserve   | 2,962  |
|                            | 14,401 |

Notes:

(1) No tax impact.

In September 2017, non-cumulative US dollar preference shares recorded as debt were redeemed at their original issue price of US\$1.1 billion. The nominal value of £0.3 million has been credited to the capital redemption

(2) reserve; share premium increased by £0.7 billion in respect of the premium received on issue, with a corresponding decrease in retained earnings.

Paid-in equity reclassified to liabilities as a result of the call of RBS Capital Trust D in March 2017 (redeemed in

(3) June 2017) and the call of US\$564 million and CAD321 million EMTN notes in August 2017 (redeemed in October 2017).

(4) On 15 June 2017, the Court of Session approved a reduction of RBSG plc capital so that the amounts which stood to the credit of share premium account and capital redemption reserve were transferred to retained earnings.





## Notes

## 1. Basis of preparation

The condensed consolidated financial statements should be read in conjunction with RBS's 2016 Annual Report and Accounts which were prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS).

## Accounting policies

Ahead of adopting IFRS 9 Financial Instruments from 1 January 2018 RBS has adopted the provisions in respect of the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss from 1 January 2017. Accordingly, a loss of £30 million has been reported in the consolidated statement of other comprehensive income in Q3 2017 instead of in the consolidated income statement. Comparatives have not been restated, however, in Q3 2016 a loss of £92 million was included in the consolidated income statement. Own credit adjustments on financial liabilities held-for-trading will continue to be recognised in the consolidated income statement, a loss of £5 million was reported in Q3 2017 (Q3 2016 – loss of £64 million).

Apart from the above RBS's principal accounting policies are as set out on pages 297 to 306 of the 2016 Annual Report and Accounts. Other amendments to IFRS effective for 2017 have not had a material effect on RBS's Q3 2017 results.

## Critical accounting policies and key sources of estimation uncertainty

The judgements and assumptions that are considered to be the most important to the portrayal of RBS's financial condition are those relating to goodwill, provisions for liabilities, deferred tax, loan impairment provisions and fair value of financial instruments. These critical accounting policies and judgements are described on pages 306 to 308 of RBS's 2016 Annual Report and Accounts.

## Going concern

Having reviewed RBS's forecasts, projections and other relevant evidence, the directors have a reasonable expectation that RBS will continue in operational existence for the foreseeable future. Accordingly, the results for the period ended 30 September 2017 have been prepared on a going concern basis.

## 2. Provisions for liabilities and charges

|  | Payment<br>protection<br>insurance<br>£m | Other<br>customer<br>redress (1)<br>£m | Residential<br>mortgage<br>backed securities<br>£m | Litigation<br>and other<br>regulatory<br>£m | Other (2)<br>£m | Total<br>£m |
|--|--|--|--|---|-----------------|-------------|
| At 1 January 2017                          | 1,253                                    | 1,105                                  | 6,752  | 1,918                                       | 1,808           | 12,836      |
| Currency translation and other movements - | -  | (1)                                    | (114)  | (13)  | 10              | (118)       |
| Charge to income statement                 | -  | -                                      | -  | 32  | 204             | 236         |
| Releases to income statement               | -  | (2)                                    | -  | (3)   | (39)            | (44)        |
| Provisions utilised                        | (78)                                     | (99)                                   | -  | (950)                                       | (164)           | (1,291)     |
| At 31 March 2017                           | 1,175                                    | 1,003                                  | 6,638  | 984   | 1,819           | 11,619      |
| Currency translation and other movements - | -  | 5                                      | (237)  | (17)  | 38              | (211)       |
| Charge to income statement                 | -  | 55                                     | 222  | 59  | 371             | 707         |

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|  |       |       |         |       |       |         |
|--|-------|-------|---------|-------|-------|---------|
| Releases to income statement               | -     | (38)  | -       | (4)   | (96)  | (138)   |
| Provisions utilised                        | (81)  | (114) | (44)    | (113) | (398) | (750)   |
| At 30 June 2017                            | 1,094 | 911   | 6,579   | 909   | 1,734 | 11,227  |
| Currency translation and other movements - | -     | 1     | (159)   | (4)   | (14)  | (176)   |
| Charge to income statement                 | -     | 1     | -       | 105   | 118   | 224     |
| Releases to income statement               | -     | (1)   | -       | (2)   | (1)   | (4)     |
| Provisions utilised (3)                    | (115) | (84)  | (3,588) | (221) | (154) | (4,162) |
| At 30 September 2017                       | 979   | 828   | 2,832   | 787   | 1,683 | 7,109   |

Notes:

- (1) Closing provision predominantly relates to investment advice, packaged accounts (including costs) and tracker mortgages.  
The Group recognised a £750 million provision in 2016 as a consequence of the announcement that HM Treasury is seeking a revised package of remedies that would conclude its remaining State Aid commitments. An additional
- (2) charge of £50 million was taken in Q2 2017 following further revisions to the package, taking the total provision to £800 million.  
Q3 2017 utilisation includes the \$4.75 billion payment made following the settlement reached between RBS and
- (3) the Federal Housing Finance Agency in relation to RBS's issuance and underwriting of RMBS in the US.

There are uncertainties as to the eventual cost of redress in relation to certain of the provisions contained in the table above. Assumptions relating to these are inherently uncertain and the ultimate financial impact may be different from the amount provided.



## Notes

### 3. Material developments in litigation, investigations and reviews

RBS's 2017 Interim Results issued on 4 August 2017 included comprehensive disclosures about RBS's litigation, investigations and reviews in Note 12. Set out below are the material developments in these matters since the 2017 Interim Results were published. RBS generally does not disclose information about the establishment or existence of a provision for a particular matter where disclosure of the information can be expected to prejudice seriously RBS's position in the matter.

#### Litigation

##### Residential mortgage-backed securities (RMBS) litigation in the US

Among other RMBS litigation, RBS Securities Inc. (RBSSI) remains a defendant in a lawsuit relating to RMBS issued by Nomura Holding America Inc. (Nomura) and subsidiaries, filed by the US Federal Housing Finance Agency (FHFA) as conservator for the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). On 11 May 2015, following a trial, the United States District Court for the Southern District of New York issued a written decision in favour of FHFA, finding, as relevant to RBS, that the offering documents for four Nomura-issued RMBS for which RBSSI served as an underwriter contained materially misleading statements about the mortgage loans that backed the securitisations. Nomura and RBS appealed. On 28 September 2017, the court's judgment against Nomura and RBSSI was affirmed by the United States Court of Appeals for the Second Circuit.

RBSSI estimates that its net exposure under the court's judgment is approximately US\$383 million, which consists of the difference between the amount of the judgment against RBSSI (US\$636 million) and the estimated market value of the four RMBS that FHFA would return to RBSSI pursuant to the judgment, plus the costs and attorney's fees that will be due to FHFA if the judgment is upheld. The estimated net exposure in this matter is covered by an existing provision. The judgment is stayed pending potential further appeal by the defendants, though post-judgment interest on the judgment amount will accrue while the appeal is pending. RBSSI intends to pursue a contractual claim for indemnification against Nomura with respect to any losses it suffers as a result of this matter.

RBS continues to caution that, in connection with its RMBS litigation matters and RMBS investigations taken as a whole, further substantial provisions and costs may be recognised and, depending upon the final outcomes, other adverse consequences may occur.

##### London Interbank Offered Rate (LIBOR)

As previously disclosed, certain members of the Group have been named as defendants in a number of class actions and individual claims filed in the US with respect to the setting of LIBOR and certain other benchmark interest rates. On 18 August 2017, the court in the action relating to the Singapore Interbank Offered Rate and Singapore Swap Offer Rate dismissed all claims against RBS for lack of personal jurisdiction; however, the court is allowing the plaintiffs to replead their complaint. On 25 September 2017, the court in the action relating to Swiss Franc LIBOR dismissed all claims against all defendants; however, the court is allowing the plaintiffs to replead their complaint. Both of these actions are pending in the United States District Court for the Southern District of New York.

##### FX antitrust litigation

On 3 August 2017, the United States District Court for the Southern District of New York held that the amended complaint in the FX-related antitrust class action on behalf of a purported class of "consumers and end-user businesses" adequately pleads that the class has the requisite antitrust standing. As a result, the discovery phase has commenced. RBS and the other defendants are seeking reconsideration of the court's decision regarding standing or, in the alternative, permission to take an immediate appeal to the United States Court of Appeals for the Second Circuit.

## Notes

### 3. Material developments in litigation, investigations and reviews (continued)

#### Weiss v. National Westminster Bank Plc (NatWest)

As previously disclosed, NatWest is defending a lawsuit filed by a number of US nationals (or their estates, survivors, or heirs) who were victims of terrorist attacks in Israel. The plaintiffs allege that NatWest is liable for damages arising from those attacks pursuant to the US Anti-terrorism Act because NatWest previously maintained bank accounts and transferred funds for the Palestine Relief & Development Fund, an organisation which plaintiffs allege solicited funds for Hamas, the alleged perpetrator of the attacks. On 5 October 2017, the United States District Court for the Eastern District of New York dismissed claims against NatWest with respect to two terrorist attacks, but denied NatWest's summary judgment motion with respect to claims arising from 16 other attacks. No trial date has been set.

#### Investigations and reviews

##### RMBS and other securitised products investigations

On 26 October 2017, the United States Attorney for the District of Connecticut (USAO) announced that it entered into a Non-Prosecution Agreement (NPA) with RBSSI in connection with misrepresentations to counterparties relating to secondary trading in various forms of asset-backed securities. The NPA, which recognises RBSSI's timely self-reporting and cooperation, requires RBSSI to pay a penalty of US\$35 million, reimburse customers at least US\$9.1 million, and continue to cooperate with the investigation. These amounts are covered by existing provisions. As part of the NPA, the USAO has agreed not to file criminal charges against RBSSI relating to certain conduct and information described in the NPA if RBSSI complies with the NPA during its one-year term. In March and December 2015, two former RBSSI traders entered guilty pleas in the United States District Court for the District of Connecticut, each to one count of conspiracy to commit securities fraud while employed at RBSSI.

##### FCA review of RBS's treatment of SMEs

On 23 October 2017, the FCA published an interim account incorporating a summary of the Skilled Person's report which stated that, further to the general investigation announced in November 2016, the FCA has decided to carry out a more focused investigation.

### 4. Post balance sheet events

Other than matters disclosed, there have been no further significant events between 30 September 2017 and the date of approval of this announcement.



## Forward-looking statements

### Cautionary statement regarding 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', 'commit', 'believe', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', '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: future profitability and performance, including financial performance targets such as return on tangible equity; cost savings and targets, including cost:income ratios; litigation and government and regulatory investigations, including the timing and financial and other impacts thereof; structural reform and the implementation of the UK ring-fencing regime; the implementation of RBS's transformation programme, including the further restructuring of the NatWest Markets business; the satisfaction of the Group's residual EU State Aid obligations; the continuation of RBS's balance sheet reduction programme, including the reduction of risk-weighted assets (RWAs) and the timing thereof; capital and strategic plans and targets; capital, liquidity and leverage ratios and requirements, including CET1 Ratio, RWA equivalents (RWAE), Pillar 2 and other regulatory buffer requirements, minimum requirement for own funds and eligible liabilities, and other funding plans; funding and credit risk profile; capitalisation; portfolios; net interest margin; customer loan and income growth; the level and extent of future impairments and write-downs, including with respect to goodwill; restructuring and remediation costs and charges; future pension contributions; RBS's exposure to political risks, operational risk, conduct risk, cyber and IT risk and credit rating risk and to various types of market risks, including as interest rate risk, foreign exchange rate risk and commodity and equity price risk; customer experience including our Net Promoter Score (NPS); employee engagement and gender balance in leadership positions.

### Limitations inherent to forward-looking statements

These statements are based on current plans, estimates, targets and projections, and are subject to significant inherent risks, uncertainties and other factors, both external and relating to the Group's strategy or operations, which may result in the Group being unable to achieve the current targets, predictions, expectations and other anticipated outcomes expressed or implied by such forward-looking statements. In addition certain of these disclosures are dependent on choices relying on key model characteristics and assumptions and are subject to various limitations, including assumptions and estimates made by management. By their nature, certain of these disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated. Accordingly, undue reliance should not be placed on these statements. Forward-looking statements speak only as of the date we make them and we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

### Important factors that could affect the actual outcome of the forward-looking statements

We caution you that a large number of important factors could adversely affect our results or our ability to implement our strategy, cause us to fail to meet our targets, predictions, expectations and other anticipated outcomes or affect the accuracy of forward-looking statements we describe in this document, including in the risk factors and other uncertainties set out in the Group's 2016 Annual Report on Form 20-F and other materials filed with, or furnished to, the US Securities and Exchange Commission, and other risk factors and uncertainties discussed in this document. These include the significant risks for RBS presented by the outcomes of the legal, regulatory and governmental actions and investigations that RBS is or may be subject to (including active civil and criminal investigations) and any resulting material adverse effect on RBS of unfavourable outcomes and the timing thereof (including where resolved by settlement); economic, regulatory and political risks, including as may result from the uncertainty arising from the vote to leave in the EU Referendum and from the outcome of general elections in the UK and changes in government policies; RBS's ability to satisfy its residual EU State Aid obligations and the timing thereof; RBS's ability to

successfully implement the significant and complex restructuring required to be undertaken in order to implement the UK ring-fencing regime and related costs; RBS's ability to successfully implement the various initiatives that are comprised in its transformation programme, particularly the proposed further restructuring of the NatWest Markets business, the balance sheet reduction programme and its significant cost-saving initiatives and whether RBS will be a viable, competitive, customer focused and profitable bank especially after its restructuring and the implementation of the UK ring-fencing regime; the exposure of RBS to cyber-attacks and its ability to defend against such attacks; RBS's ability to achieve its capital and leverage requirements or targets which will depend in part on RBS's success in reducing the size of its business and future profitability as well as developments which may impact its CET1 capital including additional litigation or conduct costs, additional pension contributions, further impairments or accounting changes; ineffective management of capital or changes to regulatory requirements relating to capital adequacy and liquidity or failure to pass mandatory stress tests; RBS's ability to access sufficient sources of capital, liquidity and funding when required; changes in the credit ratings of RBS, RBS entities or the UK government; declining revenues resulting from lower customer retention and revenue generation in light of RBS's strategic refocus on the UK; as well as increasing competition from new incumbents and disruptive technologies.





## Forward-looking statements

In addition, there are other risks and uncertainties that could adversely affect our results, ability to implement our strategy, cause us to fail to meet our targets or the accuracy of forward-looking statements in this document. These include operational risks that are inherent to RBS's business and will increase as a result of RBS's significant restructuring initiatives being concurrently implemented; the potential negative impact on RBS's business of global economic and financial market conditions and other global risks, including risks arising out of geopolitical events and political developments; the impact of a prolonged period of low interest rates or unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices; basis, volatility and correlation risks; the extent of future write-downs and impairment charges caused by depressed asset valuations; deteriorations in borrower and counterparty credit quality; heightened regulatory and governmental scrutiny and the increasingly regulated environment in which RBS operates as well as divergences in regulatory requirements in the jurisdictions in which RBS operates; the risks relating to RBS's IT systems or a failure to protect itself and its customers against cyber threats, reputational risks; risks relating to increased pension liabilities and the impact of pension risk on RBS's capital position; risks relating to the failure to embed and maintain a robust conduct and risk culture across the organisation or if its risk management framework is ineffective; RBS's ability to attract and retain qualified personnel; limitations on, or additional requirements imposed on, RBS's activities as a result of HM Treasury's investment in RBS; the value and effectiveness of any credit protection purchased by RBS; risks relating to the reliance on valuation, capital and stress test models and any inaccuracies resulting therefrom or failure to accurately reflect changes in the micro and macroeconomic environment in which RBS operates, risks relating to changes in applicable accounting policies or rules which may impact the preparation of RBS's financial statements or adversely impact its capital position; the impact of the recovery and resolution framework and other prudential rules to which RBS is subject; the recoverability of deferred tax assets by the Group; and the success of RBS in managing the risks involved in the foregoing.

The forward-looking statements contained in this document speak only as at the date hereof, and RBS does not assume or undertake any obligation or responsibility 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 solicit of any offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.



## Additional information

### Presentation of information

In this document, 'RBSG plc' or the 'parent company' refers to The Royal Bank of Scotland Group plc, and 'RBS' or the 'Group' refers to RBSG plc and its subsidiaries.

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 2016 have been filed with the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

In this document Williams & Glyn refers to the business formerly intended to be divested as a separate legal entity, which continues to be reported as a separate operating segment.

### Key operating indicators

As described in Note 1 on page 14, RBS prepares its financial statements in accordance with IFRS as issued by the IASB which constitutes a body of generally accepted accounting principles (GAAP). This document contains a number of adjusted or alternative performance measures, also known as non-GAAP financial measures. These measures exclude certain items which management believe are not representative of the underlying performance of the business and which distort period-on-period comparison. These measures include:

'Adjusted' measures of financial performance, principally operating performance before: own credit adjustments; gain or loss on redemption of own debt; strategic disposals; restructuring costs and litigation and conduct costs; Performance, funding and credit metrics such as 'return on tangible equity', 'adjusted return on tangible equity' and related RWA equivalents incorporating the effect of capital deductions (RWAes), total assets excluding derivatives (funded assets), net interest margin (NIM) adjusted for items designated at fair value through profit or loss (non-statutory NIM), cost:income ratio, loan:deposit ratio and REIL/impairment provision ratios. These are internal metrics used to measure business performance;

Personal & Business Banking (PBB) franchise results, combining the reportable segments of UK Personal & Business Banking (UK PBB) and Ulster Bank RoI, Commercial & Private Banking (CPB) franchise results, combining the reportable segments of Commercial Banking, Private Banking and RBS International (RBSI) and 'core businesses' results combining PBB, CPB and NatWest Markets results which are presented to provide investors with a summary of the Group's business performance; and

Cost savings progress and 2017 target calculated using operating expenses excluding litigation and conduct costs, restructuring costs and the VAT recoveries.

### Contacts

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|                |                                   |  |
|----------------|-----------------------------------|--|
|                | Analyst and investor presentation | Web cast and dial in details                                 |
| Date:          | Friday 27 October 2017            | <a href="http://www.rbs.com/results">www.rbs.com/results</a> |
| Time:          | 9:00 am UK time                   | International – +44 1452 568 172                             |
|                |                                   | UK Free Call – 0800 694 8082                                 |
| Conference ID: | 59366016                          | US Toll Free – 1 866 966 8024                                |

Available on [www.rbs.com/results](http://www.rbs.com/results)

Interim Management Statement Q3 2017 and background slides.

A financial supplement containing income statement, balance sheet and segment performance information for the nine quarters ended 30 September 2017.

Pillar 3 supplement at 30 September 2017.



Appendix

Segmental income statement reconciliations





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Segmental income statement reconciliations

|   | PBB       |                       | CPB                   |                    |                      | NatWest<br>Markets | Capital<br>Resolution | Williams<br>& Glyn | Central<br>items<br>&<br>other | Total<br>RBS |
|---|-----------|-----------------------|-----------------------|--------------------|----------------------|--------------------|-----------------------|--------------------|--------------------------------|--------------|
|   | UK<br>PBB | Ulster<br>Bank<br>RoI | Commercial<br>Banking | Private<br>Banking | RBS<br>International |                    |                       |                    |                                |              |
| Nine months<br>ended 30<br>September 2017 | £m        | £m                    | £m                    | £m                 | £m                   | £m                 | £m                    | £m                 | £m                             | £m           |
| Income<br>statement                       |           |                       |                       |                    |                      |                    |                       |                    |                                |              |
| Total income -<br>statutory               | 4,303     | 443                   | 2,678                 | 487                | 292                  | 1,326              | (476)                 | 626                | 397                            | 10,076       |
| Own credit<br>adjustments                 | -         | 3                     | -                     | -                  | -                    | 55                 | 20                    | -                  | -                              | 78           |
| Loss on<br>redemption of<br>own debt      | -         | -                     | -                     | -                  | -                    | -                  | -                     | -                  | 7                              | 7            |
| Strategic<br>disposals                    | -         | -                     | -                     | -                  | -                    | -                  | -                     | -                  | (156)                          | (156)        |
| Total income -<br>adjusted                | 4,303     | 446                   | 2,678                 | 487                | 292                  | 1,381              | (456)                 | 626                | 248                            | 10,005       |
| Operating<br>expenses -<br>statutory      | (2,333)   | (422)                 | (1,439)               | (335)              | (153)                | (1,125)            | (715)                 | (230)              | (243)                          | (6,995)      |
| Restructuring<br>costs - direct           | 24        | 25                    | 42                    | 1                  | 2                    | 48                 | 195                   | -                  | 697                            | 1,034        |
| Restructuring<br>costs - indirect         | 184       | 27                    | 96                    | 16                 | 4                    | 86                 | (35)                  | -                  | (378)                          | -            |
| Litigation and<br>conduct costs           | 13        | 34                    | 6                     | -                  | 8                    | 47                 | 361                   | -                  | 52                             | 521          |
| Operating<br>expenses -<br>adjusted       | (2,112)   | (336)                 | (1,295)               | (318)              | (139)                | (944)              | (194)                 | (230)              | 128                            | (5,440)      |
| Impairment<br>(losses)/releases           | (139)     | 21                    | (245)                 | (4)                | (3)                  | (1)                | 149                   | (36)               | (1)                            | (259)        |
| Operating<br>profit/(loss) -<br>statutory | 1,831     | 42                    | 994                   | 148                | 136                  | 200                | (1,042)               | 360                | 153                            | 2,822        |
| Operating<br>profit/(loss) -<br>adjusted  | 2,052     | 131                   | 1,138                 | 165                | 150                  | 436                | (501)                 | 360                | 375                            | 4,306        |
| Additional<br>information                 |           |                       |                       |                    |                      |                    |                       |                    |                                |              |
| Return on equity<br>(1)                   | 30.8%     | 2.1%                  | 8.3%                  | 9.5%               | 12.2%                | 1.8%               | nm                    | 23.0%              | nm                             | 5.2%         |
| Return on<br>equity -<br>adjusted (1,2,3) | 34.8%     | 6.5%                  | 9.9%                  | 10.8%              | 13.7%                | 6.1%               | nm                    | 23.0%              | nm                             | 10.4%        |
|   | 54.2%     | 95.3%                 | 51.8%                 | 68.8%              | 52.4%                | 84.8%              | nm                    | 36.7%              | nm                             | 69.1%        |

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|                                      |         |        |         |       |       |         |         |       |         |         |
|--------------------------------------|---------|--------|---------|-------|-------|---------|---------|-------|---------|---------|
| Cost:income ratio (4)                |         |        |         |       |       |         |         |       |         |         |
| Cost:income ratio - adjusted (2,3,4) | 49.1%   | 75.3%  | 46.2%   | 65.3% | 47.6% | 68.4%   | nm      | 36.7% | nm      | 53.9%   |
| Nine months ended 30 September 2016  |         |        |         |       |       |         |         |       |         |         |
| Income statement                     |         |        |         |       |       |         |         |       |         |         |
| Total income - statutory             | 3,951   | 439    | 2,548   | 496   | 278   | 1,289   | (69)    | 620   | (178)   | 9,374   |
| Own credit adjustments               | -       | (3)    | -       | -     | -     | (82)    | (142)   | -     | (67)    | (294)   |
| Loss on redemption of own debt       | -       | -      | -       | -     | -     | -       | -       | -     | 127     | 127     |
| Strategic disposals                  | -       | -      | -       | -     | -     | -       | 81      | -     | (245)   | (164)   |
| Total income - adjusted              | 3,951   | 436    | 2,548   | 496   | 278   | 1,207   | (130)   | 620   | (363)   | 9,043   |
| Operating expenses - statutory       | (2,784) | (443)  | (1,458) | (390) | (110) | (1,110) | (915)   | (353) | (1,277) | (8,840) |
| Restructuring costs - direct         | 50      | 32     | 13      | 1     | 1     | 16      | 35      | 57    | 894     | 1,099   |
| Restructuring costs - indirect       | 86      | 4      | 49      | 22    | 2     | 50      | 35      | -     | (248)   | -       |
| Litigation and conduct costs         | 420     | 95     | 16      | 2     | (1)   | 62      | 257     | -     | 889     | 1,740   |
| Operating expenses - adjusted        | (2,228) | (312)  | (1,380) | (365) | (108) | (982)   | (588)   | (296) | 258     | (6,001) |
| Impairment (losses)/releases         | (67)    | 66     | (123)   | (5)   | (11)  | -       | (383)   | (31)  | 1       | (553)   |
| Operating profit/(loss) - statutory  | 1,100   | 62     | 967     | 101   | 157   | 179     | (1,367) | 236   | (1,454) | (19)    |
| Operating profit/(loss) - adjusted   | 1,656   | 190    | 1,045   | 126   | 159   | 225     | (1,101) | 293   | (104)   | 2,489   |
| Additional information               |         |        |         |       |       |         |         |       |         |         |
| Return on equity (1)                 | 17.0%   | 3.1%   | 8.5%    | 7.0%  | 15.4% | 1.6%    | nm      | 14.8% | nm      | (8.5%)  |
| Return on equity - adjusted (1,2,3)  | 26.4%   | 9.5%   | 9.4%    | 8.9%  | 15.6% | 2.4%    | nm      | 18.3% | nm      | (0.6%)  |
| Cost:income ratio (4)                | 70.5%   | 100.9% | 55.4%   | 78.6% | 39.6% | 86.1%   | nm      | 56.9% | nm      | 94.2%   |

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|  |       |       |       |       |       |       |    |       |    |       |
|--|-------|-------|-------|-------|-------|-------|----|-------|----|-------|
| Cost:income<br>ratio - adjusted<br>(2,3,4) | 56.4% | 71.6% | 52.2% | 73.6% | 38.8% | 81.4% | nm | 47.7% | nm | 65.9% |
|--|-------|-------|-------|-------|-------|-------|----|-------|----|-------|

For notes refer  
to page 3 of this  
appendix.



## Segmental income statement reconciliations

|   | PBB       |                       | CPB                   |                    |                      | NatWest<br>Markets | Capital<br>Resolution | Williams<br>& Glyn | Central<br>items<br>&<br>other | Total<br>RBS |
|---|-----------|-----------------------|-----------------------|--------------------|----------------------|--------------------|-----------------------|--------------------|--------------------------------|--------------|
|   | UK<br>PBB | Ulster<br>Bank<br>RoI | Commercial<br>Banking | Private<br>Banking | RBS<br>International |                    |                       |                    |                                |              |
| Quarter ended<br>30 September<br>2017     | £m        | £m                    | £m                    | £m                 | £m                   | £m                 | £m                    | £m                 | £m                             | £m           |
| Income<br>statement                       |           |                       |                       |                    |                      |                    |                       |                    |                                |              |
| Total income -<br>statutory               | 1,548     | 150                   | 928                   | 166                | 97                   | 394                | (374)                 | 209                | 39                             | 3,157        |
| Own credit<br>adjustments                 | -         | -                     | -                     | -                  | -                    | 7                  | (2)                   | -                  | -                              | 5            |
| Total income -<br>adjusted                | 1,548     | 150                   | 928                   | 166                | 97                   | 401                | (376)                 | 209                | 39                             | 3,162        |
| Operating<br>expenses -<br>statutory      | (747)     | (129)                 | (443)                 | (103)              | (59)                 | (350)              | (176)                 | (72)               | (64)                           | (2,143)      |
| Restructuring<br>costs - direct           | 1         | 1                     | 2                     | 1                  | 2                    | 18                 | 65                    | -                  | 154                            | 244          |
| Restructuring<br>costs - indirect         | 47        | 8                     | 19                    | 2                  | -                    | 13                 | (39)                  | -                  | (50)                           | -            |
| Litigation and<br>conduct costs           | -         | 1                     | 2                     | -                  | 8                    | 13                 | 89                    | -                  | 12                             | 125          |
| Operating<br>expenses -<br>adjusted       | (699)     | (119)                 | (420)                 | (100)              | (49)                 | (306)              | (61)                  | (72)               | 52                             | (1,774)      |
| Impairment<br>(losses)/releases           | (67)      | 10                    | (151)                 | 3                  | 2                    | -                  | 71                    | (11)               | -                              | (143)        |
| Operating<br>profit/(loss) -<br>statutory | 734       | 31                    | 334                   | 66                 | 40                   | 44                 | (479)                 | 126                | (25)                           | 871          |
| Operating<br>profit/(loss) -<br>adjusted  | 782       | 41                    | 357                   | 69                 | 50                   | 95                 | (366)                 | 126                | 91                             | 1,245        |
| Additional<br>information                 |           |                       |                       |                    |                      |                    |                       |                    |                                |              |
| Return on equity<br>(1)                   | 36.8%     | 4.6%                  | 8.6%                  | 13.2%              | 10.4%                | 0.6%               | nm                    | 24.6%              | nm                             | 4.5%         |
| Return on equity<br>- adjusted (1,2,3)    | 39.3%     | 6.1%                  | 9.3%                  | 13.8%              | 13.6%                | 3.6%               | nm                    | 24.6%              | nm                             | 8.2%         |
| Cost:income<br>ratio (4)                  | 48.3%     | 86.0%                 | 45.7%                 | 62.0%              | 60.8%                | 88.8%              | nm                    | 34.4%              | nm                             | 67.5%        |
| Cost:income<br>ratio - adjusted           | 45.2%     | 79.3%                 | 43.1%                 | 60.2%              | 50.5%                | 76.3%              | nm                    | 34.4%              | nm                             | 55.6%        |

(2,3,4)

Quarter ended  
30 June 2017Income  
statement

|                                      |       |        |       |       |       |       |       |       |       |         |
|--------------------------------------|-------|--------|-------|-------|-------|-------|-------|-------|-------|---------|
| Total income - statutory             | 1,378 | 148    | 885   | 161   | 97    | 444   | (43)  | 211   | 426   | 3,707   |
| Own credit adjustments               | -     | 2      | -     | -     | -     | 28    | 15    | -     | (1)   | 44      |
| Gain on redemption of own debt       | -     | -      | -     | -     | -     | -     | -     | -     | 9     | 9       |
| Strategic disposals                  | -     | -      | -     | -     | -     | -     | -     | -     | (156) | (156)   |
| Total income - adjusted              | 1,378 | 150    | 885   | 161   | 97    | 472   | (28)  | 211   | 278   | 3,604   |
| Operating expenses - statutory       | (735) | (151)  | (446) | (108) | (48)  | (355) | (378) | (74)  | (104) | (2,399) |
| Restructuring costs - direct         | 3     | 5      | 1     | -     | -     | 10    | 60    | -     | 134   | 213     |
| Restructuring costs - indirect       | 26    | 4      | 17    | 3     | 1     | 25    | (12)  | -     | (64)  | -       |
| Litigation and conduct costs         | 9     | 33     | 1     | -     | -     | 3     | 266   | -     | 30    | 342     |
| Operating expenses - adjusted        | (697) | (109)  | (427) | (105) | (47)  | (317) | (64)  | (74)  | (4)   | (1,844) |
| Impairment (losses)/releases         | (40)  | (13)   | (33)  | (4)   | 2     | (1)   | 33    | (14)  | -     | (70)    |
| Operating profit/(loss) - statutory  | 603   | (16)   | 406   | 49    | 51    | 88    | (388) | 123   | 322   | 1,238   |
| Operating profit/(loss) - adjusted   | 641   | 28     | 425   | 52    | 52    | 154   | (59)  | 123   | 274   | 1,690   |
| Additional information               |       |        |       |       |       |       |       |       |       |         |
| Return on equity (1)                 | 30.8% | (2.4%) | 10.7% | 9.6%  | 14.0% | 2.9%  | nm    | 23.5% | nm    | 8.0%    |
| Return on equity - adjusted (1,2,3)  | 32.8% | 4.3%   | 11.4% | 10.3% | 14.3% | 6.6%  | nm    | 23.5% | nm    | 12.9%   |
| Cost:income ratio (4)                | 53.3% | 102.0% | 48.3% | 67.1% | 49.5% | 80.0% | nm    | 35.1% | nm    | 64.4%   |
| Cost:income ratio - adjusted (2,3,4) | 50.6% | 72.7%  | 46.1% | 65.2% | 48.5% | 67.2% | nm    | 35.1% | nm    | 50.7%   |

For notes refer to  
next page.







## Segmental income statement reconciliations

|   | PBB       |             | CPB    |                       |                    | RBS   | NatWest<br>Markets | Capital<br>Resolution | Williams<br>& Glyn | Central<br>items<br>&<br>other | Total<br>RBS |
|---|-----------|-------------|--------|-----------------------|--------------------|-------|--------------------|-----------------------|--------------------|--------------------------------|--------------|
|   | UK<br>PBB | Bank<br>RoI | Ulster | Commercial<br>Banking | Private<br>Banking |       |                    |                       |                    |                                |              |
| Quarter ended 30<br>September 2016        | £m        | £m          | £m     | £m                    | £m                 | £m    | £m                 | £m                    | £m                 | £m                             | £m           |
| Income statement                          |           |             |        |                       |                    |       |                    |                       |                    |                                |              |
| Total income -<br>statutory               | 1,336     | 146         | 849    | 165                   | 93                 | 471   | 103                | 209                   | (62)               | 3,310                          |              |
| Own credit<br>adjustments                 | -         | -           | -      | -                     | -                  | 55    | 42                 | -                     | 59                 | 156                            |              |
| Loss on<br>redemption of<br>own debt      | -         | -           | -      | -                     | -                  | -     | -                  | -                     | (3)                | (3)                            |              |
| Strategic<br>disposals                    | -         | -           | -      | -                     | -                  | -     | 30                 | -                     | 1                  | 31                             |              |
| Total income -<br>adjusted                | 1,336     | 146         | 849    | 165                   | 93                 | 526   | 175                | 209                   | (5)                | 3,494                          |              |
| Operating<br>expenses -<br>statutory      | (742)     | (131)       | (474)  | (112)                 | (39)               | (381) | (437)              | (111)                 | (484)              | (2,911)                        |              |
| Restructuring<br>costs - direct           | (1)       | 8           | 12     | -                     | -                  | 6     | 23                 | 12                    | 409                | 469                            |              |
| Restructuring<br>costs - indirect         | 26        | 3           | 9      | 3                     | -                  | 27    | 10                 | -                     | (78)               | -                              |              |
| Litigation and<br>conduct costs           | (1)       | 3           | 6      | -                     | (1)                | 6     | 231                | -                     | 181                | 425                            |              |
| Operating<br>expenses -<br>adjusted       | (718)     | (117)       | (447)  | (109)                 | (40)               | (342) | (173)              | (99)                  | 28                 | (2,017)                        |              |
| Impairment<br>(losses)/releases           | (27)      | 39          | (20)   | (3)                   | -                  | -     | (120)              | (14)                  | 1                  | (144)                          |              |
| Operating<br>profit/(loss) -<br>statutory | 567       | 54          | 355    | 50                    | 54                 | 90    | (454)              | 84                    | (545)              | 255                            |              |
| Operating<br>profit/(loss) -<br>adjusted  | 591       | 68          | 382    | 53                    | 53                 | 184   | (118)              | 96                    | 24                 | 1,333                          |              |
| Additional<br>information                 |           |             |        |                       |                    |       |                    |                       |                    |                                |              |
| Return on equity<br>(1)                   | 27.1%     | 7.8%        | 9.5%   | 11.1%                 | 15.4%              | 3.1%  | nm                 | 15.7%                 | nm                 | (4.8%)                         |              |

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|   |       |       |       |       |       |       |    |       |    |       |
|---|-------|-------|-------|-------|-------|-------|----|-------|----|-------|
| Return on equity<br>- adjusted (1,2,3)  | 28.3% | 9.9%  | 10.4% | 11.8% | 15.1% | 8.0%  | nm | 17.9% | nm | 4.6%  |
| Cost income ratio<br>(4)                | 55.5% | 89.7% | 53.9% | 67.9% | 41.9% | 80.9% | nm | 53.1% | nm | 87.8% |
| Cost income ratio<br>- adjusted (2,3,4) | 53.7% | 80.1% | 50.6% | 66.1% | 43.0% | 65.0% | nm | 47.4% | nm | 57.3% |

Notes:

RBS's CET 1 target is 13% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by average notional equity allocated at different rates of 14% (Ulster Bank RoI - 11% prior to Q1

(1) 2017), 11% (Commercial Banking), 14% (Private Banking - 15% prior to Q1 2017), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect of capital deductions (RWAes). RBS's Return on equity is calculated using profit for the period attributable to ordinary shareholders.

(2) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.

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

(4) Operating lease depreciation included in income (nine months ended September 2017 - £107 million; Q3 2017 - £35 million; nine months ended September 2016 - £115 million; Q2 2017 - £36 million, Q3 2016 - £39 million).

Legal Entity Identifier: 2138005O9XJIJN4JPN90

Date: 27 October 2017

THE ROYAL BANK OF SCOTLAND GROUP plc (Registrant)

By: /s/ Jan Cargill

Name: Jan Cargill

Title: Deputy Secretary