ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
November 14, 2011

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

14 November 2011

The Royal Bank of Scotland Group plc

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Scotland
United Kingdom

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F X Form 40-F

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

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):__

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

Yes No X

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

This report on Form 6-K shall be deemed incorporated by reference into the company's Registration Statement on Form F-3 (File Nos. 333-162219 and 333-162219-01) and to be a part thereof from the date which it was filed, to the extent not superseded by documents or reports subsequently filed or furnished.

Contents

Contents (continued)

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', 'believes', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'obje 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited to: the Group's restructuring plans, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk weighted assets, return on equity (ROE), profitability, cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; certain ring-fencing proposals; the Group's future financial performance; the level and extent of future impairments and write-downs, including sovereign debt impairments; the protection provided by the Asset Protection Scheme (APS); and the Group's potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk disclosures are dependent on choices about key model characteristics and assumptions and are subject to various limitations. By their nature, certain of the market risk disclosures are only estimates and, as a result, actual future gains and losses could differ materially from those that have been estimated.

Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document include, but are not limited to: the full nationalisation of the Group or other resolution procedures under the Banking Act 2009; the global economic and financial market conditions and other geopolitical risks, and their impact on the financial industry in general and on the Group in particular; the financial stability of other financial institutions, and the Group's counterparties and borrowers; the ability to complete restructurings on a timely basis, or at all, including the disposal of certain Non-Core assets and assets and businesses required as part of the EC State Aid restructuring plan; organisational restructuring, including any adverse consequences of a failure to transfer, or delay in transferring, certain businesses, assets and liabilities from RBS Bank N.V. to RBS plc; the ability to access sufficient funding to meet liquidity needs; the extent of future write-downs and impairment charges caused by depressed asset valuations; the inability to hedge certain risks economically; costs or exposures borne by the Group arising out of the origination or sale of mortgages or mortgage-backed securities in the United States; the value and effectiveness of any credit protection purchased by the Group; unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices and basis, volatility and correlation risks; changes in the credit ratings of the Group; ineffective management of capital or changes to capital adequacy or liquidity requirements; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; HM Treasury exercising influence over the operations of the Group; the ability of the Group to attract or retain senior management or other key employees; regulatory or legal changes (including those requiring any restructuring of the Group's operations) in the United Kingdom, the United States and other countries in which the Group operates or a change in United Kingdom Government policy; changes to regulatory requirements relating to capital and liquidity; changes to the monetary and interest rate policies of central banks and other government and regulatory bodies; impairments of goodwill; pension fund shortfalls; litigation and regulatory investigations; general operational risks; insurance claims; reputational risk; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; the recommendations made by the UK Independent Commission on Banking and their potential implications; the participation of the Group in the APS and the effect of the APS on the Group's financial and capital position; the ability to access the contingent capital arrangements with HM Treasury; the conversion of the B Shares in accordance with their terms; limitations on, or additional requirements imposed on, the Group's activities as a result of HM Treasury's investment in the Group; and the success of the Group in managing the risks involved in the foregoing.

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

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

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RFS Holdings is the entity that acquired ABN AMRO and is 98% owned by RBS and is fully consolidated in its financial statements. The interests of the State of the Netherlands (the successor to Fortis), and Santander in RFS Holdings are included in non-controlling interests. Following legal separation on 1 April 2010, the interests of other Consortium Members in RFS Holdings relate only to shared assets.

Non-GAAP financial information

IFRS requires the Group to consolidate those entities that it controls, including RFS Holdings as described above. However, discussion of the Group's performance focuses on performance measures that exclude the RFS Holdings minority interest as the Group believes that such measures allow a more meaningful analysis of the Group's financial condition and the results of its operations. These measures are non-GAAP financial measures. A body of generally accepted accounting principles such as IFRS is commonly referred to as 'GAAP'. A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. Reconciliations of these non-GAAP measures are presented throughout this document. These non-GAAP financial measures are not a substitute for GAAP measures, for which management has responsibility. RBS has divided its operations into "Core" and "Non-Core" for internal reporting purposes. Certain measures disclosed in this document for Core operations and used by RBS management are non-GAAP financial measures as they represent a combination of all reportable segments with the exception of Non-Core. In addition, RBS has further divided parts of the Core business into "Retail & Commercial" consisting of UK Retail, UK Corporate, Wealth, Global Transaction Services, Ulster Bank and US Retail & Commercial divisions. This is a non-GAAP financial measure.

Net interest margin

The basis of calculating the net interest margin (NIM) was refined in Q1 2011 and reflects the actual number of days in each quarter. Group and divisional NIMs for 2010 have been re-computed on the new basis.

Recent Developments

In July 2010, the FSA notified the Group that it was commencing an investigation into the sale by Coutts & Co of the ALICO (American Life Insurance Company) Premier Access Bond Enhanced Variable Rate Fund (EVRF) to customers between 2001 and 2008 as well as its subsequent review of those sales. Subsequently on 11 January 2011, the FSA revised the investigation start date to December 2003.

On 8 November 2011, the FSA published its Final Notice having reached a settlement with Coutts & Co, under which Coutts & Co agreed to pay a fine of £6.3 million. The FSA did not make any findings on the suitability of advice given in individual cases. Nonetheless, in order to address the possibility that unsuitable advice may potentially have been given in relation to the EVRF, Coutts & Co has agreed to undertake a past business review of its sales of the product. This review will be overseen by an independent third party and will consider the advice given to customers invested in the EVRF as at the date of its suspension, 15 September 2008. As part of the review, Coutts & Co may identify clients affected by the FSA's findings and will offer them redress.

Condensed consolidated income statement
for the period ended 30 September 2011

	Quarter ended			Nine months ended	
	30 September 2011	30 June 2011	30 September 2010	30 September 2011	30 September 2010
	£m	£m	£m	£m	£m
Interest receivable	5,371	5,404	5,584	16,176	17,164
Interest payable	(2,294)	(2,177)	(2,173)	(6,571)	(6,535)
Net interest income	3,077	3,227	3,411	9,605	10,629
Fees and commissions receivable	1,452	1,700	2,037	4,794	6,141
Fees and commissions payable	(304)	(323)	(611)	(887)	(1,762)
Income from trading activities	957	1,147	277	2,939	4,153
Gain on redemption of own debt	1	255	-	256	553
Other operating income (excluding insurance premium income)	2,384	1,142	(317)	3,917	476
Insurance net premium income	1,036	1,090	1,289	3,275	3,856
Non-interest income	5,526	5,011	2,675	14,294	13,417
Total income	8,603	8,238	6,086	23,899	24,046
Staff costs	(2,076)	(2,210)	(2,423)	(6,685)	(7,477)
Premises and equipment	(604)	(602)	(611)	(1,777)	(1,693)
Other administrative expenses	(962)	(1,752)	(914)	(3,635)	(2,947)
Depreciation and amortisation	(485)	(453)	(603)	(1,362)	(1,604)
Operating expenses	(4,127)	(5,017)	(4,551)	(13,459)	(13,721)
Profit before other operating charges and impairment losses	4,476	3,221	1,535	10,440	10,325
Insurance net claims	(734)	(793)	(1,142)	(2,439)	(3,601)
Impairment losses	(1,738)	(3,106)	(1,953)	(6,791)	(7,115)
Operating profit/(loss) before tax	2,004	(678)	(1,560)	1,210	(391)
Tax (charge)/credit	(791)	(222)	295	(1,436)	(637)
Profit/(loss) from continuing operations	1,213	(900)	(1,265)	(226)	(1,028)
Profit/(loss) from discontinued operations,	6	21	18	37	(688)

net of tax					
Profit/(loss) for the period	1,219	(879)	(1,247)	(189)	(1,716)
Non-controlling interests	7	(18)	101	(10)	703
Preference share and other dividends	-	-	-	-	(124)
Profit/(loss) attributable to ordinary and B shareholders	1,226	(897)	(1,146)	(199)	(1,137)
Basic earnings/(loss) per ordinary and B share from continuing operations	1.1p	(0.8p)	(1.1p)	(0.2p)	(0.5p)
Diluted earnings/(loss) per ordinary and B share from continuing operations	1.1p	(0.8p)	(1.1p)	(0.2p)	(0.5p)
Basic (loss)/earnings per ordinary and B share from discontinued operations	-	-	-	-	-
Diluted (loss)/earnings per ordinary and B share from discontinued operations	-	-	-	-	-

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Comment

Stephen Hester, Group Chief Executive, commented:

"RBS's third quarter results show the improved strength and resilience we have built up since 2008. They also highlight the external pressures facing banks, and economies more broadly, which are making the road to recovery longer and bumpier than hoped for.

Service to customers remains at the top of RBS's agenda. We care about our customers and the communities we serve and are part of. Across our businesses we have both the means and the will to meet creditworthy demand with lending and other support. We provided £28.5 billion of new lending in Q3 across both UK businesses and personal mortgages, again exceeding our natural customer market shares in each segment.

In the face of eurozone turmoil and economic slowdown RBS has sustained its restructuring momentum. Our Core Tier 1 capital ratio is strong. Our loan:deposit ratio improved again, as did our liquidity position. Non-Core run-down is on-track for year end targets. Impairment charges fell, especially in Ireland.

In common with other banks, the picture on profitability is mixed. Our Retail & Commercial businesses are holding up well with 16% return on equity for the quarter, excluding Ulster Bank. Forward momentum will be challenging, however, until the economies we serve see stronger growth. Our investment bank was only modestly profitable in the third quarter, performing in line with competitors. While we have been pleased with GBM's risk management in volatile markets, we expect difficult conditions to continue in Q4. Losses in Non-Core are coming down year by year but will remain significant and volatile for a while longer.

RBS will take clear action to adjust strategy where needed in the light of new economic and regulatory realities. The foundation established since 2009 helps us immeasurably. The path ahead is navigable, and we are committed to delivering the best of RBS for customers and shareholders."

Highlights

Third quarter results summary
The Royal Bank of Scotland Group (RBS or the Group) reported an operating profit of £2,004 million in the third quarter of 2011. Operating profit for the first nine months of 2011 was £1,210 million, compared with a loss of £391 million in the same period of 2010.

The result reflects a challenging and uncertain economic environment, with the Group adopting a cautious approach by reducing its risk appetite and ensuring a strong and liquid balance sheet. The Group liquidity buffer was expanded from £155 billion to £170 billion and deposit growth remained a key strategic target, with the Group loan:deposit ratio improving to 112%, compared with 126% at 30 September 2010. Total funded assets were down £16 billion from Q2 and £44 billion from Q3 2010. Average value-at-risk in the Group's Core businesses was £58.3 million in Q3 2011 compared with £123.8 million in Q3 2010.

Retail & Commercial profitability was impacted by increased funding costs and impairments remaining high, particularly in Ulster Bank. In GBM, however, the subdued operating environment and lower risk appetite led to a year-to-date return on equity of 11%, compared with 19% in the prior year. Total Core return on equity in the first nine months was 12%, compared with 14% for the comparable period of 2010.

Non-Core kept up good progress, reducing its funded balance sheet by £8 billion during Q3 2011 to £105 billion. The division remains on course to meet its year-end asset target of £96 billion.

Significant non-operating items during Q3 2011 included a gain of £2,357 million on movements in the fair value of own debt, as the volatile market conditions led to a significant widening in the Group's credit spreads during the quarter. This compared with a gain of £339 million in Q2 2011 and a charge of £858 million in Q3 2010. An additional impairment of £142 million was booked against the Group's holdings of Greek sovereign bonds, which were marked at 37% of par value as at 30 September 2011. A further charge of £60 million (compared with £168 million in Q2 2011) was recorded in respect of the Asset Protection Scheme (APS), which is accounted for as a derivative, with changes in fair value booked each quarter. The cumulative APS charge now stands at £2.2 billion.

After these and other charges RBS recorded a pre-tax profit of £2,004 million, compared with a loss of £678 million in Q2 2011. Profit before tax for the first nine months of 2011 was £1,210 million, compared with a loss of £391 million in the prior year.

Net of tax and minority interests, Q3 2011 attributable profit was £1,226 million, compared with an attributable loss of £897 million in the second quarter.

Income
Group income totalled £8,603 million, up 4% from Q2 2011. Excluding movements in the fair value of own debt of £2,357 million, a charge on the APS credit default swap of £60 million, a loss on strategic disposals of £49 million, gain on redemption of own debt of £1 million and other adjustments of £4 million, Group income totalled £6,358 million in Q3 2011, down 18% from the second quarter, driven primarily by a decline in Non-Core income as valuation gains booked in Q2 2011 were not repeated. Retail & Commercial income was flat at £4,171 million, with growth in US Retail & Commercial, Global Transaction Services and Ulster Bank offset by declines in UK Retail and UK Corporate. GBM income was 29% lower at £1,099 million, reflecting a cautious risk appetite in view of the difficult market conditions.

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Third quarter results summary (continued)

Income (continued)
Net interest income was 5% lower at £3,077 million with lower loan balances (reflecting in particular Non-Core run-off) and Group net interest margin (NIM) narrowing to 1.84% from 1.96% in the second quarter. Group margin was negatively affected by the cost of carrying higher liquidity reserves and central bank balances, along with lower yield on Non-Core assets due to run-off of high earning assets and lack of interest recoveries in the quarter. Retail & Commercial NIM was resilient, falling just 3 basis points to 3.19%, principally reflecting the impact of lower rates on current account balances, as well as competitive deposit pricing.

Non-interest income increased 10% to £5,526 million. Excluding movements in the fair value of own debt of £2,357 million, a charge on the APS credit default swap of £60 million, a loss on strategic disposals of £49 million, gain on redemption of own debt of £1 million and other adjustments of £3 million, non-interest income declined by 28% to £3,280 million, principally reflecting lower trading income in Non-Core, where valuation gains booked in the second quarter were not repeated, and where fair value losses were incurred on some portfolios as a result of the volatile market conditions. In addition, GBM non-interest income was 32% lower at £938 million, reflecting depressed primary market volumes and limited opportunities in the secondary market.

Expenses
Group third quarter expenses totalled £4,127 million, down 17% from Q2 2011. Excluding the amortisation of purchased intangible assets of £69 million, integration and restructuring costs of £233 million and other adjustments of £4 million, Group expenses totalled £3,821 million in Q3 2011, down 2% from Q2 and 7% from Q3 2010. The reduction in expenses was largely driven by reduced compensation accruals in GBM. Retail & Commercial costs were flat in the third quarter and down 2% compared with Q3 2010.

The Group cost:income ratio was 48% and the Core cost:income ratio 56%, reflecting the subdued operating environment. Retail & Commercial held its cost:income ratio stable.

Given the economic outlook and difficult trading environment, we are actively working on further cost initiatives across the Group.

Impairments
Impairments were £1,738 million, down 44% from Q2 2011. Excluding sovereign debt impairment of £142 million and interest rate hedge adjustments on available-for-sale Greek government bonds of £60 million, impairments fell by 32% from the prior quarter, principally due to reduced charges in Non-Core, which had recorded substantial additional provisions relating to development land values in its Irish portfolios during Q2 2011. Core impairments of 0.8% of loans and advances to customers were flat with Q2 2011. Across the Group, Irish impairments fell sequentially from £1,251 million in Q2 2011 to £610 million in Q3 2011, paced by lower Non-Core impairments. Core Ulster Bank impairments remained high reflecting the difficult economic environment in Ireland with elevated default levels across both mortgage and other corporate portfolios.

Third quarter results summary (continued)

Balance sheet

The Group funded balance sheet fell by £16 billion during the quarter to £1,035 billion, with Non-Core down £8 billion to £105 billion and GBM down £20 billion to £399 billion. This was partially offset by an increase of £15 billion in cash balances at central banks held by Group Treasury for liquidity purposes. Loan growth in Core Retail & Commercial businesses was limited, with customer credit demand remaining subdued in the face of an uncertain economic outlook.

The reduction in Non-Core assets was driven by £4 billion of run-off and £3 billion of disposals, with another £1 billion of deals signed but not yet completed at the end of the quarter. The division remains on target to reduce third party assets to about £96 billion by the end of 2011.

The Group continues to be vigilant, and carefully monitors and controls country risk and exposures. Eurozone peripheral sovereign exposures have been substantially reduced and are at modest levels. Total exposures to central and local governments in Portugal, Greece, Italy, Spain and the Republic of Ireland have been reduced in 2011 from £4.6 billion to £1.1 billion (see pages 134 to 142). Our exposure to the Republic of Ireland is substantially funded domestically and is domiciled primarily in Ulster Bank, an in-market bank which has been established 175 years.

Funding and liquidity

The Group's prudent approach during the third quarter's uncertain market conditions was reflected in its strong funding and liquidity metrics. The Group loan:deposit ratio (LDR) improved again from 114% to 112%. The Core LDR also improved on the second quarter to 95%, principally reflecting a £5 billion increase in deposits.

Short-term wholesale funding levels remained stable and the Group continues to access the markets as required, although consistent with the overall market, tenors are shorter. RBS has completed its £23 billion term funding issuance target for 2011, successfully issuing in the secured and private markets during the third quarter and October despite difficult market conditions. We will look to access the term markets opportunistically over the remainder of the year.

The Group decided to increase its liquidity portfolio from £155 billion to £170 billion in view of the uncertain market environment. This portfolio substantially exceeds short-term wholesale funding, excluding derivatives collateral, of £141 billion.

Capital

The Core Tier 1 ratio remained strong at 11.3%. While gross risk-weighted assets (which excludes the benefit provided by APS) fell by £17 billion to £512 billion, this impact was partially offset by the attributable loss of £593 million, excluding FVOD.

The Group's TNAV increased from 50.3p to 52.6p during the quarter reflecting the reported attributable profit as well as positive movements in the available-for-sale (AFS) and cash flow hedging reserves, reflecting the decline in long-term interest rates.

Third quarter results summary (continued)

Strategy
2011 marks the halfway point of the Group's five year recovery plan, adopted in 2009. Our plan's three primary goals are to restore RBS to financial strength and stability; to support customers well (and better) across the Group's core businesses; and to rebuild value for shareholders from the nadir reached in January 2009.

RBS's structural approach to these tasks has worked well. The identification of Core businesses to drive the Group's recovery has been validated; the customer franchises have shown their strength. The Non-Core bank as the primary vehicle of risk reduction and reduction in strategic scope has also paid off.

The RBS Strategic Plan has met or exceeded all material targets to date. Over £600 billion of assets have come off the balance sheet. Capital and funding ratios have been transformed. £32 billion of pre-impairment profits have been generated by the Core businesses since the Plan's inception. These have been necessary to absorb the loan losses and restructuring costs incurred in dealing with the Bank's legacy risk positions, a task that is well advanced but by no means finished.

At the same time, customer support has been uninterrupted and is improving in key areas. UK customer satisfaction has risen and is at the top end of competitor ratings, though further improvement remains important. Lending has been made available to meet demand, with RBS increasing market share in UK mortgages. In SME lending, the latest figures show RBS exceeding 40% of UK lending despite a much lower "natural" share of customer relationships (in the 20-30% range). We remain the only UK bank to guarantee the price and availability of SME overdraft facilities.

Our Strategic Plan has anticipated many of the challenges in our operating environment and has proved resilient. However, two important developments require additional strategic response.

Now that the Independent Commission on Banking (ICB) has published its final report, the future shape of UK banking regulation has become clearer. The Government's formal response to the ICB is expected in December, but it has already indicated that it intends to implement the ICB's recommendations, including the creation of a ring fence between different banking activities, and RBS is preparing for that outcome.

Clearly, extensive engagement will be needed between Government, regulators and industry to sort out the myriad of operational details that are inherent in proposals on this scale and then to implement them. We anticipate that it will take most of the scheduled adjustment period to complete this.

At the same time, the outlook for economic growth has been downgraded. Interest rates are likely to remain low for longer than originally forecast and markets appear likely to remain volatile for some time. We expect that unsecured wholesale funding availability for banks generally will remain scarcer and more expensive than in the past even when current uncertainties subside. The impact of these challenges will be felt by all banks.

Highlights (continued)

Third quarter results summary (continued)

Strategy (continued)
Taken together, the impact of the ICB's ring-fencing proposals and changes in market and economic outlook will result in a further shift in the balance of RBS towards its retail and commercial businesses. It will drive a further shift in the Bank's funding model to even greater deposit focus. We will pursue additional cost cutting to reduce the impact on customers and shareholders of the regulatory and market developments. We do expect that the higher equity capital requirements and other changes to funding structure that the ICB measures entail will be met organically during the adjustment period.

RBS anticipates that it may take some years for the full implications of the ICB to be clear. It will also take time for the path of economic recovery to be more positive. This will mean RBS's own restructuring is likely to take longer to produce the targeted results and those results will be impacted by these external events.

RBS remains on course to meet or exceed its extant targets for capital, risk and balance sheet, and committed to the goal of all its businesses being capable of generating returns in excess of their cost of equity. Achievement of return on equity consistent with this goal and the related cost:income ratio is likely to take longer than the 2013 date originally envisaged.

Customer franchises
RBS Group is committed to supporting customers well. Improving the services the Group provides its customers and improving the way in which those services are provided are key to achieving this.

During the quarter UK Retail was awarded the "Best Financial Services Contact Centre in the UK" and "Best Large Contact Centre Organisation" accolades at the annual Customer Service Awards. To be recognised in this way is an important milestone in the division's transformation programme, begun in 2010, and acts as further motivation in achieving its goal of becoming the UK's most Helpful Bank.

Global Transaction Services (GTS) and Citizens both launched new products aimed at helping their customers manage their money better and more efficiently. GTS customers can now benefit from a product improving their ability to effectively manage cash positions and make successful liquidity and investment decisions while, in the US, Citizens focused on the specific needs of its small business customers. The launch of its expense management product follows on from a mobile cash management product launched during Q2 and allows business owners to track spend on cards issued by the business in real time and set limits for employee spending.

UK Corporate continued to promote its customer promise under the banner of Ahead for Business. By the end of Q3 for example, in addition to their regular customer visits, our relationship managers had spent over 600 additional days working in our customers' businesses, to better understand how these businesses work and support them through the pressures and challenges they face, under our Working With You programme.

Third quarter results summary (continued)

In the current difficult markets it is especially important that customers are able to monitor their money and for GBM customers with money invested in turbulent markets this can be especially important. In September, GBM launched RBS Agile, an automated trading tool which uses client specified criteria to enact hedging trades as required, helping customers to automatically manage their foreign exchange risk and strategy.

The Group recognises that there will always be more to achieve in customer satisfaction and product innovation but by focusing on the things that really matter to customers, it is moving in the right direction.

UK Lending

Q3 2011 was a difficult quarter for UK businesses, with weak macroeconomic news flows and the continuing sovereign debt crisis in the eurozone affecting confidence in future prospects and growth opportunities. In these conditions, RBS remains committed to serving its customers and the UK economy as a whole.

In Q3 2011 RBS provided a total of £24.5 billion of new lending to UK business customers - more than £375 million every working day. That brings total new lending in the first nine months of 2011 to £68.7 billion. These totals lead the industry, substantially exceed RBS's 'natural' share of customer relationships and underpin the Bank's demonstrable commitment to supporting customers.

Third quarter new business lending comprised £10.0 billion of new loans and facilities to mid and large corporates, £4.1 billion of mid-corporate overdraft renewals, £8.1 billion of new loans and facilities to SMEs and £2.3 billion of SME overdraft renewals. New SME lending in the first nine months of the year totalled £30.7 billion (£23.6 billion of new loans and facilities and £7.1 billion of overdraft renewals).

The overall pattern of credit demand remained similar to the previous quarter. Mid and large corporate demand was robust and largely driven by refinancing, with businesses taking advantage of longer tenors available and opportunistically refinancing 2010 facilities at lower margins. Demand from SMEs remained more muted, with loan applications during the quarter down 12% from the prior year at 68,000. Approval rates remained above 85%.

Most businesses remained focused on deleveraging. Repayments in the mid and large segments remained significant in the quarter, although mid corporate drawn balances remained stable in the quarter.

SMEs also continued to pay down existing debt and focus on building up their cash balances, with Core drawn balances overall falling by 2% in the quarter and overall credit balances increasing £2 billion since the beginning of 2011. Overdraft utilisation remained below 50%, as it has consistently been since February 2010. In Q3 2011, average price of new SME lending was generally stable, averaging 3.77%.

Highlights (continued)

Third quarter results summary (continued)

UK Lending (continued)
RBS continues with a range of measures to reinforce SMEs' confidence that it is open for business including:

- An overdraft price promise, which has seen SME customers save more than £250 million since it was introduced in November 2008.
- Committed overdrafts (most banks' overdrafts can be withdrawn on demand).
- Experienced specialist bankers to support struggling companies.
- Business support seminars for exporters.
- A Business Hotline, which will review the decision if a business has been turned down for a loan, by RBS or another bank.
- A Start-up Hotline, which provides advice for those considering starting up their own business.
- Targeted industry funds, focusing on areas such as franchising, manufacturing and renewable energy.

On 3 November the Group launched a new loan product to support its SME customers with low fixed interest rates, no early repayment charges and, for a limited three month period, no initial fees. This offer responds to small businesses' increasing concerns about investing in the face of significant uncertainty. This is part of our efforts to instil confidence in our small business customers and encourage them to speak to us about their investment plans.

Additionally, in the immediate aftermath of the August riots in London and other parts of England, the Group was quick to recognise the extra support its customers might need as a result, providing £10 million of interest free and fee-free loans to business customers affected by the rioting. RBS also contributed to the "High Street Fund", in conjunction with other UK banks, to provide free cash support to small, independent traders to help them make repairs and get back to business.

RBS also recognises the importance of providing mortgage lending to UK consumers. Gross new lending in Q3 2011 increased by 5% compared with Q2 to £4.0 billion. In the first nine months of 2011 net mortgage lending to UK households increased by over £3.8 billion to £103.1 billion. One in five of the new mortgages provided by the Group during Q3 2011 was to first time buyers. RBS continues to provide more new mortgage lending than its historic market share.

Outlook
External market and economic conditions in Q4 are expected to remain challenging. RBS will continue to prioritise a strong balance sheet with an appropriate capital, funding and liquidity position.

We anticipate trends in our Core businesses broadly consistent with the third quarter. We expect to accelerate some Non-Core disposal losses to reduce RWAs in partial mitigation of Basel III implementation. Headline results will also be affected by volatility of own debt valuations and other non-operating items.

Analysis of results

	Quarter ended		Nine months ended	
	30 September 2011	30 June 2011	30 September 2011	30 September 2010
Net interest income	£m	£m	£m	£m
Net interest income	3,077	3,227	9,605	10,629
Average interest-earning assets	663,059	660,548	660,306	698,774
Net interest margin				
- Group	1.84%	1.96%	1.94%	2.03%
- Core				
- Retail & Commercial (1)	3.19%	3.22%	3.23%	3.11%
- Global Banking & Markets	0.71%	0.70%	0.72%	1.09%
- Non-Core	0.43%	0.87%	0.74%	1.18%

Note:
(1) Retail & Commercial comprises the UK Retail, UK Corporate, Wealth, Global Transaction Services, Ulster Bank and US Retail & Commercial divisions.

Key points

Q3 2011 compared with Q2 2011

- Group NIM was impacted by the cost of carrying higher liquidity portfolio and balances held at central banks (3 basis points). Lower recoveries and run-off in Non-Core also negatively impacted Group NIM (6 basis points).

- R&C NIM fell 3 basis points, principally reflecting lower long-term swap yields on current account balances and competitive deposit pricing. Front book asset margins in UK Retail and UK Corporate have continued to rebuild.

- Average interest-earning assets remained stable, as the build-up in the liquidity portfolio was offset by continued run-off of Non-Core.

Q3 2011 compared with Q3 2010

- R&C NIM remained essentially flat, with asset repricing offsetting the tightening of liability margins to support the Group’s deposit-gathering targets.

Analysis of results (continued)

	Quarter ended			Nine months ended	
	30 September 2011	30 June 2011	30 September 2010	30 September 2011	30 September 2010
Non-interest income	£m	£m	£m	£m	£m
Net fees and commissions	1,148	1,377	1,426	3,907	4,379
Income from trading activities					
- Asset protection Scheme credit default swap - fair value changes	(60)	(168)	(825)	(697)	(825)
- movements in fair value of own debt	470	111	(330)	395	(185)
- other	547	1,204	1,432	3,241	5,163
Gain on redemption of own debt	1	255	-	256	553
Other operating income					
- strategic disposals	(49)	50	27	(22)	(331)
- movements in the fair value of own debt	1,887	228	(528)	1,821	(223)
- other	546	864	184	2,118	1,030
Non-interest income (excluding insurance net premium income)	4,490	3,921	1,386	11,019	9,561
Insurance net premium income	1,036	1,090	1,289	3,275	3,856
Total non-interest income	5,526	5,011	2,675	14,294	13,417

Key points

Q3 2011 compared with Q2 2011

· Non-interest income increased 10% to £5,526 million. Excluding movements in the fair value of own debt of £2,357 million, a charge on the APS credit default swap of £60 million, a loss on strategic disposals of £49 million, gain on redemption of own debt of £1 million and other adjustments of £3 million, non-interest income decreased by £1,254 million, 28%, principally reflecting lower trading income in Non-Core and in GBM. In Non-Core, Q2 2011 had reflected significant valuation gains c.£0.5 billion which were not repeated in the third quarter. Also in Q3 2011 Non-Core recorded net fair value losses on monoline related portfolios c.£0.2 billion.

· The Group's credit spreads widened significantly in the third quarter driving a FVOD gain of £2,357 million, compared with the Q2 2011 gain of £339 million.

· GBM's non-interest income was 33% lower, reflecting depressed primary market volumes, limited opportunities in the secondary market and a cautious risk appetite.

·

Insurance net premium income fell 5%, driven by continued run-off of legacy insurance policies in Non-Core. Net premium income in RBS Insurance, at £990 million, remained largely flat quarter on quarter.

· The APS is accounted for as a derivative and changes to fair value are recorded in the income statement. In Q3 2011 the fair value charge was £60 million compared with a charge of £168 million in Q2 2011. The cumulative charge for the APS is £2.2 billion as at 30 September 2011.

Analysis of results (continued)

Key points (continued)

Q3 2011 compared with Q3 2010

- Non-interest income increased 52% to £5,526 million, Excluding movements in the fair value of own debt of £2,357 million, a charge on the APS credit default swap of £60 million, a loss on strategic disposals of £49 million, gain on redemption of own debt of £1 million and other adjustments of £3 million, non-interest income was £3,280 million. The 27% decline in non-interest income was largely driven by uncertain market conditions during the quarter.

- Q3 2010 Non-Core trading results included some substantial valuation gains with trading income of £219 million in the quarter, compared with a loss of £246 million in Q3 2011.

- Insurance net premium income declined by 20%, driven by the run-off of legacy policies in Non-Core and an 8% decrease in RBS Insurance largely as a result of the de-risking of the motor book and exit from unprofitable business lines.

- Strategic disposals saw a £49 million charge in Q3 2011, primarily relating to certain Non-Core loan assets which are held for disposal. This compares with a gain of £27 million in Q3 2010 primarily from the disposals of RBS Sempra Commodities JV and factoring businesses in France and Germany.

Analysis of results (continued)

Operating expenses	Quarter ended 30 September 2011 £m	30 June 2011 £m	30 September 2010 £m	Nine months ended 30 September 2011 £m	30 September 2010 £m
Staff costs	2,076	2,210	2,423	6,685	7,477
Premises and equipment	604	602	611	1,777	1,693
Other					
- Payment Protection Insurance	-	850	-	850	-
- other	962	902	914	2,785	2,947
Administrative expenses	3,642	4,564	3,948	12,097	12,117
Depreciation and amortisation					
- amortisation of purchased intangible assets	69	56	123	169	273
- other	416	397	480	1,193	1,331
Operating expenses	4,127	5,017	4,551	13,459	13,721
General insurance	734	793	1,092	2,439	3,547
Bancassurance	-	-	50	-	54
Insurance net claims	734	793	1,142	2,439	3,601
Staff costs as a % of total income	24%	27%	40%	28%	31%

Key points

Q3 2011 compared with Q2 2011

- Group third quarter costs fell 17%. Excluding the amortisation of purchased intangible assets of £69 million, integration and restructuring costs of £233 million and other adjustments totalling £4 million, group expenses fell by 2%, to £3,821 million, largely driven by reduced compensation accruals in GBM, while R&C costs were flat.

- The Group cost:income ratio was 68% in Q3 2011 compared with 56%, reflecting the subdued operating environment, with income trends the dominant factor. The Core cost:income ratio also worsened, to 62% in the quarter.

Q3 2011 compared with Q3 2010

- Group costs were 9% lower than in the prior year, with expenses in Non-Core declining 42% with run-off the principal driver.

- General insurance claims fell by £358 million, 33%, primarily driven by the non-repeat of Q3 2010 reserve strengthening relating to bodily injury claims.

- The Group cost reduction programme continues to run ahead of target, achieving strong returns with lower programme spend than originally projected. The underlying run rate achieved to date is just under £3 billion per annum. This has enabled the Group to reinvest savings into enhancing the systems infrastructure to improve customer service, increase product offerings and respond to regulatory changes.

Bank Levy

Under IFRS, no liability for the bank levy arises until the measurement date, 31 December 2011. Accordingly, no accrual was made for the estimated cost of the levy at 30 September 2011. If the levy had been applied to the balance sheet at 30 September 2011, the cost of the levy to RBS would be a full year charge of approximately £330 million.

Analysis of results (continued)

	Quarter ended			Nine months ended	
	30 September 2011	30 June 2011	30 September 2010	30 September 2011	30 September 2010
Impairment losses	£m	£m	£m	£m	£m
Loan impairment losses	1,452	2,237	1,908	5,587	6,989
Securities impairment losses					
Sovereign debt impairment (1)	142	733	-	875	-
Interest rate hedge adjustments on impaired available-for-sale					
Greek government bonds	60	109	-	169	-
Other	84	27	45	160	126
Group impairment losses	1,738	3,106	1,953	6,791	7,115
Loan impairment losses - customers					
- latent	(60)	(188)	40	(355)	(5)
- collectively assessed	689	591	748	2,000	2,341
- individually assessed	823	1,834	1,120	3,942	4,653
Loan impairment losses	1,452	2,237	1,908	5,587	6,989
Core	817	810	779	2,479	2,825
Non-Core	635	1,427	1,129	3,108	4,164
Group	1,452	2,237	1,908	5,587	6,989
Customer loan impairment charge as a % of gross loans and advances (2)					
Group	1.1%	1.8%	1.4%	1.5%	1.7%
Core	0.8%	0.8%	0.7%	0.8%	0.9%
Non-Core	2.8%	6.0%	3.9%	4.6%	4.7%

Notes:

(1) The Group holds Greek government bonds with a notional amount of £1.45 billion. In the second quarter of 2011, the Group recorded an impairment loss of £733 million in respect of these bonds as a result of Greece's continuing fiscal difficulties. This charge (c.50% of notional) wrote the bonds down to their market price as at 30 June 2011. In the third quarter of 2011, an additional impairment loss of £142 million was recorded to write the bonds down to their market price as at 30 September 2011 (c.37% of notional).

(2) Gross loans and advances to customers include disposal groups and exclude reverse repurchase agreements.

Key points

Q3 2011 compared with Q2 2011

- Loan impairments fell 35% on the prior quarter to £1,452 million or 1.1% of gross loans and advances to customers. Core impairments were largely flat on Q2 2011 with a small increase in Retail & Commercial being offset by a reduction in GBM.

- The continuing macroeconomic issues in Greece and a further decline in the value of Greek sovereign bonds in Q3 2011 drove an additional impairment of the Group's AFS bond portfolio of £142 million. The Greek AFS bond portfolio was marked at 37% of par value at 30 September 2011.

- Non-Core's Q3 2011 loan impairments fell £792 million on the previous quarter, primarily reflecting a decline in impairments on the Ulster Bank portfolio, including a significantly reduced charge for development land values in Ireland.

- The Retail & Commercial impairment uplift mainly reflected a £58 million increase in Core Ulster Bank driven primarily by deteriorating mortgage metrics. Combined Ulster Bank (Core and Non-Core) impairments were £610 million, down 51% or £641 million from Q2 2011.

Analysis of results (continued)

Key points (continued)

Q3 2011 compared with Q3 2010

- Core loan impairments were up 5% on Q3 2010, primarily driven by the increase in Ulster Bank's mortgage portfolio. GTS increased its provision on an existing single name impairment, while UK Corporate saw an increase in collective charges.

- The Group customer loan impairment charge as a percentage of loans and advances was 1.1%, compared with 1.4% in Q3 2010.

- Provision coverage of risk elements in lending was 49% at the end of Q3 2011, in line with Q3 2010.

Q3 2011 compared with Q3 2010

- Integration and restructuring costs fell 25% versus a year ago, largely reflecting lower costs of established cost efficiency programmes.

Analysis of results (continued)

Capital resources and ratios	30 September 2011	30 June 2011	31 December 2010
Core Tier 1 capital	£48bn	£48bn	£50bn
Tier 1 capital	£58bn	£58bn	£60bn
Total capital	£62bn	£62bn	£65bn
Risk-weighted assets			
- gross	£512bn	£529bn	£571bn
- benefit of the Asset Protection Scheme	(£89bn)	(£95bn)	(£106bn)
Risk-weighted assets	£423bn	£434bn	£465bn
Core Tier 1 ratio (1)	11.3%	11.1%	10.7%
Tier 1 ratio	13.8%	13.5%	12.9%
Total capital ratio	14.7%	14.4%	14.0%

Note:
(1) The benefit of APS in Core Tier 1 ratio is 1.3% at 30 September 2011 (30 June 2011 - 1.3%; 31 December 2010 - 1.2%).

Key points

· The Group's Core Tier 1 ratio strengthened to 11.3%. The impact of the attributable loss (excluding FVOD) for the quarter was more than offset by a £17 billion reduction in gross RWAs, excluding the benefit of APS.

· In the third quarter APS provided Core Tier 1 benefit of 1.3%.

· The Q3 2011 gross RWAs decline was predominantly driven by Non-Core and GBM. Non-Core RWAs declined £7 billion from run-off and disposals; GBM's RWAs declined by £5 billion to £134 billion as a result of on-going risk mitigating actions.

Analysis of results (continued)

Balance sheet	30 September 2011	30 June 2011	31 December 2010
Funded balance sheet	£1,035bn	£1,051bn	£1,026bn
Total assets	£1,608bn	£1,446bn	£1,454bn
Loans and advances to customers (1)	£486bn	£490bn	£503bn
Customer deposits (2)	£434bn	£429bn	£429bn
Loan:deposit ratio - Core (3)	95%	96%	96%
Loan:deposit ratio - Group (3)	112%	114%	117%

Notes:
(1) Excluding reverse repurchase agreements and stock borrowing.
(2) Excluding repurchase agreements and stock lending.
(3) Net of provisions.

Key points

· The Group's Q3 2011 funded balance sheet decreased by £16 billion versus the prior quarter to £1,035 billion. GBM's funded balance sheet fell £20 billion to £399 billion while Non-Core's steady progress in run-off and disposals during the quarter reduced its assets by a further £8 billion to £105 billion. Non-Core is well placed to reach its year end target of funded assets of £96 billion. A £15 billion increase in liquidity portfolio assets held by Group Treasury partially offset these asset declines.

· The Group's total assets increased by £162 billion compared with Q2 2011 due to an increase in derivative fair values as a result of lower interest rates. Further discussion of derivatives is included on pages 123 to 127.

· Group customer deposits increased by £5 billion from Q2 2011, reflecting an increase in GBM and strong growth in both savings and current account balances in UK Retail. Loans and advances to customers fell in the third quarter as Non-Core continued to run down assets. In the core franchises there was modest loan growth in Wealth, US Retail & Commercial, GTS and GBM.

· The Q3 2011 Group loan:deposit ratio improved to 112% compared with 114% in Q2 2011. The Core loan:deposit ratio also improved to 95% versus 96% at Q2 2011.

Further discussion of the Group's funding and liquidity position is included on pages 104 to 112.

Divisional performance

	Quarter ended			Nine months ended	
	30 September 2011 £m	30 June 2011 £m	30 September 2010 £m	30 September 2011 £m	30 September 2010 £m
Operating profit/(loss) by division					
UK Retail	499	523	398	1,530	814
UK Corporate	301	345	422	1,139	1,130
Wealth	71	74	74	225	217
Global Transaction Services	195	164	309	546	821
Ulster Bank	(219)	(189)	(176)	(785)	(490)
US Retail & Commercial	115	127	73	322	242
Retail & Commercial	962	1,044	1,100	2,977	2,734
Global Banking & Markets	112	446	589	1,656	2,837
RBS Insurance	123	139	(33)	329	(286)
Central items	67	47	76	71	462
Core	1,264	1,676	1,732	5,033	5,747
Non-Core	(997)	(858)	(1,006)	(2,895)	(3,889)
	267	818	726	2,138	1,858
Reconciling items					
Fair value of own debt	2,357	339	(858)	2,216	(408)
Asset Protection Scheme credit default swap - fair value changes	(60)	(168)	(825)	(697)	(825)
Payment Protection Insurance costs	-	(850)	-	(850)	-
Sovereign debt impairment and related interest rate hedge adjustments	(202)	(842)	-	(1,044)	-
Amortisation of purchased intangible assets	(69)	(56)	(123)	(169)	(273)
Integration and restructuring costs	(233)	(208)	(311)	(586)	(733)
Gain on redemption of own debt	1	255	-	256	553
Strategic disposals	(49)	50	27	(22)	(331)
Other	(8)	(16)	(196)	(32)	(232)
	2,004	(678)	(1,560)	(1,210)	(391)
Impairment losses/(recoveries) by division					
UK Retail	195	208	251	597	938
UK Corporate	228	218	158	551	542

Wealth	4	3	1	12	12
Global Transaction Services	45	54	3	119	6
Ulster Bank	327	269	286	1,057	785
US Retail & Commercial	84	66	125	260	412
Retail & Commercial	883	818	824	2,596	2,695
Global Banking & Markets	(32)	37	(40)	(19)	156
Central items	3	(2)	(2)	2	(1)
Core	854	853	782	2,579	2,850
Non-Core	682	1,411	1,171	3,168	4,265
Group impairment losses	1,536	2,264	1,953	5,747	7,115

Divisional performance (continued)

	Quarter ended			Nine months ended	
	30 September 2011 %	30 June 2011 %	30 September 2010 %	30 September 2011 %	30 September 2010 %
Net interest margin by division					
UK Retail	3.90	4.00	3.99	3.98	3.87
UK Corporate	2.48	2.55	2.56	2.59	2.49
Wealth	3.46	3.61	3.41	3.51	3.40
Global Transaction Services	5.33	5.63	6.67	5.61	6.98
Ulster Bank	1.85	1.69	1.88	1.76	1.86
US Retail & Commercial	3.09	3.11	2.89	3.07	2.80
Retail & Commercial	3.19	3.22	3.20	3.23	3.11
Global Banking & Markets	0.71	0.70	1.13	0.72	1.09
Non-Core	0.43	0.87	1.04	0.74	1.18
Group net interest margin	1.84	1.96	2.03	1.94	2.03

	30 September 2011 £bn	30 June 2011 £bn	Change	31 December 2010 £bn	Change
Risk-weighted assets by division					
UK Retail	48.7	49.5	(2%)	48.8	-
UK Corporate	75.7	77.9	(3%)	81.4	(7%)
Wealth	13.0	12.9	1%	12.5	4%
Global Transaction Services	18.6	18.8	(1%)	18.3	2%
Ulster Bank	34.4	36.3	(5%)	31.6	9%
US Retail & Commercial	56.5	54.8	3%	57.0	(1%)
Retail & Commercial	246.9	250.2	(1%)	249.6	(1%)
Global Banking & Markets	134.3	139.0	(3%)	146.9	(9%)
Other	9.8	11.8	(17%)	18.0	(46%)
Core	391.0	401.0	(2%)	414.5	(6%)
Non-Core	117.9	124.7	(5%)	153.7	(23%)
Group before benefit of Asset Protection Scheme	508.9	525.7	(3%)	568.2	(10%)
Benefit of Asset Protection Scheme	(88.6)	(95.2)	(7%)	(105.6)	(16%)

Group before RFS Holdings minority interest	420.3	430.5	(2%)	462.6	(9%)
RFS Holdings minority interest	3.0	3.0	-	2.9	3%
Group	423.3	433.5	(2%)	465.5	(9%)

For the purposes of the divisional return on equity ratios, notional equity has been calculated as a percentage of the monthly average of divisional risk-weighted assets, adjusted for capital deductions. Currently, 9% has been applied to the Retail & Commercial divisions and 10% to Global Banking & Markets. However, these will be subject to modification as the final Basel III rules and ICB recommendations are considered.

Divisional performance (continued)

Employee numbers by division (full time equivalents in continuing operations rounded to the nearest hundred)	30 September 2011	30 June 2011	31 December 2010
UK Retail	27,900	27,900	28,200
UK Corporate	13,600	13,400	13,100
Wealth	5,600	5,500	5,200
Global Transaction Services	2,700	2,700	2,600
Ulster Bank	4,400	4,300	4,200
US Retail & Commercial	15,300	15,200	15,700
Retail & Commercial	69,500	69,000	69,000
Global Banking & Markets	18,900	19,000	18,700
RBS Insurance	15,200	14,600	14,500
Group Centre	6,100	5,100	4,700
Core	109,700	107,700	106,900
Non-Core	5,300	6,300	6,900
	115,000	114,000	113,800
Business Services	34,200	33,500	34,400
Integration	1,100	800	300
Group	150,300	148,300	148,500

The increase in Group employee numbers primarily reflects project staff employed to meet the short-term demands of the Group's change and customer service related programmes. The increase is temporary, and we expect a decline in Q4 2011, and further into 2012, due to the Group's on-going cost reduction programmes.

UK Retail

	Quarter ended			Nine months ended	
	30 September 2011 £m	30 June 2011 £m	30 September 2010 £m	30 September 2011 £m	30 September 2010 £m
Income statement					
Net interest income	1,074	1,086	1,056	3,236	2,990
Net fees and commissions	259	295	279	824	832
Other non-interest income	33	38	98	105	188
Non-interest income	292	333	377	929	1,020
Total income	1,366	1,419	1,433	4,165	4,010
Direct expenses					
- staff	(206)	(218)	(226)	(639)	(681)
- other	(102)	(106)	(134)	(321)	(409)
Indirect expenses	(364)	(364)	(374)	(1,078)	(1,114)
	(672)	(688)	(734)	(2,038)	(2,204)
Insurance net claims	-	-	(50)	-	(54)
Impairment losses	(195)	(208)	(251)	(597)	(938)
Operating profit	499	523	398	1,530	814
Analysis of income by product					
Personal advances	260	278	248	813	718
Personal deposits	236	257	277	747	831
Mortgages	576	581	527	1,700	1,427
Cards	231	243	243	712	711
Other, including bancassurance	63	60	138	193	323
Total income	1,366	1,419	1,433	4,165	4,010
Analysis of impairments by sector					
Mortgages	34	55	55	150	147
Personal	120	106	150	321	551
Cards	41	47	46	126	240
Total impairment losses	195	208	251	597	938

Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector					
Mortgages	0.1%	0.2%	0.2%	0.2%	0.2%
Personal	4.7%	3.9%	4.8%	4.2%	5.9%
Cards	2.9%	3.4%	3.0%	3.0%	5.2%
Total	0.7%	0.8%	0.9%	0.7%	1.2%

UK Retail (continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2011	30 June 2011	30 September 2010	30 September 2011	30 September 2010
Performance ratios					
Return on equity (1)	26.7%	27.6%	21.2%		