ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
October 28, 2016

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Report of Foreign Private Issuer

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

For 28 October 2016
Commission File Number: 001-10306

The Royal Bank of Scotland Group plc

RBS, Gogarburn, PO Box 1000
Edinburgh EH12 1HQ

(Address of principal executive offices)

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

Form 20-F X   Form 40-F ___

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

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

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
Yes ___ No X

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

The following information was issued as 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 2016 Results

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Introduction
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 2015 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.

Key operating indicators
As described in Note 1 on page 31, 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 measure 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 (refer to Appendix 2 for reconciliations of the statutory to adjusted basis);
- '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) and net interest margin (NIM) adjusted for designated at fair value through profit or loss items (non-statutory NIM) which are internal metrics used to measure business performance;
- Personal & Business Banking (PBB) franchise, combining the reportable segments of UK Personal & Business Banking (UK PBB) and Ulster Bank RoI; and Commercial & Private Banking (CPB) franchise, combining the reportable segments of Commercial Banking, Private Banking and RBS International (RBSI); and
- Cost savings progress and 2016 target calculated using operating expenses excluding litigation and conduct costs, restructuring costs, the impairment of other intangible assets, the operating costs of Williams & Glyn and the VAT recovery.

Introduction

Contacts

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RBS Press Office		+44 (0) 131 523 4205

Analysts and investors conference call
RBS will hold an audio Q&A session for analysts and investors on the results for the quarter ended 30 September 2016. Details are as follows:

Date:	Friday 28 October 2016
Time:	9.00 am UK time
Conference ID:	95686059
Webcast:	www.rbs.com/results
Dial in details:	International – +44 (0) 1452 568 172 UK Free Call – 0800 694 8082 US Toll Free – 1 866 966 8024

Available on www.rbs.com/results
- Q3 2016 results and background slides;
- Financial supplement containing income statement and balance sheet information for the five quarters ending 30 September 2016; and
- Pillar 3 supplement at 30 September 2016.

Forward-looking statements
This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, including those related to RBS and its subsidiaries' regulatory capital position and requirements, financial position, future pension funding requirements, on-going litigation and regulatory investigations, profitability, impairment losses and credit exposures under certain specified scenarios. In addition, forward-looking statements may include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "plans", "believes", "risk", "estimates" and words of similar import. These statements concern or may affect future matters, such as RBS's future economic results, business plans and current strategies. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, legislative, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, exchange rate fluctuations and general economic conditions. These and other factors, risks and uncertainties that may impact any forward-looking statement or RBS's actual results are discussed in RBS's UK Annual Report and Accounts and materials filed with, or furnished to, the US Securities and Exchange Commission, including, but not limited to, RBS's Reports on Form 6-K and most recent Annual Report on Form 20-F. The forward-looking statements contained in this announcement speak only as of the date of this announcement and

RBS does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise, except to the extent legally required.

Highlights

RBS reported an operating profit before tax of £255 million, and an attributable loss(1) of £469 million in Q3 2016 which included restructuring costs of £469 million, litigation and conduct costs of £425 million and a £300 million deferred tax asset impairment.

Across our Personal & Business Banking (PBB), Commercial & Private Banking (CPB) and Corporate & Institutional Banking (CIB) franchises, RBS reported an adjusted operating profit of £1,331 million. RBS has generated over £1 billion of adjusted operating profit across PBB, CPB and CIB in each quarter this year. Adjusted return on equity across PBB, CPB and CIB was 14% for Q3 2016.

Common Equity Tier 1 ratio of 15.0% increased by 50 basis points in the quarter and remains ahead of our 13% target. Leverage ratio increased by 40 basis points to 5.6% principally reflecting the £2 billion Additional Tier 1 (AT1) issuance.

	Nine months ended		Quarter ended		
Key metrics and ratios	30 September 2016	30 September 2015	30 September 2016	30 June 2016	30 September 2015
Attributable (loss)/profit	(£2,514m)	£761m	(£469m)	(£1,077m)	£940m
Operating (loss)/profit	(£19m)	£247m	£255m	(£695m)	(£14m)
Operating profit - adjusted (2)	£2,489m	£3,719m	£1,333m	£716m	£826m
Net interest margin	2.18%	2.12%	2.17%	2.21%	2.09%
Cost:income ratio	94%	101%	88%	117%	103%
Cost:income ratio - adjusted (3,4)	66%	67%	58%	67%	75%
(Loss)/earnings per share from continuing operations					
- basic	(21.5p)	(3.2p)	(3.9p)	(9.3p)	(1.0p)
- adjusted (3,4)	(1.6p)	24.1p	3.9p	2.6p	5.6p
Return on tangible equity (5,6)	(8.5%)	2.4%	(4.8%)	(11.0%)	9.0%
Return on tangible equity - adjusted (3,4,6)	(0.6%)	12.4%	4.6%	3.2%	16.3%
Average tangible equity (6)	£39,516m	£42,050m	£38,696m	£39,283m	£41,911m
Average number of ordinary shares outstanding during the period (millions)	11,668	11,503	11,724	11,673	11,546
PBB, CPB & CIB					
Total income - adjusted (3)	£8,916m	£8,750m	£3,115m	£2,986m	£2,852m
Operating profit - adjusted (2)	£3,401m	£3,558m	£1,331m	£1,047m	£1,119m
Return on tangible equity - adjusted (3,4,6)	12.0%	13.1%	14.2%	11.0%	12.6%

Balance sheet related key metrics and ratios	30 September 2016	30 June 2016	31 December 2015
Tangible net asset value (TNAV) per ordinary share (6)	338p	345p	352p
Loan:deposit ratio (7,8)	91%	92%	89%
Short-term wholesale funding (7,9)	£14bn	£15bn	£17bn
Wholesale funding (7,9)	£56bn	£55bn	£59bn
Liquidity portfolio	£149bn	£153bn	£156bn
Liquidity coverage ratio (LCR) (10)	112%	116%	136%

Net stable funding ratio (NSFR) (11)	119%	119%	121%
Common Equity Tier 1 (CET1) ratio	15.0%	14.5%	15.5%
Risk-weighted assets (RWAs)	£235.2bn	£245.2bn	£242.6bn
Leverage ratio (12)	5.6%	5.2%	5.6%
Tangible equity (6)	£39,822m	£40,541m	£40,943m
Number of ordinary shares in issue (millions) (13)	11,792	11,755	11,625

Notes:

(1) Attributable to ordinary shareholders.

(2) Operating profit before tax excluding own credit adjustments, (loss)/gain on redemption of own debt, strategic disposals, restructuring costs and litigation and conduct costs.

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

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

(5) Calculated using (loss)/profit for the period attributable to ordinary shareholders.

(6) Tangible equity is equity attributable to ordinary shareholders less intangible assets.

(7) Excludes repurchase agreements and stock lending.

(8) Includes disposal groups.

(9) Excludes derivative collateral.

(10) 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 80% initially, rising to 100% by 1 January 2018. The published LCR excludes Pillar 2 add-ons. RBS calculates the LCR using its own interpretation of the EU LCR Delegated Act, which may change over time and may not be fully comparable with that of other institutions.

(11) NSFR for all periods have been calculated using RBS's current interpretations of the revised BCBS guidance on NSFR issued in late 2014. Therefore, reported NSFR will change over time with regulatory developments. Due to differences in interpretation, RBS's ratio may not be comparable with those of other financial institutions.

(12) Based on end-point Capital Requirements Regulation (CRR) Tier 1 capital and leverage exposure under the CRR Delegated Act.

(13) Includes 41 million treasury shares (30 June 2016 - 41 million; 31 December 2015 - 26 million).

Highlights

Q3 2016 RBS performance summary

RBS reported an attributable loss of £469 million in Q3 2016 compared with a profit of £940 million in Q3 2015 which included a £1,147 million gain on loss of control of Citizens. Q3 2016 included a £469 million restructuring cost, £425 million of litigation and conduct costs and a £300 million deferred tax asset impairment. The attributable loss for the first nine months of the year was £2,514 million and operating loss before tax was £19 million.

Q3 2016 operating profit of £255 million compared with an operating loss of £14 million in Q3 2015. Adjusted operating profit of £1,333 million was £507 million, or 61%, higher than Q3 2015 reflecting increased income and reduced expenses.

Income across PBB and CPB was 2% higher than Q3 2015, adjusting for transfers(1), and was stable for the year to date, as increased lending volumes more than offset reduced margins. CIB adjusted income increased by 71% to £526 million, adjusting for transfers(1), the highest quarterly income for the year, driven by Rates, which benefited from sustained customer activity and favourable market conditions following the EU referendum and central bank actions.

NIM of 2.17% for Q3 2016 was 8 basis points higher than Q3 2015, as the benefit associated with the reduction in low yielding assets more than offset modest asset margin pressure and mix impacts across the core franchises. NIM fell 4 basis points compared with Q2 2016 reflecting asset and liability margin pressure.

PBB and CPB net loans and advances have increased by 13% on an annualised basis since the start of 2016, with strong growth across both residential mortgages and commercial lending.

Excluding expenses associated with Williams & Glyn(2), write down of intangible assets and the Q2 VAT recovery, adjusted operating expenses have been reduced by £695 million for the year to date. Adjusted cost:income ratio for the year to date was 66% compared with 67% in the prior year. Across PBB, CPB and CIB cost:income ratio of 60% year to date was stable compared with 2015.

Restructuring costs were £469 million in the quarter, a reduction of £378 million compared with Q3 2015. Williams & Glyn restructuring costs of £301 million include £127 million of termination costs associated with the decision to discontinue the programme to create a cloned banking platform.

Litigation and conduct costs of £425 million include an additional charge in respect of the recent settlement with the National Credit Union Administration Board to resolve two outstanding lawsuits in the United States relating to residential mortgage backed securities.

RBS has reviewed the recoverability of its deferred tax asset and, in light of the weaker economic outlook and recently enacted restrictions on carrying forward losses, an impairment of £300 million has been recognised in Q3 2016. This action has reduced TNAV per share by 3p.

TNAV per share reduced by 7p in the quarter to 338p principally reflecting the attributable loss, 4p, and a loss on redemption of preference shares, 4p, partially offset by gains recognised in foreign exchange reserves.

Refer to the following page for footnotes.

Highlights

PBB, CPB and CIB performance

Across our three customer facing businesses, PBB, CPB and CIB, adjusted operating profit of £1,331 million, was £212 million higher than Q3 2015.

UK Personal and Business Banking (UK PBB) adjusted operating profit of £591 million was £14 million higher than Q3 2015 as increased income and lower adjusted operating expenses more than offset increased impairment losses.

Ulster Bank RoI adjusted operating profit of £68 million compared with £108 million in Q3 2015 reflecting one-off income gains in Q3 2015 and reduced impairment releases.

Commercial Banking adjusted operating profit of £382 million was £7 million higher than Q3 2015, principally reflecting a 1% increase in income, adjusting for transfers(3).

Private Banking(4) adjusted operating profit of £53 million was £16 million higher than Q3 2015, benefiting from a £13 million VAT recovery, whilst RBS International (RBSI) was broadly stable at £53 million.

CIB adjusted income of £526 million was 71% higher than Q3 2015, adjusting for transfers(1), principally driven by Rates. Adjusted operating profit of £184 million compared with a loss of £30 million in Q3 2015.

Capital Resolution & Central items

Capital Resolution adjusted operating loss of £118 million compared with a loss of £245 million in Q3 2015. The Q3 2016 loss included a £190 million impairment loss on the shipping portfolio and a £160 million valuation adjustment gain. RWAs reduced by £3.7 billion in the quarter to £38.6 billion

Central items adjusted operating profit of £24 million compared with a loss of £163 million in Q3 2015 and included a £97 million foreign exchange (FX) reserve recycling gain and other gains partially offset by a £150 million charge in respect of IFRS volatility(5) (Q3 2015 - £125 million charge).

Progress on 2016 targets

Strategy goal	2016 target	Q3 2016 Progress
Strength and sustainability	Maintain Bank CET1 ratio of 13%	CET1 ratio of 15.0%
	£2 billion AT1 issuance	£2.0 billion equivalent issued in Q3 2016
	Capital Resolution RWAs around £30-35 billion	RWAs down £10.4 billion to £38.6 billion for the year to date
Customer experience	Narrow the gap to No.1 in Net Promoter Score (NPS) in every primary UK brand	Year on year Commercial Banking(6) has seen an improvement in NPS and is the highest it has ever been.
Simplifying the bank	Reduce operating expenses by £800 million	Operating expenses down £695 million(7)
Supporting growth	Net 4% growth in PBB and CPB customer loans	Net customer loans in PBB and CPB are up 13% on an annualised basis for the year to date
Employee engagement	Raise employee engagement to within two points of the GFS norm	Down 3 points to within 6 points of GFS norm

Notes:

(1) CIB's results include the following financials for businesses subsequently transferred to Commercial Banking: total income of £98 million for nine months ended 2015 (Q3 2015 - £20 million).

(2) Williams & Glyn refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses, along with certain small and medium enterprises and corporate activities across the UK.

(3) The business transfers included: total income of £42 million (Q3 2015 - nil); operating expenses of £25 million (Q3 2015 - nil) and impairments of £7 million (Q3 2015 - nil).

(4) Private Banking serves high net worth individuals through Coutts and Adam & Co.

(5) IFRS volatility arises from the changes to fair value of hedges of loans which do not qualify for hedge accounting under IFRS.

(6) £2m+ combination of NatWest & Royal Bank of Scotland in GB (954) Question: "How likely would you be to recommend (bank)". Base: Claimed main bank. Data weighted by region and turnover to be representative of businesses in Great Britain.

(7) Cost saving target and progress for the nine months ended 2016 calculated using operating expenses excluding restructuring costs £1,099 million (2015 - £2,317 million), litigation and conduct costs £1,740 (2015 - £1,444), write down of other intangible assets of £48 million (2015 - nil), the operating costs of Williams and Glyn £296 million (2015 - £252 million) and the VAT recovery £227 million.

Highlights

Building a stronger RBS

RBS is progressing with its plan to build a strong, simple, fair bank for customers and shareholders.

CET1 remains ahead of our 13% target at 15.0%, a 50 basis point increase compared with Q2 2016 driven by a £10.0 billion reduction in RWAs principally reflecting a £5.1 billion reduction in UK PBB, largely due to the unwind of mortgage risk parameter model uplifts taken in the first half, and £3.7 billion of disposals and run-off in Capital Resolution.

On 10 August 2016 RBS announced that it had successfully completed the pricing of US$2.65 billion 8.625% AT1 capital notes, with £4.0 billion equivalent now issued since August 2015.

In addition, on 7 September 2016 we successfully issued US$2.65 billon seven year senior debt which is eligible to meet RBS's 'Minimum Requirement for Own Funds and Eligible Liabilities', with £4.2 billion equivalent issued this year.

Leverage ratio increased by 40 basis points to 5.6% largely driven by the AT1 issuance.

Risk elements in lending (REIL) of £12.6 billion were 3.8% of gross customer loans, down from 4.5% at 30 September 2015.

In June 2016, the triennial funding valuation of the Main Scheme of The Royal Bank of Scotland Group Pension Fund was agreed which showed that as at 31 December 2015 the value of liabilities exceeded the value of assets by £5.8 billion. In March 2016, to mitigate this anticipated deficit, RBS made a cash payment of £4.2 billion. The next triennial valuation is due to occur at the end of 2018 with agreement on any additional contributions by the end of March 2020. As at 30 September 2016, the Main Scheme had an unrecognised surplus reflected by a ratio of asset to liabilities of c.115% under IAS19 valuation principles. The surplus is unrecognised because the trustee's power to enhance member benefits could consume that surplus meaning that RBS does not control its ability to realise an asset. The existence of the asset, albeit unrecognised, does limit RBS's exposure to changes in actuarial assumptions and investment performance.

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

RBS continued to deliver strong support for both household and business customers. Within UK PBB, gross new mortgage lending of £7.9 billion was 12% higher than Q3 2015. Our market share of gross new mortgage lending in Q3 2016 was approximately 12% compared with a stock share of 8.7%. Commercial Banking net loans and advances have grown by an annualised 12% since the start of the year.

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

We continue to make better use of our digital channels to make it simpler to serve our customers and for them to do business with us. We now have more than 4.3 million customers regularly using our mobile app, with over 20% of our customers now exclusively using digital banking for their day to day banking needs. We anticipate that this number will continue to grow as we make more of our products and services available digitally. Our new 'Online Account Opening' service allows start up business customers to submit an application online in just ten minutes and get a sort code and account number in under an hour.

Highlights

Investment in subsidiaries and distributable reserves

As part of the Q3 2016 results we have reviewed the value of the investments in subsidiaries held in the parent company, RBSG plc, and in light of the deterioration in the economic outlook we have reduced the carrying value of the investments by £6.0 billion to £44.7 billion. This has the effect of reducing distributable reserves of RBSG plc by £6.0 billion to £7.2 billion. Whilst this level of distributable reserves does not impact upon our ability to pay coupons on existing securities, it is our intention to implement a capital reorganisation in 2017 in order to increase parent company distributable reserves, providing greater flexibility for future distributions and preference share redemptions. The capital reduction will be subject to shareholder approval (to be sought at the next Annual General Meeting) and court approval. The reorganisation in carrying value of the parent company's investment in its subsidiaries does not impact upon the Group's consolidated regulatory capital, including CET1, or tangible net asset value.

Recent developments

Work has continued to explore means to achieve separation and divestment of the business previously described as Williams & Glyn. RBS has had positive discussions with a number of interested parties concerning a transaction related to substantially all of the business. These discussions are ongoing and may or may not lead to a viable transaction. However, none of the proposals under discussion can deliver full separation and divestment by 31 December 2017. RBS is therefore in discussion with HM Treasury, and expects further engagement with the European Commission, to agree a solution with regards to its State Aid obligations.

As we no longer intend to pursue divestment by way of an Initial Public Offering, on 21 October 2016 RBS redeemed the £600 million exchangeable bond issued to a consortium of investors, led by Centerbridge and Corsair, in 2013 in accordance with the terms of the bond.

Highlights

Outlook

The current low interest rate and low growth environment presents a range of uncertainties which could impact the performance of our core business. Whilst we remain committed to achieving our long term cost:income ratio and returns targets, set out in 2014, we now do not expect to achieve these by 2019 as previously indicated. We also recognise that the ongoing discussions around further tightening of regulatory capital rules could result in RWA inflation in the medium term.

We expect PBB and CPB income to be broadly stable in 2016 compared with 2015 as strong planned balance sheet growth, particularly in mortgages but also in core commercial lending, is balanced by headwinds from low interest rates and the uncertain macroeconomic environment. We now anticipate that CIB will report a modest increase in income in 2016 compared with 2015.

RBS remains on track to achieve an £800 million cost reduction in 2016 after achieving a £695 million reduction in the first nine months of the year. Core franchise profitability will be adversely impacted by the annual bank levy charge in Q4 2016, around £200 million, and expense inflation associated with weaker sterling. We retain our expectation that the adjusted cost:income ratio across our combined PBB, CPB and CIB businesses will improve in 2016 compared with 2015. We plan to provide further cost guidance for 2017 as part of the 2016 year end results.

We do not anticipate a material change to the current impairment loss rate for 2016. The impairment charges taken during 2016 year to date largely relate to sector specific issues particularly in the shipping portfolio and oil and gas sector. We recognise the continuing risk of large single name/sector driven events across our portfolios given the uncertain macroeconomic environment. In the current environment there is an increased level of uncertainty; however it continues to be too early at this point to quantify the impact of potential credit losses that may result.

We now anticipate a restructuring charge of around £1.5 billion in 2016 compared with previous guidance of over £1.0 billion, as a result of additional Williams & Glyn charges in respect of the decision to discontinue the programme to create a cloned banking platform.

We now expect Capital Resolution disposal losses to total approximately £2.0 billion, up from the previous guidance of £1.5 billion. Total losses to date have been £997 million (of which 2015; £367 million and 2016 year to date; £630 million) including an impairment charge of £454 million in relation to the shipping portfolio during 2016 year to date. We anticipate that Capital Resolution RWAs will be in the range £30-£35 billion by the end of 2016. Excluding RBS's stake in Saudi Hollandi Bank (£7.9 billion at Q3 2016), we would expect RWAs to be in the range £15-£20 billion by end 2017.

We continue to deal with a range of uncertainties in the external environment and also manage conduct-related investigations and litigation, including US RMBS. Substantial additional charges and costs may be recognised in the coming quarters which would have an impact on the Group's level of capital.

In view of the above, the timing of returning excess capital to shareholders through dividends or buybacks remains uncertain.

Summary consolidated income statement for the period ended 30 September 2016

	Nine months ended		Quarter ended		
	30 September 2016	30 September 2015*	30 September 2016	30 June 2016	30 September 2015*
	£m	£m	£m	£m	£m
Net interest income	6,500	6,605	2,167	2,177	2,187
Own credit adjustments	294	424	(156)	194	136
(Loss)/gain on redemption of own debt	(127)	-	3	(130)	-
Strategic disposals	164	(135)	(31)	201	-
Other operating income	2,543	3,545	1,327	558	860
Non-interest income	2,874	3,834	1,143	823	996
Total income	9,374	10,439	3,310	3,000	3,183
Restructuring costs	(1,099)	(2,317)	(469)	(392)	(847)
Litigation and conduct costs	(1,740)	(1,444)	(425)	(1,284)	(129)
Other costs	(6,001)	(6,831)	(2,017)	(1,833)	(2,300)
Operating expenses	(8,840)	(10,592)	(2,911)	(3,509)	(3,276)
Profit/(loss) before impairment (losses)/releases	534	(153)	399	(509)	(93)
Impairment (losses)/releases	(553)	400	(144)	(186)	79
Operating (loss)/profit before tax	(19)	247	255	(695)	(14)
Tax (charge)/credit	(922)	(284)	(582)	(260)	3
Loss from continuing operations	(941)	(37)	(327)	(955)	(11)
Profit from discontinued operations, net of tax	-	1,451	-	-	1,093
(Loss)/profit for the period	(941)	1,414	(327)	(955)	1,082
Attributable to:					
Non-controlling interests	37	389	7	8	45
Other owners	343	264	135	114	97
Dividend access share	1,193	-	-	-	-
Ordinary shareholders	(2,514)	761	(469)	(1,077)	940

Memo:

Total income - adjusted (1)	9,043	10,150	3,494	2,735	3,047
Operating expenses - adjusted (2)	(6,001)	(6,831)	(2,017)	(1,833)	(2,300)
Operating profit - adjusted (1,2)	2,489	3,719	1,333	716	826

*Restated - refer to page 31 for further details

Notes:
(1) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.
(2) Excluding restructuring costs and litigation and conduct costs.

Details of other comprehensive income are provided on page 28.

Summary consolidated balance sheet as at 30 September 2016

	30 September 2016 £m	30 June 2016 £m	31 December 2015 £m
Cash and balances at central banks	69,254	65,307	79,404
Net loans and advances to banks (1)	19,741	21,763	18,361
Net loans and advances to customers (1)	326,736	326,503	306,334
Reverse repurchase agreements and stock borrowing	45,955	45,778	39,843
Debt securities and equity shares	80,512	84,807	83,458
Assets of disposal groups (2)	13	396	3,486
Other assets	27,118	31,047	22,008
Funded assets	569,329	575,601	552,894
Derivatives	283,049	326,023	262,514
Total assets	852,378	901,624	815,408
Bank deposits (3)	32,172	31,377	28,030
Customer deposits (3)	358,844	355,719	343,186
Repurchase agreements and stock lending	36,408	40,881	37,378
Debt securities in issue	28,357	27,148	31,150
Subordinated liabilities	19,162	20,113	19,847
Derivatives	275,364	322,390	254,705
Liabilities of disposal groups (2)	15	252	2,980
Other liabilities	47,728	50,017	43,985
Total liabilities	798,050	847,897	761,261
Non-controlling interests	853	820	716
Owners' equity	53,475	52,907	53,431
Total liabilities and equity	852,378	901,624	815,408
Contingent liabilities and commitments	151,394	151,433	153,752

Notes:
(1) Excludes reverse repurchase agreements and stock borrowing.
(2) Primarily international private banking business at 31 December 2015.
(3) Excludes repurchase agreements and stock lending.

Analysis of results

	Nine months ended		Quarter ended		
	30 September	30 September	30 September	30 June	30 September
	2016	2015	2016	2016	2015
Net interest income	£m	£m	£m	£m	£m
Net interest income (1)					
RBS	6,500	6,605	2,167	2,177	2,187
- UK Personal & Business Banking	3,194	3,122	1,085	1,090	1,055
- Ulster Bank RoI	304	280	106	93	90
- Commercial Banking	1,601	1,485	534	531	504
- Private Banking	338	328	112	113	109
- RBS International	226	225	75	76	73
- Corporate & Institutional Banking	75	59	32	24	29
- Capital Resolution	195	359	27	82	78
- Williams & Glyn	488	493	164	162	167
- Central items & other	79	254	32	6	82
Average interest-earning assets (IEA)					
RBS	398,943	415,463	397,345	396,118	413,778
- UK Personal & Business Banking	140,696	129,359	145,649	140,591	131,406
- Ulster Bank RoI	24,835	23,244	26,026	24,288	23,456
- Commercial Banking	119,496	104,686	123,817	119,768	105,905
- Private Banking	16,621	15,770	16,978	16,622	15,878
- RBS International	22,073	20,432	23,332	21,798	20,244
- Corporate & Institutional Banking	11,817	18,696	11,960	11,923	18,686
- Capital Resolution	27,407	67,659	22,352	29,157	51,786
- Williams & Glyn	24,044	22,810	24,597	24,172	23,020
- Central items & other	11,954	12,807	2,634	7,799	23,397
Yields, spreads and margins of the banking business					
Gross yield on interest-earning assets of the banking business (2)	2.82%	2.92%	2.78%	2.87%	2.84%
Cost of interest-bearing liabilities of banking business	(0.98%)	(1.15%)	(0.92%)	(1.00%)	(1.09%)
Interest spread of banking business (3)	1.84%	1.77%	1.86%	1.87%	1.75%
Benefit from interest-free funds	0.34%	0.35%	0.31%	0.34%	0.34%
Net interest margin (1,4)					
RBS	2.18%	2.12%	2.17%	2.21%	2.09%
- UK Personal & Business Banking (5)	3.03%	3.23%	2.96%	3.12%	3.19%
- Ulster Bank RoI (5)	1.64%	1.61%	1.62%	1.54%	1.52%
- Commercial Banking (5)	1.79%	1.90%	1.72%	1.78%	1.89%

- Private Banking (5)	2.72%	2.78%	2.62%	2.73%	2.72%
- RBS International (5)	1.37%	1.47%	1.28%	1.40%	1.43%
- Corporate & Institutional Banking	0.85%	0.42%	1.06%	0.81%	0.62%
- Capital Resolution	0.95%	0.71%	0.48%	1.13%	0.60%
- Williams & Glyn	2.71%	2.89%	2.65%	2.70%	2.88%
Third party customer rates (6)					
Third party customer asset rate					
- UK Personal & Business Banking	3.90%	4.18%	3.79%	3.96%	4.15%
- Ulster Bank RoI (7)	2.19%	2.29%	2.17%	2.07%	2.26%
- Commercial Banking	2.81%	2.96%	2.74%	2.82%	2.93%
- Private Banking	2.95%	3.18%	2.86%	2.97%	3.12%
- RBS International	3.08%	3.10%	2.95%	3.02%	3.11%
Third party customer funding rate					
- UK Personal & Business Banking	(0.50%)	(0.68%)	(0.44%)	(0.46%)	(0.65%)
- Ulster Bank RoI (7)	(0.53%)	(0.92%)	(0.46%)	(0.53%)	(0.82%)
- Commercial Banking	(0.35%)	(0.38%)	(0.32%)	(0.36%)	(0.36%)
- Private Banking	(0.20%)	(0.26%)	(0.18%)	(0.20%)	(0.25%)
- RBS International	(0.15%)	(0.33%)	(0.10%)	(0.13%)	(0.25%)

For the notes to this table refer to the next page.

Analysis of results

Notes:

(1) For the purpose of net interest margin (NIM) calculations, no decrease for the nine months ended 2016 (nine months ended 2015 - £12 million) and no decrease for Q3 2016 (Q2 2016 - nil; Q3 2015 - £4 million) was made in respect of interest on financial assets and liabilities designated as at fair value through profit or loss. Related average interest-earning assets and average interest-bearing liabilities have also been adjusted.

(2) Gross yield is the interest earned on average interest-earning assets as a percentage of average interest-earning assets.

(3) Interest spread is the difference between the gross yield and interest paid on average interest-bearing liabilities as a percentage of average interest-bearing liabilities.

(4) Net interest margin is net interest income as a percentage of average interest-earning assets.

(5) PBB NIM was 2.82% (nine months ended 2015 - 2.98%; Q3 2016 - 2.76%; Q2 2016 - 2.89%; Q3 2015 - 2.93%). CPB NIM was 1.83% (nine months ended 2015 - 1.93%; Q3 2016 - 1.75%; Q2 2016 - 1.83%; Q3 2015 - 1.92%).

(6) Net interest margin includes Treasury allocations and interest on intercompany borrowings, which are excluded from third party customer rates.

(7) Ulster Bank Ireland DAC manages its funding and liquidity requirements locally. Its liquid asset portfolios and non-customer related funding sources are included within its net interest margin, but excluded from its third party asset and liability rates.

Key points

Net interest income of £2,167 million decreased by £20 million, or 1%, compared with Q3 2015 principally driven by a £51 million reduction in Capital Resolution in line with the planned shrinkage of the balance sheet. Across our PBB and CPB franchises, net interest income increased by £81 million, or 4%, reflecting increased lending.

NIM was 2.17% for Q3 2016, 8 basis points higher than Q3 2015 as the benefit associated with reductions in the low yielding ‘non-core’ assets has been partially offset by modest asset margin pressure and mix impacts across PBB and CPB.

NIM decreased by 4 basis points compared with Q2 2016 reflecting asset and liability margin pressure across PBB and CPB and a release of previously suspended credit card interest in Q2 2016.
NIM across the combined PBB and CPB franchises was 2.27% in Q3 2016 compared with 2.45% in Q3 2015 and 2.37% in Q2 2016.
UK PBB, NIM decreased by 23 basis points to 2.96% reflecting the change in mix of our asset base towards mortgage lending from unsecured lending, mortgage customers switching from standard variable rate (SVR) and lower returns on current account structural hedges. SVR mortgages represented 12% of the mortgage book compared with 15% a year earlier. Compared with Q2 2016, UK PBB NIM reduced by 16 basis points reflecting a £22 million reduction in suspended interest releases, 6 basis points, and asset and liability margin pressure.
Commercial Banking NIM decreased by 17 basis points to 1.72%, compared with Q3 2015, principally reflecting asset margin pressure.
Structural hedges of £122 billion as at 30 September 2016 generated a benefit of £0.9 billion through net interest income for the year to date. Around 72% of these hedges are part of a five year rolling hedge programme that will progressively roll-off over the coming years.

Analysis of results

	Nine months ended		Quarter ended		
	30 September 2016	30 September 2015*	30 September 2016	30 June 2016	30 September 2015*
Operating expenses	£m	£m	£m	£m	£m
Staff costs	3,457	3,824	1,128	1,127	1,281
Premises and equipment	951	1,061	321	315	352
Other administrative expenses	1,018	1,338	393	179	477
Restructuring costs (see below)	1,099	2,317	469	392	847
Litigation and conduct costs	1,740	1,444	425	1,284	129
Administrative expenses	8,265	9,984	2,736	3,297	3,086
Depreciation and amortisation	527	608	175	174	190
Write down of intangible assets	48	-	-	38	-
Operating expenses	8,840	10,592	2,911	3,509	3,276
Adjusted operating expenses (1)	6,001	6,831	2,017	1,833	2,300
Restructuring costs comprise:					
- staff expenses	525	625	159	245	281
- premises, equipment, depreciation and amortisation	57	705	33	15	375
- other	517	987	277	132	191
	1,099	2,317	469	392	847
Of which: Williams & Glyn	646	449	301	187	190
Staff costs as a % of total income	37%	37%	34%	38%	40%
Cost:income ratio	94%	101%	88%	117%	103%
Cost:income ratio - adjusted (2)	66%	67%	58%	67%	75%
Employee numbers (FTE - thousands)	82.5	92.4	82.5	89.2	92.4

*Restated - refer to page 31 for further details.

Notes:
(1) Excluding restructuring costs and litigation and conduct costs.
(2) Excluding own credit adjustments, (loss)/gain on redemption of own debt, strategic disposals, restructuring costs and litigation and conduct costs.

Key points

Operating expenses of £2,911 million were £365 million, or 11%, lower than Q3 2015 reflecting a £378 million reduction in restructuring costs and a £283 million reduction in adjusted operating expenses, partially offset by a £296 million increase in litigation and conduct expenses.

Adjusted operating expenses reduced by £283 million, or 12%, compared with Q3 2015 to £2,017 million. Excluding expenses associated with Williams & Glyn, write down of intangible assets (£48 million) and a £227 million VAT recovery, adjusted expenses reduced by £695 million for the year to date, and we remain on target to achieve an £800 million reduction for the year.

Staff costs of £1,128 million were down £153 million, or 12%, compared with Q3 2015, reflecting a 9,900 reduction in FTEs.
Restructuring costs of £469 million compared with £847 million in Q3 2015. Williams & Glyn restructuring costs of £301 million include £127 million of termination costs associated with the decision to discontinue the programme to create a cloned banking system.
Litigation and conduct costs of £425 million include an additional charge in respect of the recent settlement with the National Credit Union Administration Board to resolve two outstanding lawsuits in the United States relating to residential mortgage backed securities.

Analysis of results

	Nine months ended		Quarter ended		
	30 September 2016	30 September 2015	30 September 2016	30 June 2016	30 September 2015
Impairment losses/(releases)	£m	£m	£m	£m	£m
Loan impairment losses/(releases)					
- individually assessed	575	(135)	217	172	(15)
- collectively assessed	219	(8)	176	27	(13)
- latent	(191)	(380)	(202)	(10)	(64)
Customer loans	603	(523)	191	189	(92)
Bank loans	-	(4)	-	-	(4)
Total loan impairment losses/(releases)	603	(527)	191	189	(96)
Securities	(50)	127	(47)	(3)	17
Total impairment losses/(releases)	553	(400)	144	186	(79)

Credit metrics (1)	30 September 2016	30 June 2016	31 December 2015
Gross customer loans	£332,917m	£333,017m	£315,111m
Loan impairment provisions	£6,181m	£6,456m	£7,139m
Risk elements in lending (REIL)	£12,625m	£11,789m	£12,157m
Provisions as a % of REIL	49%	55%	59%
REIL as a % of gross customer loans	3.8%	3.5%	3.9%

Note:
(1) Includes disposal groups and excludes reverse repos.

Key points

A net impairment loss of £144 million was reported in Q3 2016 compared with a release of £79 million in Q3 2015 and a loss of £186 million in Q2 2016.

Capital Resolution reported a net impairment loss of £120 million in Q3 2016 compared with a release of £50 million in Q3 2015. The loss for the quarter included a £190 million charge (year to date - £454 million) in respect of the shipping portfolio reflecting difficult conditions in some parts of the sector.

Commercial Banking reported an impairment loss of £20 million for Q3 2016 compared with £16 million in Q3 2015 and £89 million in Q2 2016. Q2 2016 included a single name charge taken in respect of the oil and gas portfolio.

Ulster Bank RoI reported a net impairment release of €48 million in Q3 2016 compared with €75 million in Q3 2015. The Q3 2016 impairment release included a write back associated with the sale of a portfolio of loans partially offset by additional provisions in respect of mortgages. On completion in Q4 2016, the portfolio sale is expected to reduce gross customer loans in Ulster Bank RoI by €1.8 billion and reduce REIL as a percentage of gross customer loans by around 6 percentage points.

REIL increased by £836 million in the quarter to £12,625 million, principally relating to the shipping portfolio along with the implementation of a revised mortgage methodology in Ulster Bank RoI and foreign exchange movements. REIL represented 3.8% of gross customer loans compared with 3.5% at 30 June 2016 and 3.9% at 31 December 2015. Provision coverage was 49% compared with 55% at 30 June 2016 and 59% at 31 December 2015.

Analysis of results

Selected credit risk portfolios

	30 September 2016			30 June 2016			31 December 2015		
	CE (1)	PE (1)	EAD (2)	CE (1)	PE (1)	EAD (2)	CE (1)	PE (1)	EAD (2)
Natural resources	£m	£m	£m	£m	£m	£m	£m	£m	£m
Oil and gas	2,989	6,000	4,739	3,298	6,356	5,039	3,544	6,798	5,606
Mining and metals	652	1,782	1,375	816	1,941	1,608	729	1,823	1,555
Electricity	3,256	8,466	5,782	3,374	8,583	5,940	2,851	7,683	5,205
Water and waste	5,875	8,772	7,381	5,347	8,665	6,679	4,657	8,261	5,873
	12,772	25,020	19,277	12,835	25,545	19,266	11,781	24,565	18,239
Shipping	5,514	6,043	6,154	6,765	7,246	7,496	6,776	7,301	7,509

Notes:

(1) Current exposure (CE) and potential exposure (PE) are both net of impairment provisions and credit valuation adjustments and after the effect of risk transfer. For a full description of what is included and excluded from current and potential exposure refer to page 16 of Appendix 1 of the Interim Results 2016.

(2) Exposure at default (EAD) reflects an estimate of the extent to which a bank will be exposed under a specific facility on the default of a customer or counterparty.
Uncommitted undrawn facilities are excluded from current exposure but included within EAD; therefore EAD can exceed current exposure.

Key points

Oil and gas - Exposure to the sector remained stable and there was no material change in the credit quality of the portfolio during the quarter. Provisions increased by £10 million to £167 million. AQ10 potential exposure, net of provisions, was £178 million (30 June 2016 - £207 million). Exposures classified as risk of credit loss were minimal.

Mining and metals - The sector continued to be affected by a slowdown in demand and the oversupply of key metal commodities. RBS's strategic focus in this sector is on investment grade customers and there was no material change in the credit quality during the quarter. Provisions also remained stable. AQ10 potential exposure, net of provisions was £56 million (30 June 2016 - £82 million). Exposures classified as risk of credit loss were minimal.

Shipping - The reduction in exposure was due to disposals and loan amortisation. Challenging market conditions continued to affect vessel values in the bulk and container sectors, where values remain severely depressed and close to historic lows, and also in the tanker sector, where values have reduced from recent highs. Portfolio credit quality deteriorated during the quarter as a result of the difficult market conditions. Impairment charges of £190 million partially offset by write offs of £58 million in Q3 2016 increased provisions by £126 million to £571 million (30 June 2016 - £445 million; 31 December 2015 - £181 million). AQ10 current exposure, net of provisions, was £1,031 million (30 June 2016 - £579 million). In addition £775 million of current exposure was classified as at risk of credit loss (30 June 2016 - £78 million).

Analysis of results

Capital and leverage ratios

	End-point CRR basis (1)			PRA transitional basis		
	30 September 2016	30 June 2016	31 December 2015	30 September 2016	30 June 2016	31 December 2015
Risk asset ratios	%	%	%	%	%	%
CET1	15.0	14.5	15.5	15.0	14.5	15.5
Tier 1	16.7	15.4	16.3	19.1	17.7	19.1
Total	20.6	19.0	19.6	24.1	23.0	24.7
Capital	£m	£m	£m	£m	£m	£m
Tangible equity	39,822	40,541	40,943	39,822	40,541	40,943
Expected loss less impairment provisions	(862)	(831)	(1,035)	(862)	(831)	(1,035)
Prudential valuation adjustment	(734)	(603)	(381)	(734)	(603)	(381)
Deferred tax assets	(838)	(1,040)	(1,110)	(838)	(1,040)	(1,110)
Own credit adjustments	(435)	(587)	(104)	(435)	(587)	(104)
Pension fund assets	(209)	(209)	(161)	(209)	(209)	(161)
Cash flow hedging reserve	(1,565)	(1,603)	(458)	(1,565)	(1,603)	(458)
Other deductions	(9)	(14)	(86)	(9)	(14)	(64)
Total deductions	(4,652)	(4,887)	(3,335)	(4,652)	(4,887)	(3,313)
CET1 capital	35,170	35,654	37,608	35,170	35,654	37,630
AT1 capital	4,041	1,997	1,997	9,662	7,756	8,716
Tier 1 capital	39,211	37,651	39,605	44,832	43,410	46,346
Tier 2 capital	9,181	9,028	8,002	11,773	13,043	13,619
Total regulatory capital	48,392	46,679	47,607	56,605	56,453	59,965
Risk-weighted assets						
Credit risk						
- non-counterparty	166,600	172,500	166,400			
- counterparty	25,100	26,100	23,400			
Market risk	17,800	20,900	21,200			
Operational risk	25,700	25,700	31,600			
Total RWAs	235,200	245,200	242,600			
Leverage (2)						
Derivatives	283,000	326,000	262,500			
Loans and advances	346,500	348,500	327,000			
Reverse repos	46,000	45,800	39,900			

Other assets	176,900	181,300	186,000
Total assets	852,400	901,600	815,400
Derivatives			
- netting and variation margin	(281,700)	(328,400)	(258,600)
- potential future exposures	64,100	75,500	75,600
Securities financing transactions gross up	2,200	3,200	5,100
Undrawn commitments	62,100	63,200	63,500
Regulatory deductions and other adjustments	4,100	5,600	1,500
Leverage exposure	703,200	720,700	702,500
Tier 1 capital	39,211	37,651	39,605
Leverage ratio %	5.6	5.2	5.6
Average leverage exposure (3)	717,056	717,167	
Average Tier 1 capital (3)	38,919	38,561	
Average leverage ratio % (3)	5.4	5.4	

Notes:

(1) CRR as implemented by the PRA in the UK, with effect from 1 January 2014. All regulatory adjustments and deductions to CET1 have been applied in full for both bases with the exception of unrealised gains on 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 averages of the last four quarter end positions.

Analysis of results

Key points

- CET1 ratio decreased by 50 basis points in the nine months to 30 September 2016 to 15.0% primarily reflecting management actions to normalise the ownership structure and improve the long-term resilience of RBS. These actions included the final Dividend Access Share payment of £1.2 billion and the accelerated payment of £4.2 billion relating to the deficit on the Main Scheme of The Royal Bank of Scotland Group Pension Fund, both in March 2016. Litigation and conduct charges contributed to a £2.0 billion reduction in CET1 capital.
- Tier 1 capital benefitted from the successful issuance of £2 billion of AT1 capital notes in August 2016. Total end-point CRR compliant AT1 capital now stands at £4.0 billion.
- RWAs decreased by £7.4 billion to £235.2 billion during the nine months to 30 September 2016.
  - Credit risk RWAs have remained relatively flat as lending growth in UK PBB and Commercial Banking and the adverse impact of foreign exchange movements following the EU referendum were offset by reductions due to disposals and run-off in Capital Resolution.
  - The impact of market volatility throughout 2016 and implementation of new risk metric models in CIB and Capital Resolution led to an increase of £1.7 billion in counterparty credit risk RWAs.
  - Market risk RWAs reduced by £3.4 billion driven by disposals of securitisations and lower US dollar position in Treasury.
  - Operational risk RWAs decreased by £5.9 billion as a result of the annual recalculation and the removal of the element relating to Citizens following regulatory approval.
- There was a 50 basis points increase in the CET1 ratio in Q3 2016 driven primarily by a £10.0 billion reduction in RWAs. RWA reduction reflected disposals and run-off in Capital Resolution, the unwind of mortgage model recalibrations booked by UK PBB in H1 2016 and lower non-modelled market risk.
- Leverage ratio increased by 40 basis points in the period to 5.6% driven by the issuance of AT1 instruments in August 2016.
- The proforma leverage ratio reflecting the post EU referendum measures announced by the Bank of England in Q3 2016 was estimated at 6.1%.
- RBS's PRA minimum leverage ratio requirement of 3% has been supplemented with an additional GSII leverage ratio buffer of 0.13125%, equivalent to £923 million of CET1 capital at 30 September 2016.

Segment performance

	Nine months ended 30 September 2016									
	PBB		CPB						Central items &	
		Ulster	Commercial	Private	RBS		Capital	Williams		Total
	UK PBB	BankRoI	Banking	Banking	International	CIB	Resolution	& Glyn (1)	other (2)	RBS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement										
Net interest income	3,194	304	1,601	338	226	75	195	488	79	6,500
Other non-interest income	757	132	947	158	52	1,132	(325)	132	(442)	2,543
Total income - adjusted (3)	3,951	436	2,548	496	278	1,207	(130)	620	(363)	9,043
Own credit adjustments	-	3	-	-	-	82	142	-	67	294
Loss on redemption of own debt	-	-	-	-	-	-	-	-	(127)	(127)
Strategic disposals	-	-	-	-	-	-	(81)	-	245	164
Total income	3,951	439	2,548	496	278	1,289	(69)	620	(178)	9,374
Direct expenses - staff costs	(529)	(150)	(392)	(115)	(33)	(192)	(79)	(190)	(1,777)	(3,457)
- other costs	(221)	(32)	(166)	(32)	(13)	(28)	(81)	(46)	(1,925)	(2,544)
Indirect expenses	(1,478)	(130)	(822)	(218)	(62)	(762)	(428)	(60)	3,960	-
Operating expenses - adjusted (4)	(2,228)	(312)	(1,380)	(365)	(108)	(982)	(588)	(296)	258	(6,001)
Restructuring costs - direct	(50)	(32)	(13)	(1)	(1)	(16)	(35)	(57)	(894)	(1,099)
- 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	(2,784)	(443)	(1,458)	(390)	(110)	(1,110)	(915)	(353)	(1,277)	(8,840)
Profit/(loss) before impairment (losses)/releases	1,167	(4)	1,090	106	168	179	(984)	267	(1,455)	534
Impairment (losses)/releases	(67)	66	(123)	(5)	(11)	-	(383)	(31)	1	(553)
Operating profit/(loss)	1,100	62	967	101	157	179	(1,367)	236	(1,454)	(19)
Operating profit/(loss) - adjusted (3,4)	1,656	190	1,045	126	159	225	(1,101)	293	(104)	2,489
Additional information										
Return on equity (5)	17.0%	3.1%	8.5%	7.0%	15.4%	1.6%	nm	nm	nm	(8.5%)
Return on equity - adjusted (3,4,5)	26.4%	9.5%	9.4%	8.9%	15.6%	2.4%	nm	nm	nm	(0.6%)
Cost:income ratio	70%	101%	57%	79%	40%	86%	nm	57%	nm	94%
Cost:income ratio - adjusted (3,4)	56%	72%	54%	74%	39%	81%	nm	48%	71%	66%

Total assets (£bn)	155.4	25.3	152.6	18.2	26.9	249.7	176.7	25.7	21.9	852.4
Funded assets (£bn) (6)	155.4	25.2	152.6	18.1	26.9	112.5	34.9	25.7	18.0	569.3
Net loans and advances to customers (£bn)	129.6	19.5	99.8	11.8	8.7	19.9	16.7	20.6	0.1	326.7
Risk elements in lending (£bn)	2.1	4.8	2.1	0.1	0.1	-	2.9	0.4	0.1	12.6
Impairment provisions (£bn)	(1.4)	(2.3)	(1.0)	-	-	-	(1.2)	(0.2)	-	(6.1)
Customer deposits (£bn)	143.7	15.1	98.1	25.3	25.5	9.7	16.8	24.0	0.6	358.8
Risk-weighted assets (RWAs) (£bn)	31.9	21.4	77.6	8.2	9.6	36.6	38.6	9.7	1.6	235.2
RWA equivalent (£bn) (5)	35.4	22.8	82.3	8.2	9.6	37.2	39.8	10.2	1.9	247.4
Employee numbers (FTEs - thousands)	18.7	3.2	5.8	1.8	0.8	1.3	0.7	5.0	45.2	82.5

For the notes to this table refer to page 19. nm = not meaningful

Segment performance

	Quarter ended 30 September 2016									
	PBB		CPB						Central items &	Total
		Ulster	Commercial	Private	RBS		Capital	Williams		
	UK PBB	BankRoI	Banking	Banking	International	CIB	Resolution	& Glyn (1)	other (2)	RBS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement										
Net interest income	1,085	106	534	112	75	32	27	164	32	2,167
Other non-interest income	251	40	315	53	18	494	148	45	(37)	1,327
Total income adjusted (3)	1,336	146	849	165	93	526	175	209	(5)	3,494
Own credit adjustments	-	-	-	-	-	(55)	(42)	-	(59)	(156)
Gain on redemption of own debt	-	-	-	-	-	-	-	-	3	3
Strategic disposals	-	-	-	-	-	-	(30)	-	(1)	(31)
Total income	1,336	146	849	165	93	471	103	209	(62)	3,310
Direct expenses - staff costs	(168)	(53)	(127)	(38)	(11)	(61)	(17)	(65)	(588)	(1,128)
- other costs	(59)	(19)	(55)	(9)	(5)	(7)	(17)	(13)	(705)	(889)
Indirect expenses	(491)	(45)	(265)	(62)	(24)	(274)	(139)	(21)	1,321	-
Operating expenses - adjusted (4)	(718)	(117)	(447)	(109)	(40)	(342)	(173)	(99)	28	(2,017)
Restructuring costs - direct	1	(8)	(12)	-	-	(6)	(23)	(12)	(409)	(469)
- indirect	(26)	(3)	(9)	(3)	-	(27)	(10)	-	78	-
Litigation and conduct costs	1	(3)	(6)	-	1	(6)	(231)	-	(181)	(425)
Operating expenses	(742)	(131)	(474)	(112)	(39)	(381)	(437)	(111)	(484)	(2,911)
Profit/(loss) before impairment (losses)/releases	594	15	375	53	54	90	(334)	98	(546)	399
Impairment (losses)/releases	(27)	39	(20)	(3)	-	-	(120)	(14)	1	(144)
Operating profit/(loss)	567	54	355	50	54	90	(454)	84	(545)	255
Operating profit/(loss) - adjusted (3,4)	591	68	382	53	53	184	(118)	96	24	1,333
Additional information										

Return on equity (5)	27.1%	7.8%	9.5%	11.1%	15.4%	3.1%	nm	nm	nm	(4.8%)
Return on equity - adjusted (3,4,5)	28.3%	9.9%	10.4%	11.8%	15.1%	8.0%	nm	nm	nm	4.6%
Cost:income ratio	56%	90%	56%	68%	42%	81%	nm	53%	nm	88%
Cost:income ratio - adjusted (3,4)	54%	80%	53%	66%	43%	65%	99%	47%	nm	58%
Total assets (£bn)	155.4	25.3	152.6	18.2	26.9	249.7	176.7	25.7	21.9	852.4
Funded assets (£bn) (6)	155.4	25.2	152.6	18.1	26.9	112.5	34.9	25.7	18.0	569.3
Net loans and advances to customers (£bn)	129.6	19.5	99.8	11.8	8.7	19.9	16.7	20.6	0.1	326.7
Risk elements in lending (£bn)	2.1	4.8	2.1	0.1	0.1	-	2.9	0.4	0.1	12.6
Impairment provisions (£bn)	(1.4)	(2.3)	(1.0)	-	-	-	(1.2)	(0.2)	-	(6.1)
Customer deposits (£bn)	143.7	15.1	98.1	25.3	25.5	9.7	16.8	24.0	0.6	358.8
Risk-weighted assets (RWAs) (£bn)	31.9	21.4	77.6	8.2	9.6	36.6	38.6	9.7	1.6	235.2
RWA equivalent (£bn) (5)	35.4	22.8	82.3	8.2	9.6	37.2	39.8	10.2	1.9	247.4
Employee numbers (FTEs - thousands)	18.7	3.2	5.8	1.8	0.8	1.3	0.7	5.0	45.2	82.5

Notes:

(1) Williams & Glyn refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses, along with certain small and medium enterprises and corporate activities across the UK.

(2) Central items include unallocated transactions which principally comprise volatile items under IFRS.

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

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

(5) 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 notional equity allocated at different rates of 11% (Commercial Banking and Ulster Bank RoI), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect capital deductions (RWAes). RBS Return on equity is calculated using profit for the period attributable to ordinary shareholders.

(6) Funded assets exclude derivative assets.

Segment performance

	Nine months ended		Quarter ended		
	30 September 2016	30 September 2015	30 September 2016	30 June 2016	30 September 2015
Total income by segment	£m	£m	£m	£m	£m
UK PBB					
Personal advances	630	570	216	210	185
Personal deposits	547	566	186	195	186
Mortgages	1,733	1,736	596	573	591
Cards	464	481	148	174	159
Business banking	544	546	188	181	182
Other	33	47	2	7	10
Total	3,951	3,946	1,336	1,340	1,313
Ulster Bank RoI					
Corporate	142	109	43	43	38
Retail	291	246	96	95	91
Other	6	79	7	(3)	35
Total income	439	434	146	135	164
Commercial Banking					
Commercial lending	1,372	1,223	472	464	380
Deposits	365	352	116	124	123
Asset and invoice finance	537	542	181	179	184
Other	274	340	80	79	113
Total	2,548	2,457	849	846	800
Private Banking					
Investments	74	65	24	22	20
Banking	422	421	141	144	140
Total	496	486	165	166	160
RBS International	278	272	93	95	87
CIB					
Rates	719	557	348	258	160
Currencies	394	295	128	122	96
Financing	183	260	78	55	32
Other	(89)	(55)	(28)	(31)	20
Total excluding own credit adjustments	1,207	1,057	526	404	308
Own credit adjustments	82	186	(55)	73	78
Businesses transferred to Commercial Banking	-	98	-	-	20
Total	1,289	1,341	471	477	406
Capital Resolution					

APAC portfolio (1)	(3)	68	(5)	1	17
Americas portfolio	11	52	1	3	5
EMEA portfolio (2)	27	62	8	9	15
Legacy loan portfolio	(8)	155	31	(25)	22
Shipping	37	66	6	15	21
Markets	(177)	212	212	(360)	58
Global Transaction Services	107	277	24	35	48
Other	42	(84)	11	23	(46)
Total excluding disposals and own credit adjustments	36	808	288	(299)	140
Disposal losses	(247)	(187)	(143)	(102)	(89)
Own credit adjustments	142	180	(42)	76	38
Total	(69)	801	103	(325)	89
Williams & Glyn (3)					
Retail	351	355	120	116	119
Commercial	269	270	89	90	92
Total	620	625	209	206	211
Central items	(178)	77	(62)	60	(47)
Total RBS	9,374	10,439	3,310	3,000	3,183

Notes:
(1) Asia-Pacific portfolio.
(2) European, the Middle East and African portfolio.
(3) Williams & Glyn refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses, along with certain small and medium enterprises and corporate activities across the UK.

Segment performance

	Nine months ended		Quarter ended		
	30 September	30 September	30 September	30 June	30 September
	2016	2015	2016	2016	2015
Impairment losses/(releases) by segment	£m	£m	£m	£m	£m
UK PBB					
Personal advances	46	56	26	14	12
Mortgages	17	(1)	(1)	14	(9)
Business banking	(7)	(55)	(8)	1	3
Cards	11	11	10	(5)	3
Other	-	9	-	-	(7)
Total	67	20	27	24	2
Ulster Bank RoI					
Mortgages	59	(94)	60	(2)	(36)
Commercial real estate					
- investment	(23)	2	(18)	-	(1)
- development	(19)	1	(12)	(5)	(2)
Other lending	(83)	(40)	(69)	(7)	(15)
Total	(66)	(131)	(39)	(14)	(54)
Commercial Banking					
Commercial real estate	(4)	10	(6)	4	4
Asset and invoice finance	14	1	1	10	(2)
Private sector services (education, health etc)	1	5	-	-	2
Banks & financial institutions	2	1	1	1	-
Wholesale and retail trade repairs	9	3	10	(4)	3
Hotels and restaurants	20	-	21	(1)	1
Manufacturing	2	1	-	1	1
Construction	5	5	-	4	3
Other (1)	74	16	(7)	74	4
Total	123	42	20	89	16
Private Banking	5	1	3	-	4
RBS International	11	-	-	9	(1)
Corporate & Institutional Banking	-	(5)	-	-	-
Capital Resolution	383	(369)	120	67	(50)
Williams & Glyn (2)					
Retail	21	15	11	5	3
Commercial	10	(20)	3	6	2
Total	31	(5)	14	11	5
Central items	(1)	47	(1)	-	(1)
Total RBS	553	(400)	144	186	(79)

Analysis of Capital Resolution RWAs by portfolio	30 September 2016 £m	30 June 2016 £m	31 December 2015 £m
APAC portfolio (3)	0.1	0.2	0.5
Americas portfolio	0.3	0.3	1.0
EMEA portfolio (4)	1.2	1.1	1.2
Legacy loan portfolio	2.0	2.2	3.7
Shipping	3.5	4.0	4.5
Markets	17.1	19.2	20.7
Global Transaction Services	1.8	2.5	3.6
Saudi Hollandi Bank	7.9	7.9	6.9
Other	1.9	2.1	2.9
Total credit and market risk RWAs	35.8	39.5	45.0
Operational risk	2.8	2.8	4.0
Total RWAs	38.6	42.3	49.0

Notes:

(1) Includes a single name charge taken in respect of the oil and gas portfolio.

(2) Williams & Glyn refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses, along with certain small and medium enterprises and corporate activities across the UK.

(3) Asia-Pacific portfolio.

(4) European, the Middle East and Africa portfolio.

Segment Performance

	30 September 2016	30 June 2016	31 December 2015
Loans and advances to customers (gross) by segment (1)	£bn	£bn	£bn
UK PBB			
Personal advances	6.0	6.0	6.0
Mortgages	114.7	111.4	104.8
Business banking	6.4	6.2	5.3
Cards	3.9	3.9	4.1
Other	-	-	1.4
Total	131.0	127.5	121.6
Ulster Bank RoI			
Mortgages	16.0	15.6	13.8
Commercial real estate			
- investment	1.0	1.0	0.7
- development	0.4	0.4	0.2
- other lending	4.4	4.4	3.9
Total	21.8	21.4	18.6
Commercial Banking			
Commercial real estate	17.5	17.8	16.7
Asset and invoice finance	15.0	14.8	14.4
Private sector services (education, health etc)	6.9	6.8	6.7
Banks & financial institutions	8.9	8.2	7.1
Wholesale and retail trade repairs	8.2	8.2	7.5
Hotels and restaurants	3.6	3.6	3.3
Manufacturing	6.4	7.0	5.3
Construction	2.0	2.1	2.1
Other	32.3	31.7	28.9
Total	100.8	100.2	92.0
Private Banking			
Personal advances	2.3	2.5	2.7
Mortgages	6.7	6.8	6.5
Other	2.8	2.5	2.0
Total	11.8	11.8	11.2
RBS International			
Corporate	6.1	5.9	4.5
Mortgages	2.6	2.6	2.5
Other	-	-	0.4
Total	8.7	8.5	7.4
Capital Resolution	17.9	21.0	25.9
Williams & Glyn (2)			
Retail	12.2	12.1	11.6

Commercial	8.6	8.5	8.7
Total	20.8	20.6	20.3
Central items	0.1	0.5	2.0
Balance sheet			
Corporate & Institutional Banking			
Reverse repos	42.7	43.1	38.6
Loans and advances to customer (gross)	19.9	21.6	16.1
Loans and advances to banks (gross) (3)	5.9	6.3	5.7
Securities	26.4	30.1	23.7
Cash and eligible bills	6.4	10.3	14.3
Other	11.2	14.2	4.9
Total funded assets	112.5	125.6	103.3

Notes:

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

(2) Williams & Glyn refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses, along with certain small and medium enterprises and corporate activities across the UK.

(3) Excludes disposal groups.

Segment performance

UK Personal & Business Banking

Operating profit was £567 million compared with £549 million in Q3 2015 with 2% income growth and a 3% reduction in operating expenses partially offset by a modestly higher impairment charge. Compared with Q2 2016, adjusted operating profit improved by £57 million to £591 million principally due to a £42 million FSCS levy charge included in the prior quarter. Adjusted return on equity of 28% compared with 29% in Q3 2015.

UK PBB continued to deliver support for both personal and business customers with net loans and advances of £129.6 billion up £13.3 billion, or 11%, compared with Q3 2015, primarily due to mortgage growth. Gross new mortgage lending in the quarter of £7.9 billion was 12% higher with market share of new mortgages at approximately 12% supporting a growth in stock share to 8.7%.

The Reward proposition continues to show positive momentum and now has more than one million customer accounts with improved levels of customer engagement. In addition, we continue to make better use of digital channels, with over 4.3 million customers regularly using our mobile app.

Total income of £1,336 million was £23 million, or 2%, higher than Q3 2015. Net interest income increased by £30 million, or 3%, principally reflecting strong volume growth and savings re-pricing benefits partially offset by asset margin pressure. Net interest margin declined by 23 basis points to 2.96% reflecting the change in mix of the asset base towards mortgage lending from unsecured lending, mortgage customers switching from standard variable rate (SVR) and lower returns on current account structural hedges. SVR mortgages represented 12% of the total mortgage book (Q3 2015 - 15%). Non-interest income reduced by £7 million, or 3%, primarily due to reduced credit card interchange fees, £13 million, and higher cash back payments on the Reward account.

Adjusted expenses reduced by £16 million, or 2%, compared with Q3 2015 with a £43 million, or 16%, reduction in direct costs, primarily due to an 18% reduction in FTEs driving lower staff costs, partially offset by increased technology investment in the business. Compared with Q2 2016 adjusted expenses reduced by £64 million principally reflecting a £42 million FSCS levy charge in Q2 2016 and a £12 million reduction in staff costs as FTEs reduced a further 1,300 in the quarter.

The net impairment charge of £27 million, which continues to reflect benign credit conditions, increased by £25 million compared with Q3 2015 primarily due to reduced portfolio provision releases. Default levels remain low across all portfolios.

RWAs were £1.4 billion, or 4%, lower than Q3 2015 with lending growth more than offset by improved overall credit quality. The reduction of £5.1 billion in the quarter principally reflects the unwind of mortgage risk parameter model recalibrations taken in H1 2016 and improved credit quality.

Segment performance

Ulster Bank RoI

Operating profit of €69 million was €74 million lower than Q3 2015 primarily reflecting a lower net impairment release and one-off income gains in Q3 2015. Adjusted operating profit of €81 million was €8 million higher than Q2 2016 as a €31 million increase in net impairment releases was partially offset by €19 million one-off accrual releases in Q2 2016.

Ulster Bank RoI built upon its strong H1 2016 performance in mortgage lending, adding a further €0.3 billion of gross new lending in the quarter, up 51% compared with Q3 2015. The low yielding tracker mortgage portfolio declined by a further €0.3 billion to €11.1 billion.

Total income of €171 million was €57 million lower than Q3 2015 due to reduced income on free funds and one off in Q3 2015, including a €17 million profit on the sale of a buy-to-let mortgage portfolio, as well as a €33 million gain realised on the closure of a foreign exchange exposure.

Adjusted operating expenses reduced by €15 million, or 10%, compared with Q3 2015 to €138 million. Compared with Q2 2016 adjusted expenses increased by €22 million primarily due to one-off accrual releases of €19 million in Q2 2016.

The Q3 2016 impairment release of €48 million included a net impairment write back associated with the sale of a portfolio of loans, partially offset by additional provisions in respect of mortgages.

REILs were €5.6 billion in Q3 2016, increasing €0.4 billion on Q2 2016 primarily driven by a widening of the definition of non-performing loans which are considered to be impaired to include multiple forbearance arrangements and probationary mortgages. The amendment to the definition does not have a material impact on provisions. It is expected that the sale of a portfolio of loans will materially reduce Ulster Bank RoI REIL when complete in Q4 2016.

Credit metrics continue to benefit from the improving economic environment supporting a reduction in RWAs of 7% to €24.7 billion compared with Q3 2015. RWAs on the tracker mortgage portfolio reduced by €1.1 billion, or 10%, compared with Q3 2015 to €9.6 billion.

Commercial Banking

Operating profit of £355 million in Q3 2016 compared with £376 million in Q3 2015. Adjusted operating profit of £382 million was £7 million higher than Q3 2015 and was £122 million higher than Q2 2016, principally reflecting a single name impairment charge taken in respect of the oil and gas portfolio in Q2 2016. Adjusted return on equity of 10.4% compared with 12.3% in Q3 2015.

Total income increased by £49 million to £849 million compared with Q3 2015. Excluding the impact of business transfers(1), income increased by 1% largely reflecting increased asset and liability volumes. Net interest margin fell by 17 basis points from Q3 2015 to 1.72% driven by asset margin pressure in a competitive market and low rate environment.

Excluding business transfers(1), adjusted operating expenses increased by £13 million compared with Q3 2015 but reduced by £53 million compared to Q2 2016 reflecting cost efficiencies and a £25 million intangible asset write down in Q2 2016.

Net impairment losses of £20 million were £4 million higher than Q3 2015 and £69 million lower than Q2 2016 reflecting the non-repeat of a single name charge taken in respect of the oil and gas portfolio.

Net loans and advances, adjusting for the impact of business transfers(1), increased by £6.5 billion from Q3 2015, principally reflecting increased borrowing across mid and large corporate customers. Net loans and advances continued to grow in the quarter, up £0.6 billion, but at a slower rate than in H1 2016.

RWAs were £77.6 billion, an increase of £6.9 billion compared to Q3 2015, adjusting for business transfers(1), reflecting asset growth partially offset by reduced RWA intensity.

Note:

(1) The business transfers included: total income of £42 million (Q2 2016 - £53 million; Q3 2015 - nil); operating expenses of £25 million (Q2 2016 - £22 million; Q3 2015 - nil); impairments of £7 million (Q2 2016 £7 million;

Q3 2015 - nil) net loans and advances to customers of £4.2 billion (30 June 2016 - £5.2 billion; 30 September 2015 - nil); and RWAs of £6.5 billion (30 June 2016 - £8.5 billion; 30 September 2015 - nil).

Segment performance

Private Banking

- Operating profit of £50 million was £12 million higher than Q3 2015 and was £9 million higher than Q2 2016. Adjusted return on equity of 11.8% compared with 7.1% in Q3 2015.
- Total income of £165 million increased by £5 million, 3%, compared with Q3 2015 as the benefit of increased asset volumes has been partially offset by reduced net interest margin, down 10 basis points to 2.62% reflecting the lower interest rate environment.
- Adjusted operating expenses were 8% lower than Q3 2015 at £109 million principally reflecting management actions to reduce operational costs and a £13 million VAT recovery.
- Net loans and advances increased 6% to £11.8 billion, due to increased mortgage lending, and customer deposits grew by 11% to £25.3 billion compared with Q3 2015. Assets under management(1) increased by £3.1 billion to £16.6 billion reflecting market and underlying growth. In addition, investment cash balances were included in assets under management for the first time in Q3 2016, excluding this, growth was £1.7 billion.

RBS International

- Operating profit of £54 million was 8% higher than Q3 2015 driven by increased income. Adjusted return on equity of 15.1% compared with 18.8% in Q3 2015.
- Total income increased 7% compared with Q3 2015 to £93 million driven by increased asset volumes partially offset by lower asset margins.
- Net loans and advances to customers increased by £1.7 billion to £8.7 billion compared with Q3 2015 principally reflecting balance draw-downs in the funds sector lending portfolio and foreign exchange movements.
- Customer deposits increased by £3.2 billion to £25.5 billion reflecting the transfer in of the Luxembourg branch from Capital Resolution in Q2 2016 and foreign exchange movements.

Corporate & Institutional Banking (CIB)

- An operating profit of £90 million compared with an operating loss of £109 million in Q3 2015. Adjusted operating profit of £184 million compared with an adjusted operating loss of £30 million in Q3 2015, with the improvement principally reflecting an increase in adjusted income.
- Adjusted income, excluding a £20 million movement associated with the transfer of portfolios to Commercial Banking(2), increased by £218 million to £526 million. The increase was primarily driven by an increase in Rates, reflecting sustained customer activity and favourable market conditions following the EU referendum and central bank actions. Total income, which includes own credit adjustments, increased by £65 million, or 16%, to £471 million compared with £406 million in Q3 2015.
- Operating expenses reduced by £134 million, or 26%, to £381 million compared with £515 million in Q3 2015 principally reflecting lower restructuring costs. Adjusted operating expenses fell by £16 million, or 4%, to £342 million as the business reshaping and FTE reductions were partially offset by the impact of investment spend that was previously capitalised.
- RWAs increased by £3.7 billion compared with Q3 2015 to £36.6 billion, adjusting for the impact of transfers to Commercial Banking(2), principally due to model updates and the impact of market volatility throughout 2016.

Notes:

(1) AUM's constitute assets under management, assets under custody and investment cash.

(2) CIB's results include the following financials for businesses subsequently transferred to Commercial Banking: total income of £98 million for nine months ended 2015 (Q3 2015 - £20 million) and RWAs of £5.9 billion as at 30 September 2015.

Segment performance

Capital Resolution

RWAs reduced by £3.7 billion in the quarter to £38.6 billion reflecting disposal activity, partially offset by an increase due to the weakening of sterling.