ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
November 06, 2009

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 November 6, 2009

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:

Third quarter 2009 results

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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', 'should', 'intend', 'plan', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'will', '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 potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. Such statements are subject to risks and uncertainties. For example, certain of the 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:
RBS obtaining the requisite approvals and agreeing the requisite documents to finalise its accession into the APS; the effect of the APS and State Aid remedies on RBS's financial and capital position; the continuation or further deepening of recessionary conditions; the ability of the Group to access sufficient funding to meet its liquidity needs; the developments in the current crisis in the global financial markets

, and their impact on the financial industry in general and the Group in particular; the effect on the Group's capital of write downs in respect of credit market exposures and impairments; general economic conditions in the UK and in other countries in which the Group has significant business activities or investments, including the United States; the monetary and interest rate policies of the Bank of England, the Board of Governors of the Federal Reserve System and other G-7 central banks; inflation; deflation; unanticipated turbulence in interest rates, foreign currency exchange rates, commodity prices and equity prices; changes in UK and foreign laws, regulations and taxes; changes in competition and pricing environments; natural and other disasters; the inability to hedge certain risks economically; the adequacy of loss reserves; acquisitions or restructurings; technological changes; changes in consumer spending and saving habits; the value and effectiveness of any credit protection purchased by RBS; 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.

Presentation of information

Acquisition of ABN AMRO

On 17 October 2007, RFS Holdings B.V. ('RFS Holdings'), a company jointly owned by The Royal Bank of Scotland Group plc ('RBS'), Fortis Bank Nederland (Holding) N.V. ('Fortis') and Banco Santander S.A. ('Santander') (together, the 'Consortium Members'), completed the acquisition of ABN AMRO Holding N.V. ('ABN AMRO').

RFS Holdings is implementing an orderly separation of the business units of ABN AMRO with RBS retaining the following ABN AMRO business units:

- Continuing businesses of Business Unit North America;
- Business Unit Global Clients and wholesale clients in the Netherlands (including former Dutch wholesale clients) and Latin America (excluding Brazil);
- Business Unit Asia (excluding Saudi Hollandi); and
- Business Unit Europe (excluding Antonveneta).

Certain other assets will continue to be shared by the Consortium Members.

On 3 October 2008, the State of the Netherlands acquired Fortis Bank Nederland (Holding) N.V. including Fortis' participation in RFS Holdings that represents the acquired activities of ABN AMRO.

The separation of the main platform shared between RBS and its Dutch state-owned partner has been completed and the Group expects that, subject to legal process and regulatory approvals, the legal separation of the constituent parts of ABN AMRO will be complete in early 2010. From that point RBS will cease to consolidate the Dutch state's interest in RBS Group statutory accounts.

Pro forma results

Pro forma results have been prepared to include only those business units of ABN AMRO that will be retained by RBS. The financial review and divisional performance and discussion of risk and capital management in this Interim Management Statement focus on the pro forma results. The basis of preparation of the pro forma results is detailed on page 63.

Statutory results

RFS Holdings is jointly owned by the Consortium Members. It is controlled by RBS and is therefore fully consolidated in its statutory financial statements. The interests of the State of the Netherlands and Santander in RFS Holdings are included in minority interests.

Restatements

Divisional results for 2008 have been restated to reflect the Group's new organisational structure that includes a Non-Core division comprising individual assets, portfolios and lines of business that the Group intends to run off or dispose of. The Non-Core division is reported separately from the divisions which form the Core Group. In addition, separate reporting of Business Services (formerly Group Manufacturing) and Centre results has changed and, with the exception of certain items of a one off nature, costs incurred are now allocated to the customer-facing divisions and included in the measurement of the returns which they generate. The changes do not affect the Group's results. Comparatives have been restated accordingly.

The pro forma and statutory results for 2008 have been restated for the amendment to IFRS 2 'Share-based Payment'. This has resulted in an increase in staff costs amounting to £37 million for the third quarter of 2008 and £72 million for the first nine months of 2008.

The pro forma and statutory results for 2008 have been restated for the finalisation of the ABN AMRO acquisition accounting.

Results summary - pro forma

	Quarter ended			Nine months ended	
	30 September 2009 £m	30 June 2009 £m	30 September 2008 £m	**30 September 2009 £m**	30 September 2008 £m
Core					
Total income (1)	**7,154**	7,015	7,529	**24,862**	21,699
Operating expenses (2)	**(3,729)**	(3,638)	(3,531)	**(11,474)**	(10,742)
Insurance net claims	**(1,019)**	(788)	(764)	**(2,596)**	(2,353)
Operating profit before impairment losses (3)	**2,406**	2,589	3,234	**10,792**	8,604
Impairment losses	**(1,213)**	(1,147)	(512)	**(3,390)**	(1,184)
Operating profit (3)	**1,193**	1,442	2,722	**7,402**	7,420
Non-Core					
Total income (1)	**(60)**	(894)	1,056	**(2,977)**	(1,463)
Operating expenses (2)	**(466)**	(428)	(529)	**(1,454)**	(1,711)
Insurance net claims	**(126)**	(137)	(170)	**(440)**	(508)
Operating (loss)/profit before impairment losses (3)	**(652)**	(1,459)	357	**(4,871)**	(3,682)
Impairment losses	**(2,066)**	(3,516)	(768)	**(7,410)**	(1,575)
Operating loss (3)	**(2,718)**	(4,975)	(411)	**(12,281)**	(5,257)
Total*					
Total income (1)	**7,094**	6,121	8,585	**21,885**	20,236
Operating expenses (2)	**(4,195)**	(4,066)	(4,060)	**(12,928)**	(12,453)
Insurance net claims	**(1,145)**	(925)	(934)	**(3,036)**	(2,861)
	1,754	1,130	3,591	**5,921**	4,922

Operating profit before impairment losses (3)					
Impairment losses	**(3,279)**	(4,663)	(1,280)	**(10,800)**	(2,759)
Operating (loss)/profit (3)	**(1,525)**	(3,533)	2,311	**(4,879)**	2,163
(Loss)/profit before tax (4)	**(2,077)**	59	1,903	**(2,062)**	1,177
(Loss)/profit attributable to ordinary shareholders	**(1,800)**	(140)	871	**(2,842)**	44
* Includes fair value of own debt impact	**(483)**	(960)	1,281	**(412)**	2,093
Performance ratios					
Return on equity - annualised (5)	**(11.2%)**	(26.6%)	9.8%	**(15.6%)**	2.4%
Net interest margin**	**1.75%**	1.70%	2.05%	**1.74%**	2.06%
Cost:income ratio (6)	**59.1%**	66.4%	47.3%	**59.1%**	61.5%
Adjusted cost:income ratio (7)	**70.5%**	78.3%	53.1%	**68.6%**	71.7%
Continuing operations:					
Pre-impairment Core adjusted earnings per ordinary share (8)	**2.5p**	2.6p	11.5p	**15.1p**	38.9p
Core adjusted earnings per ordinary share (9)	**1.0p**	1.0p	9.5p	**9.7p**	33.0p
Basic earnings per ordinary share (10)	**(3.2p)**	(0.2p)	5.6p	**(5.6p)**	0.9p

For definitions of the notes see pages 16 and 17.

** Net interest margin for the quarter ended 30 June 2009 has been revised. See Appendix 5.

Results summary - pro forma

Capital and balance sheet	**30 September 2009**	30 June 2009	Change	**31 December 2008**	Change
Total assets	**£1,680.3bn**	£1,644.4bn	2%	£2,218.7bn	(24%)
Funded balance sheet (11)	**£1,127.8bn**	£1,088.6bn	4%	£1,227.2bn	(8%)
Loan:deposit ratio (gross of provisions)	**142.3%**	144.5%	(220bp)	152.4%	(1,010bp)
Loan:deposit ratio (net of provisions)	**138.8%**	142.9%	(410bp)	150.3%	(1,150bp)
RWAs	**£594.7bn**	£547.3bn	9%	£577.8bn	3%
Total equity	**£58.9bn**	£57.8bn	2%	£64.3bn	(8%)
Core Tier 1 ratio	**5.5%**	6.4%	(90bp)	5.9%	(40bp)
Tier 1 ratio	**8.0%**	9.0%	(100bp)	9.9%	(190bp)
Tier 1 leverage ratio (12)	**23.4x**	21.7x	8%	21.2x	10%
Tangible equity leverage ratio (13)	**3.0%**	3.0%	-	2.4%	60bp
Net tangible equity per share	**59.4p**	58.0p	2%	73.8p	(20%)

For definitions of the notes see pages 16 and 17.

Results summary - statutory

Highlights

- Income of £8,080 million.

- Pre-tax loss of £2,169 million for Q309.

- Core Tier 1 ratio 6.5%.

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
	£m	£m	£m	**£m**	£m
Total income	**8,080**	11,453	9,962	**29,921**	23,804
Operating expenses	**(5,552)**	(5,732)	(5,321)	**(17,443)**	(16,040)
Operating profit before impairment losses	**1,319**	4,674	3,595	**9,135**	4,529
Impairment	**(3,488)**	(4,970)	(1,397)	**(11,548)**	(3,058)
Operating (loss)/profit before tax	**(2,169)**	(296)	2,198	**(2,413)**	1,471
(Loss)/profit attributable to ordinary shareholders	**(1,800)**	(140)	871	**(2,842)**	44

Business and strategic update

Strategic plan

In August, RBS detailed its plans, first announced in February, for a radical restructuring of its businesses to set the Group on a path to sustainability, stability and customer focus. Businesses and portfolios that did not meet the Group's strategic criteria, including both stressed and non-stressed assets, were transferred to the Non-Core division. Within the Core Bank, comprehensive changes have been set in motion to improve the business and adapt to the future banking climate. The balance sheet and capital framework were also clearly set out, anticipating substantially increased regulatory pressures and much greater emphasis on liquidity. While updates to the Plan and related targets will be published in February, reflecting the new APS agreement and EU remedies, we currently expect the Plan's integrity and key aspirations to remain valid.

The Group's strategy has been embedded in five-year plans across divisions, and the more recent 2010 budgets provide encouraging support for these plans. There remain many uncertainties in the economic environment and the Group has made it clear that it expects the path to rebuilding standalone strength and shareholder value to be multi-year in duration.

Some encouraging progress has, nevertheless, been made in the third quarter towards some of the Group's intermediate goals:

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Despite intense competition for retail savings, customer deposits, excluding repos, grew in the quarter, up 2% or £8.5 billion compared with 2Q09, with encouraging deposit- gathering performances from all our retail divisions as well as from Global Transaction Services.

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Loans and advances to customers, excluding reverse repos, reduced by 1% compared with 2Q09 and by 15% compared with December 2008, with the bulk of the reduction coming in Global Banking & Markets and Non-Core.

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The Group's loan to deposit ratio improved to 142% at the end of September, an improvement of 220 basis points from the end of June and of 1,010 basis points from the end of December 2008. The Group's 2013 target is to achieve a ratio of approximately 100%.

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Risk-weighted assets, however, increased by 9% in the quarter, mainly due to the fall in credit ratings for monolines, the effect of procyclicality in Basel II models and foreign exchange movements.

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Efforts to improve efficiency have continued to make headway, and the Group is on track for its three year cost saving targets. The Group cost:income ratio year to date improved by 2 percentage points, compared with the same period of 2008.

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We issued £4.8 billion of unguaranteed term debt during the third quarter, taking the total issued to end September to £9.2 billion. In general, the picture on liquidity is rapidly improving, albeit from a poor starting point.

Return on equity remains negative. The Group's 2013 target is to achieve a sustainable return on equity in excess of 15%, powered by market-leading franchises in large, customer-driven markets.

Business and strategic update

(continued)

Non-Core division and disposal programme

The Non-Core Division is now fully operational and continues actively to reduce risk and manage the run-down and sale options for the £190.3 billion of RWAs for which it is now responsible. Finalising APS has been the greatest priority to date, in the knowledge that market conditions overall will take time to offer acceptable value and liquidity. Significant and encouraging market improvements are, nevertheless, visible.

The disposal of the majority of our Retail & Commercial businesses in Asia, along with some of our Global Banking & Markets (GBM) businesses, continues to progress well and we remain in advanced stages of negotiations with bidders for the remaining markets. Elsewhere, in addition to normal amortisations, improved market conditions have enabled us to unwind legacy trades. The current market rally has also significantly reduced monoline and CDPC exposures.

Our plan will continue to be affected by external factors such as economic conditions, risk appetite and liquidity in the market, as well as foreign exchange rates.

Risk

As part of its strategic review RBS has a clearly stated ambition to achieve a standalone AA category risk rating and risk management within the Group is now implementing revised risk appetite and controls in order to achieve this objective.

While economic conditions and outlook have improved since the first half results, they remain fragile, with corporate failures and consequent unemployment not expected to peak until 2010. The outlook for impairments has improved somewhat and these may now be plateauing at 1H09 levels although we are still seeing a modest increase in default rates. Economic conditions in the UK and more so Ireland, two key markets for RBS, remain relatively weak. Our impairments and write-downs remain concentrated in the Non-Core division with better quality credit metrics in most of our Core divisions.

The Group continues to reduce its exposure to country risk and a new country risk framework is now well embedded across the Group. Total cross border exposure to countries in the emerging economies has declined since June 2008 by over 20% adjusted for currency movements.

Single Name Concentrations continue to receive a high level of attention and further refinements to the risk management framework will be implemented during the fourth quarter. A programme to improve reporting is now well underway increasing transparency of risk exposures and improving the ability of management to take mitigating action as part of the process of reducing the risk in RBS's balance sheet.

Market risk as measured by Value at Risk (VaR) has increased materially, primarily reflecting the rise in Non-Core credit spread VaR resulting from the increased volatility in the most recent two years' of market data, as well as additional hedges against the risk of counterparty failure, which is not itself recorded in VaR.

Business and strategic update
(continued)

Risk
(continued)

The potential for increased Operational Risk emanating from the implementation of the Strategic Plan is an issue which is being actively managed by each division and monitored by the independent risk function. We also have an active programme of engagement with the very significant regulatory change agenda across prudential requirements, banking capital, bank licensing and supervision. The regulatory agenda is all-consuming of itself, with multiple initiatives to prepare for and react to significant uncertainties still to wash through for all banks.

UK Lending Commitments

In February, as a pre-requisite to its proposed participation in the APS, the Group agreed to make available an additional £25 billion of lending (£9 billion of mortgage lending and £16 billion of business lending) to creditworthy customers on commercial terms, and subject to market demand, over the ensuing 12 months, and a similar amount over the following year.

RBS is unambiguous in its view that these commitments are being met. However, as is normal in recessions, our customers are generally seeking to repair their balance sheets, not to increase borrowing. As a result, the demand for our lending is muted, especially from business customers. By comparison in the United States, where economic growth has already resumed, the fall in loan demand has been even greater. Increased borrowing is not the route to sustainable recovery.

Since entering into this commitment RBS has achieved strong results in the mortgage market:

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Gross lending year to date totals £13.9 billion, including over £2.3 billion of lending to first time buyers. Gross lending during the quarter was 23% higher than in 2Q09 and at 30 September 2009, UK mortgage balances totalled £88.7 billion, 11% higher than at the end of 2008.

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The acceptance rate for mortgage lending, at 90%, remains high. With net mortgage lending year to date totalling £8.6 billion, the Group is on target to surpass the £9 billion mortgage lending commitment.

In business markets, RBS has achieved gross lending of £45.5 billion year to date. Gross lending during 3Q09 was £15.2 billion, 2% lower than 2Q09. After taking account of loan repayments and overdraft movements, RBS's business lending, including Ulster Bank, at 30 September 2009 totalled £154.3 billion, a decline of 6% since the end of 2008.

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In the SME segment, gross lending in the first nine months of 2009 was £28.5 billion. Demand remains subdued, with credit applications down 26% by value 3Q09 compared with 3Q08. The acceptance rate across all categories of SME credit remains stable at 85%.

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The average interest rate on new lending to SMEs has fallen to 3.4% in the third quarter, compared with 7.0% for 3Q08. In November 2008, we gave a promise not to increase small business customers' overdraft pricing until the end of 2009 unless the risks associated with lending to them have increased. As a result, in the third quarter 94% of SME customers had overdrafts renewed at the same margin or lower.

Business and strategic update
(continued)

UK Lending Commitments
(continued)

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SME repayments have accelerated as many business and commercial customers seek to deleverage (term loan repayments are up 37% in 2009 year to date).

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Overdraft utilisation rates across the SME and mid-corporate segments have remained low at 44%. SME and mid-corporate customers still have access to undrawn committed facilities of more than £27 billion. Our SME Committed Overdraft promise ensures that customers' committed facilities remain in place for at least 12 months.

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Significant marketing activity to reiterate an 'Open for Business' message and the success of the Regional Funds programme has enabled balances to be held stable year to date. We have also recently launched a new Business Hotline which offers businesses, whether they are customers or not, a second opinion in cases where their lending proposition has been declined.

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Gross new lending to mid- and large corporates totalled £5.4 billion in the quarter, 13% lower than the 2Q09 total, and £17.0 billion year to date.

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Many larger corporates are actively deleveraging to repair their balance sheets. RBS has been a significant player in facilitating access to the debt and equity markets for its larger clients. RBS has been bookrunner for circa £5 billion of the £55 billion of bond issuance by UK corporates and has been actively involved in circa £25 billion of equity issuance in the year to date. Much of this finance raised has been used to repay bank borrowing.

Notwithstanding the Group's willingness to lend to creditworthy customers and our clarity that the requisite funds are available, thereby fulfilling our commitments, indications remain that it is unlikely that RBS's net business lending will increase by the £16 billion that we are making available, in the light of the subdued demand we currently experience.

	30 September 2008 £bn	31 December 2008 £bn	**Gross lending during 2009 £bn**	**Net lending during 2009 £bn**	**30 September 2009 £bn**
Mortgages	79.2	80.1	**13.9**	**8.6**	**88.7**
Total Business	161.1	163.4	**45.5**	**(9.1)**	**154.3**
SME	67.4	68.0	**28.5**	**(0.1)**	**67.9**
Mid-corporate	48.5	49.3	**11.2**	**(3.7)**	**45.6**
Large corporate	45.2	46.1	**5.8**	**(5.3)**	**40.8**
Total Lending	240.3	243.5	**59.4**	**(0.5)**	**243.0**

Note:
The above figures include Ulster Bank and Wealth lending and represent drawn balances, with the exception of Large Corporate numbers which are committed lending (as per RBS's Lending Commitments agreement). Unsecured personal lending and non-UK lending are not included in the above data.

Business and strategic update
(continued)

Customer Accounts

Crucial to the Group's prospects for future success and return to standalone health is the resilience of its customer franchises. Except for the activities earmarked for restructuring, run-off or exit, RBS has sustained its customer market positions during the third quarter, with customer numbers steady or growing in all the Group's major businesses.

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UK Retail added 139,000 current account customers during the third quarter, with current account numbers rising by 3% over the last year to 12.7 million at 30 September. Over 1 million savings accounts have been added over the last 12 months.

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UK Retail added 25,000 mortgage customers during the third quarter, taking mortgage customer numbers to 826,000, 8% up on 3Q08.

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Ulster Bank has held SME and corporate customer numbers stable over the last year and increased consumer accounts by 4%, compared with 3Q08.

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US Retail's consumer customer base held steady during the quarter at 4.0 million.

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RBS Insurance achieved strong growth in own brand policy numbers, both through direct brands and through the bank branch channel. Direct own brand policies were up 11% in motor and 13% in home, compared with 3Q08. Bank channel home policies have risen 13% from 3Q08.

Summary consolidated income statement
for the quarter ended 30 September 2009 - pro forma (unaudited)

In the income statements set out below, amortisation of purchased intangible assets, gain on redemption of own debt, strategic disposals, write-down of goodwill and other intangible assets and integration and restructuring costs are shown separately. In the statutory condensed consolidated income statement on page 102, these items are included in income and operating expenses as appropriate. Data for 2008 have been restated for the amendment to IFRS 2 'Share-based Payment'.

	Quarter ended			Nine months ended	
	30 September 2009	*30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
	£m	£m	£m	**£m**	£m
Core					
Net interest income*	**3,030**	3,111	3,432	**9,357**	10,242

Non-interest income (excluding insurance net premium income)*	**2,996**	2,799	2,940	**12,160**	7,924
Insurance net premium income	**1,128**	1,105	1,157	**3,345**	3,533
Non-interest income	**4,124**	3,904	4,097	**15,505**	11,457
Total income (1)	**7,154**	7,015	7,529	**24,862**	21,699
Operating expenses (2)	**(3,729)**	(3,638)	(3,531)	**(11,474)**	(10,742)
Profit before other operating charges	**3,425**	3,377	3,998	**13,388**	10,957
Insurance net claims	**(1,019)**	(788)	(764)	**(2,596)**	(2,353)
Operating profit before impairment losses	**2,406**	2,589	3,234	**10,792**	8,604
Impairment losses	**(1,213)**	(1,147)	(512)	**(3,390)**	(1,184)
Operating profit (3)	**1,193**	1,442	2,722	**7,402**	7,420
Non-Core					
Net interest income	**231**	211	404	**764**	1,095
Non-interest income (excluding insurance net premium income)	**(464)**	(1,301)	400	**(4,354)**	(3,295)
Insurance net premium income	**173**	196	252	**613**	737
Non-interest income	**(291)**	(1,105)	652	**(3,741)**	(2,558)
Total income (1)	**(60)**	(894)	1,056	**(2,977)**	(1,463)
Operating expenses (2)	**(466)**	(428)	(529)	**(1,454)**	(1,711)
(Loss)/profit before other operating charges	**(526)**	(1,322)	527	**(4,431)**	(3,174)
Insurance net claims	**(126)**	(137)	(170)	**(440)**	(508)
Operating (loss)/profit before impairment losses	**(652)**	(1,459)	357	**(4,871)**	(3,682)
Impairment losses	**(2,066)**	(3,516)	(768)	**(7,410)**	(1,575)
Operating loss (3)	**(2,718)**	(4,975)	(411)	**(12,281)**	(5,257)

For definitions of the notes see pages 16 and 17.

* Certain income reported in other operating income in the interim results for the half year ended 30 June 2009 has been reclassified to net interest income. The reclassification amounted to £205 million and does not affect total income or operating profit. Further details are included in Appendix 5.

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mmary consolidated income statement
for the quarter ended 30 September 2009 - pro forma (unaudited)
(continued)

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
	£m	£m	£m	**£m**	£m
Total					
Net interest income	**3,261**	3,322	3,836	**10,121**	11,337
Non-interest income (excluding insurance net premium income)	**2,532**	1,498	3,340	**7,806**	4,629
Insurance net premium income	**1,301**	1,301	1,409	**3,958**	4,270
Non-interest income	**3,833**	2,799	4,749	**11,764**	8,899
Total income (1)	**7,094**	6,121	8,585	**21,885**	20,236
Operating expenses (2)	**(4,195)**	(4,066)	(4,060)	**(12,928)**	(12,453)
Profit before other operating charges	**2,899**	2,055	4,525	**8,957**	7,783
Insurance net claims	**(1,145)**	(925)	(934)	**(3,036)**	(2,861)
Operating profit before impairment losses (3)	**1,754**	1,130	3,591	**5,921**	4,922
Impairment losses	**(3,279)**	(4,663)	(1,280)	**(10,800)**	(2,759)
Operating (loss)/profit (3)	**(1,525)**	(3,533)	2,311	**(4,879)**	2,163
Amortisation of purchased intangible assets	**(73)**	(55)	(119)	**(213)**	(381)
Integration and restructuring costs	**(324)**	(355)	(289)	**(1,058)**	(605)
Gain on redemption of own debt	**-**	3,790	-	**3,790**	-
Strategic disposals	**(155)**	212	-	**298**	-
Operating (loss)/profit before tax (4)	**(2,077)**	59	1,903	**(2,062)**	1,177
Tax	**576**	640	(724)	**988**	(421)
(Loss)/profit from continuing operations	**(1,501)**	699	1,179	**(1,074)**	756
Loss from discontinued operations, net of tax	**(7)**	(13)	(46)	**(65)**	(87)
(Loss)/profit for the period	**(1,508)**	686	1,133	**(1,139)**	669
Minority interests	**(47)**	(83)	(43)	**(601)**	(191)
Preference share and other dividends	**(245)**	(432)	(219)	**(791)**	(434)

(Loss)/profit attributable to ordinary shareholders before write-down of goodwill and other intangible assets	**(1,800)**	171	871	**(2,531)**	44
Write-down of goodwill and other intangible assets	**-**	(311)	-	**(311)**	-
(Loss)/profit attributable to ordinary shareholders	**(1,800)**	(140)	871	**(2,842)**	44

For definitions of the notes see pages 16 and 17.

Condensed consolidated statement of comprehensive income for the quarter ended 30 September 2009 (unaudited) - pro forma

	Quarter ended			Nine months ended	
	30 September 2009 £m	30 June 2009 £m	30 September 2008 £m	**30 September 2009 £m**	30 September 2008 £m
(Loss)/profit for the period	**(1,508)**	375	1,133	**(1,450)**	669
Other comprehensive income:					
Available-for-sale financial assets	**2,861**	1,319	(2,056)	**1,228**	(3,671)
Cash flow hedges	**155**	277	(97)	**676**	(220)
Currency translation	**659**	(2,262)	1,691	**(1,788)**	2,424
Tax on other comprehensive income	**(846)**	(154)	498	**(438)**	989
Other comprehensive income for the period, net of tax	**2,829**	(820)	36	**(322)**	(478)
Total comprehensive income for the period	**1,321**	(445)	1,169	**(1,772)**	191
Attributable to:					
Equity shareholders	**1,243**	(364)	1,135	**(1,903)**	199
Minority interests	**78**	(81)	34	**131**	(8)
	1,321	(445)	1,169	**(1,772)**	191

Summary consolidated balance sheet at 30 September 2009 (unaudited) - pro forma

	30 September 2009 £m	30 June 2009 £m	31 December 2008 £m

Loans and advances to banks	**97,464**	83,700	129,499
Loans and advances to customers	**631,459**	640,762	731,265
Debt securities and equity shares	**268,111**	243,279	275,357
Derivatives and settlement balances	**581,100**	579,134	1,009,307
Other assets	**102,182**	97,570	73,265
Total assets	**1,680,316**	1,644,445	2,218,693
Owners' equity	**56,666**	55,666	58,879
Minority interests	**2,185**	2,123	5,436
Subordinated liabilities	**33,085**	32,106	43,678
Deposits by banks	**178,400**	179,743	262,609
Customer accounts	**493,234**	490,282	518,461
Derivatives, settlement balances and short positions	**609,413**	594,914	1,023,673
Other liabilities	**307,333**	289,611	305,957
Total liabilities and equity	**1,680,316**	1,644,445	2,218,693

Key metrics

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Performance ratios					
Return on equity - annualised (5)	**(11.2%)**	(26.6%)	9.8%	**(15.6%)**	2.4%
Net interest margin*	**1.75%**	1.70%	2.05%	**1.74%**	2.06%
Cost:income ratio (6)	**59.1%**	66.4%	47.3%	**59.1%**	61.5%
Adjusted cost:income ratio (7)	**70.5%**	78.3%	53.1%	**68.6%**	71.7%
Continuing operations:					
Pre-impairment Core adjusted earnings per ordinary share (8)	**2.5p**	2.6p	11.5p	**15.1p**	38.9p
Core adjusted earnings per ordinary share (9)	**1.0p**	1.0p	9.5p	**9.7p**	33.0p
Basic earnings per ordinary share (10)	**(3.2p)**	(0.2p)	5.6p	**(5.6p)**	0.9p

* Net interest margin for the quarter ended 30 June 2009 has been revised. See Appendix 5.

	30 September 2009	30 June 2009	Change	31 December 2008	Change
Capital and balance sheet					
Funded balance sheet (11)	**£1,127.8bn**	£1,088.6bn	4%	£1,227.2bn	(8%)
Risk-weighted assets	**£594.7bn**	£547.3bn	9%	£577.8bn	3%
Core tier 1 ratio	**5.5%**	6.4%	(90bp)	5.9%	(40bp)
Tier 1 ratio	**8.0%**	9.0%	(100bp)	9.9%	(190bp)
Risk elements in lending (REIL)	**£35.0bn**	£30.7bn	14%	£18.8bn	86%

Risk elements in lending as a % of loans and advances	**5.74%**	5.01%	73bp	2.66%	308bp
Provision balance as % of REIL/PPLs	**43%**	44%	(100bp)	50%	(700bp)
Loan:deposit ratio (gross of provisions)	**142.3%**	144.5%	(220bp)	152.4%	(1,010bp)
Loan:deposit ratio (net of provisions)	**138.8%**	142.9%	(410bp)	150.3%	(1,150bp)
Tier 1 leverage ratio (12)	**23.4x**	21.7x	8%	21.2x	10%
Tangible equity leverage ratio (13)	**3.0%**	3.0%	-	2.4%	60bp
Net tangible equity per share	**59.4p**	58.0p	2%	73.8p	(20%)

Notes:
(1) Excluding gain on redemption of own debt and strategic disposals.
(2) Excluding purchased intangibles amortisation, write-down of goodwill and other intangible assets, integration and restructuring costs.
(3) (Loss)/profit before tax, purchased intangibles amortisation, integration and restructuring costs, gain on redemption of own debt, strategic disposals and write-down of goodwill and other intangible assets.
(4) Excluding write-down of goodwill and other intangible assets.
(5) (Loss)/profit from continuing operations attributable to ordinary shareholders adjusted for purchased intangibles amortisation, integration and restructuring costs, gain on redemption of own debt, strategic disposals and write-down of goodwill and other intangible assets divided by average ordinary shareholders equity.
(6) The cost:income ratio is based on total income and operating expenses as defined in (1) and (2) above.
(7) The adjusted cost:income ratio is based on total income and operating expenses as defined in (1) and (2) above and after netting insurance claims against income.
(8) (Loss)/profit from continuing operations attributable to ordinary shareholders adjusted for Non-Core operations, impairment losses, purchased intangibles amortisation, integration and restructuring costs, gain on redemption of own debt, strategic disposals and write-down of goodwill and other intangible assets divided by weighted average number of shares in issue.

Key metrics
(continued)

Notes (continued):
(9) (Loss)/profit from continuing operations attributable to ordinary shareholders adjusted for Non-Core operations, purchased intangibles amortisation, integration and restructuring costs, gain on redemption of own debt, strategic disposals and write-down of goodwill and other intangible assets divided by weighted average number of shares in issue.
(10) (Loss)/profit from continuing operations attributable to ordinary shareholders divided by weighted average number of shares in issue.
(11) Funded balance sheet is defined as total assets less derivatives.
(12) The Tier 1 leverage ratio is based on total tangible assets (after netting derivatives) divided by Tier 1 capital.
(13) The tangible equity leverage ratio is based on total tangible equity divided by total tangible assets (after netting derivatives).

Results summary

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Net interest income	**£m**	£m	£m	**£m**	£m
Net interest income	**3,197**	3,276	3,729	**9,943**	11,043
Net interest margin - Group	**1.75%**	1.70%	2.05%	**1.74%**	2.06%
- Global Banking & Markets	**1.08%**	1.48%	1.24%	**1.52%**	1.07%
- Rest of Group	**1.92%**	1.77%	2.31%	**1.80%**	2.38%
Selected average balances:					
Loans and advances to banks	**56,984**	55,062	29,386	**51,984**	44,132
Loans and advances to customers	**554,047**	585,925	594,762	**586,173**	586,764
Debt securities	**118,791**	129,190	102,449	**122,303**	82,623
Interest earning assets	**729,822**	770,177	726,597	**760,460**	713,519
Deposits by banks	**119,317**	128,733	141,728	**134,291**	135,688
Customer accounts	**350,298**	359,539	373,805	**360,224**	386,955
Subordinated liabilities	**35,922**	33,813	37,311	**36,130**	33,827
Interest bearing liabilities	**665,290**	688,432	696,762	**680,612**	663,598
Non-interest bearing deposits	**35,464**	36,790	32,020	**36,264**	31,658
Selected average yields (%):					
Loans and advances to banks	**1.38**	1.85	5.69	**1.74**	4.66
Loans and advances to customers	**3.35**	4.07	6.03	**3.77**	6.00
Debt securities	**2.98**	2.96	6.04	**3.45**	5.53
Interest earning assets	**3.13**	3.72	4.51	**3.58**	5.86
Deposits by banks	**1.92**	2.23	4.19	**2.33**	4.41
Customer accounts	**1.10**	1.49	3.19	**1.37**	3.50
Subordinated liabilities	**3.11**	3.60	5.23	**3.73**	5.36
Interest bearing deposits	**1.52**	2.26	4.13	**2.05**	4.08
Non-interest bearing deposits as a percentage of interest earning assets	**4.86**	4.78	4.41	**4.77**	4.44

Key points

.

Net interest margin increased by 5 basis points in 3Q09 and declined by 30 basis points compared with 3Q08.

.

GBM net interest margin declined due to lower money market income, partially offset by higher margins on GBM banking assets.

.

UK Retail margin declined in the quarter as increased mortgage margins only partially offset reduced deposit margins and adverse asset mix impacts. UK Corporate margins benefited from improved pricing on new loans, while the US Retail & Commercial margin increased slightly due to improved asset margins.

.

For the near-term, margins are expected to be broadly stable as increased funding and liquidity costs offset further asset margin improvements.

Results summary
(continued)

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Non-interest income	**£m**	£m	£m	**£m**	£m
Net fees and commissions	**1,374**	1,530	1,781	**4,489**	4,959
Income from trading activities	**1,051**	384	1,274	**3,095**	(2,067)
Other operating income	**107**	(416)	285	**222**	1,737
Non-interest income (excluding insurance premiums)*	**2,532**	1,498	3,340	**7,806**	4,629
Insurance net premium income	**1,301**	1,301	1,409	**3,958**	4,270
Total non-interest income	**3,833**	2,799	4,749	**11,764**	8,899
* Includes fair value of own debt impact	**(483)**	(960)	1,281	**(412)**	2,093

Key points

3Q09 versus 2Q09

.

Net fees and commissions fell £156 million primarily due to declines in GBM (£71 million) due to lower credit and equity market activity, UK Retail (£18 million) driven by payment protection insurance and US Retail & Commercial (£50 million) due to lower mortgage activity.

.

Income from trading activities rose in 3Q09 principally due to lower credit market losses reflecting improved valuations of super senior CDOs coupled with lower losses on CDS hedges.

.

Insurance net premium income was stable principally reflecting the continuation of the good performance in the Group's own brand sales.

Non-interest income (excluding insurance premiums)*

.
Other operating income improved by £523 million primarily due to the movement in fair value of own debt.

Results summary
(continued)

	Quarter ended			Nine months ended	
Operating expenses	**30 September 2009 £m**	30 June 2009 £m	30 September 2008 £m	**30 September 2009 £m**	30 September 2008 £m
Staff costs	**2,175**	2,150	2,146	**6,835**	6,704
Premises and equipment	**619**	587	652	**1,850**	1,533
Other	**943**	915	787	**2,904**	2,907
Administrative expenses	**3,737**	3,652	3,585	**11,589**	11,144
Depreciation and amortisation	**458**	414	475	**1,339**	1,309
Operating expenses	**4,195**	4,066	4,060	**12,928**	12,453
General insurance	**1,054**	895	930	**2,919**	2,793
Bancassurance	**91**	30	4	**117**	68
Insurance net claims	**1,145**	925	934	**3,036**	2,861
Total staff expense as a percentage of total income	**30.7%**	35.1%	25.0%	**31.2%**	33.1%

Key points

3Q09 versus 2Q09

.
Staff costs were up £25 million, largely reflecting an increase in resourcing of the Non-Core division balanced by small reductions elsewhere as restructuring programmes start to take effect.

.
Premises and equipment costs rose by £32 million due to the cost of new completed buildings coming on stream.

.
Other expenses rose £28 million principally as a result of a one-off recovery of legal fees in 2Q09.

.
General insurance claims rose by £159 million primarily because of higher estimated costs of bodily injury claims within our motor lines of business.

.
Bancassurance claims rose by £61 million due to increased returns on investments being passed on to customers.

Results summary
(continued)

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Impairment losses	**£m**	£m	£m	**£m**	£m
Impairment losses by division					
UK Retail	**404**	470	287	**1,228**	727
UK Corporate	**187**	450	55	**737**	150
Wealth	**1**	16	3	**23**	8
Global Banking & Markets	**272**	(31)	2	**510**	20
Global Transaction Services	**22**	4	7	**35**	14
Ulster Bank	**144**	90	17	**301**	35
US Retail & Commercial	**180**	146	134	**549**	260
RBS Insurance	**2**	1	-	**8**	-
Central items	**1**	1	7	**(1)**	(30)
Core	**1,213**	1,147	512	**3,390**	1,184
Non-Core	**2,066**	3,516	768	**7,410**	1,575
	3,279	4,663	1,280	**10,800**	2,759
Analysis of impairment losses by asset category					
Loans and advances	**3,262**	4,520	1,023	**10,058**	2,429
Available-for-sale securities	**17**	143	257	**742**	330
	3,279	4,663	1,280	**10,800**	2,759
Loan impairment charge as % of gross loans and advances excluding reverse repurchase agreements	**2.14%**	2.98%	0.64%	**2.21%**	0.51%

Key points

3Q09 versus 2Q09

.

Impairment losses were £3,279 million compared to £4,663 million. Impairment losses in the Core divisions increased by £66 million sequentially, while Non-Core losses declined by £1,450 million.

.

In the Core businesses, the biggest increase relates to a sizeable individual loss in GBM. Increases were also seen in Ulster Bank and US Retail & Commercial reflecting the difficult economic environment. Partially offsetting these increases were declines in UK Retail and UK Corporate as credit trends currently appear to be stabilising around 1H09 levels.

.

Non-Core losses were lower in the quarter with reduced charges in UK corporate and GBM portfolios, which included a number of large, single name impairments in the second quarter. Ulster Bank's Non-Core impairments have increased materially as its market has continued to deteriorate.

.

Impairment losses overall appear to be stabilising compared with the first half of 2009, although they are expected to remain at elevated levels for the next few quarters as non-performing loans have continued to rise, and economic recovery looks to be gradual.

Results summary
(continued)

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Credit and other market losses*	**£m**	£m	£m	**£m**	£m
Monoline exposures	**106**	7	109	**1,653**	2,229
CDPCs	**276**	371	162	**846**	241
Super senior CDOs	**(148)**	151	-	**389**	1,892
US mortgages	**-**	-	172	**-**	1,310
Leveraged finance	**-**	-	36	**-**	899
CLO's	**1**	-	69	**1**	182
Other credit exotics	**46**	(15)	(130)	**588**	231
Equities	**12**	13	132	**34**	168
Other	**55**	51	(78)	**97**	(142)
	348	578	472	**3,608**	7,010
CDS Hedging	**426**	816	(367)	**1,465**	(568)
	774	1,394	105	**5,073**	6,442

* Included in 'Income from trading activities' on page 19.

Key points

3Q09 versus 2Q09

Operating expenses

.
Credit and other market write-downs were substantially lower in the third quarter, down from £1,394 million to £774 million with the widening in monoline spreads more than offset by reduced losses on CDS hedging and CDPCs.

Further analysis of these credit market losses and exposures is contained in the Risk and Capital Management section, pages 76 to 100.

Results summary
(continued)

	Quarter ended			Nine months ended	
	30 September	30 June	30 September	**30 September**	30 September
	2009	2009	2008	**2009**	2008
Other non-operating items	**£m**	£m	£m	**£m**	£m
Amortisation of purchased intangible assets	**(73)**	(55)	(119)	**(213)**	(381)
Integration and restructuring costs	**(324)**	(355)	(289)	**(1,058)**	(605)
Gain on redemption of own debt	**-**	3,790	-	**3,790**	-
Strategic disposals	**(155)**	212	-	**298**	-
	(552)	3,592	(408)	**2,817**	(986)

Key points

3Q09 versus 2Q09

.
Integration and restructuring costs totalled £324 million in 3Q09 (2Q09 - £355 million) with reduced ABN AMRO integration activity offset by increased restructuring activity as strategic plans are implemented. We expect an increase in 4Q09 as our restructuring plans move to a higher degree of implementation.

.
In 2Q09 the Group posted a gain of £3,790 million on a liability management exercise to redeem a number of Tier 1 and upper Tier 2 securities. In 3Q09 the Group recorded a loss of £155 million from Non-Core disposals, primarily relating to our Retail and Commercial Asian businesses.

Results summary
(continued)

Operating expenses

Capital resources and ratios	**30 September 2009**	30 June 2009	31 December 2008
Core Tier 1	**£33.0bn**	£35.2bn	£34.0bn
Tier 1	**£47.6bn**	£49.4bn	£57.1bn
Total capital	**£62.1bn**	£64.0bn	£82.2bn
RWAs	**£594.7bn**	£547.3bn	£577.8bn
Core Tier 1 ratio	**5.5%**	6.4%	5.9%
Tier 1 ratio	**8.0%**	9.0%	9.9%
Total capital ratio	**10.4%**	11.7%	14.2%
Pro forma Core Tier 1 ratio	**11.1%**	12.5%	

Key points

.

The RWA increase relative to 2Q09 of £47.4 billion is principally due to the effect of procyclicality of £33 billion (of which £22.2 billion is due to lower credit ratings for Monolines), increase in market risk, £6 billion, and the effect of exchange rate movements, £9.3 billion.

.

The RWA increase relative to 4Q08 of £16.9 billion stems primarily from the effect of procyclicality of £69 billion (of which £22 billion is due to lower credit ratings for Monolines), increase in market risk £16 billion offset by reductions due to de-leveraging of £47 billion and the effect of exchange rate movements, £19 billion.

.

Core Tier 1 capital fell by £2.2 billion principally reflecting the attributable loss of £1.8 billion and increased deductions due to higher expected losses and other regulatory adjustments of £0.4 billion.

.

As a consequence of the above factors, Core Tier 1 capital ratio fell by 0.9% to 5.5%, and Tier 1 capital ratio by 1% to 8%. Pro-forma for B share issuance and APS cover, these ratios would be 11.1% and 14.5%, respectively.

.

In 2010, ABN AMRO will move from an adjusted Basel I methodology to Basel II, which is expected to result in an increase in RWAs.

Results summary
(continued)

Operating expenses

Balance sheet	**30 September 2009**	30 June 2009	31 December 2008
Total assets	**£1,680.3bn**	£1,644.4bn	£2,218.7bn
Loans and advances to customers	**£631.5bn**	£640.8bn	£731.3bn
Customer accounts	**£493.2bn**	£490.3bn	£518.5bn
Loan:deposit ratio (gross of provisions)	**142.3%**	144.5%	152.4%
Loan:deposit ratio (net of provisions)	**138.8%**	142.9%	150.3%
Total wholesale funding	**£437.9bn**	£416.4bn	£492.1bn

Key points

.

Total assets and funded assets are up 2% and 4% respectively, primarily due to currency movements. On a constant currency basis, total assets were broadly flat. Continuing Non-Core asset reductions of £12 billion, at constant currency, were offset by small growth elsewhere.

.

The loan:deposit ratio (gross of provisions) has improved by 220 basis points to 142.3%, due to deposits, excluding repos, increasing by £9 billion and loans, excluding reverse repos, falling by £5 billion.

A further analysis of our funding and liquidity positions is contained on pages 83 to 86 of the document.

Divisional performance

The operating profit/(loss) of each division before amortisation of purchased intangible assets, write-down of goodwill and other intangible assets, integration and restructuring costs, gain on redemption of own debt and strategic disposals is shown below.

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
	£m	£m	£m	**£m**	£m
Operating profit before impairment losses by division					
UK Retail	**468**	490	420	**1,329**	1,361
UK Corporate	**566**	535	523	**1,522**	1,613
Wealth	**120**	134	103	**354**	287
Global Banking & Markets	**647**	1,116	616	**5,608**	1,699
Global Transaction Services	**275**	269	275	**784**	771
Ulster Bank	**59**	78	98	**208**	288

Operating expenses

US Retail & Commercial	**137**	136	236	**455**	653
RBS Insurance	**13**	142	150	**236**	450
Central items	**121**	(311)	813	**296**	1,482
Core	**2,406**	2,589	3,234	**10,792**	8,604
Non-Core	**(652)**	(1,459)	357	**(4,871)**	(3,682)
Group operating profit before impairment losses	**1,754**	1,130	3,591	**5,921**	4,922
Included in the above are movements in fair value of own debt of:					
Global Banking & Markets	**(320)**	(482)	648	**(155)**	1,232
Central items	**(163)**	(478)	633	**(257)**	861
	(483)	(960)	1,281	**(412)**	2,093
Impairment losses by division					
UK Retail	**404**	470	287	**1,228**	727
UK Corporate	**187**	450	55	**737**	150
Wealth	**1**	16	3	**23**	8
Global Banking & Markets	**272**	(31)	2	**510**	20
Global Transaction Services	**22**	4	7	**35**	14
Ulster Bank	**144**	90	17	**301**	35
US Retail & Commercial	**180**	146	134	**549**	260
RBS Insurance	**2**	1	-	**8**	-
Central items	**1**	1	7	**(1)**	(30)
Core	**1,213**	1,147	512	**3,390**	1,184
Non-Core	**2,066**	3,516	768	**7,410**	1,575
Group impairment losses	**3,279**	4,663	1,280	**10,800**	2,759

Key point
Operating profit in the divisions before impairment losses, adjusted for movement in fair value of own debt was £2,237 million in 3Q09. This compares with £2,090 million in 2Q09 (increase of 7% sequentially) and £2,310 million in 3Q08 (down 3% year on year).

Divisional performance

(continued)

	Quarter ended			Nine months ended	
		30 June			
	30 September 2009	2009	30 September 2008	**30 September 2009**	30 September 2008
	£m	£m	£m	**£m**	£m
Operating expenses					

Operating profit/(loss) by division					
UK Retail	**64**	20	133	**101**	634
UK Corporate	**379**	85	468	**785**	1,463
Wealth	**119**	118	100	**331**	279
Global Banking & Markets	**375**	1,147	614	**5,098**	1,679
Global Transaction Services	**253**	265	268	**749**	757
Ulster Bank	**(85)**	(12)	81	**(93)**	253
US Retail & Commercial	**(43)**	(10)	102	**(94)**	393
RBS Insurance	**11**	141	150	**228**	450
Central items	**120**	(312)	806	**297**	1,512
Core	**1,193**	1,442	2,722	**7,402**	7,420
Non-Core	**(2,718)**	(4,975)	(411)	**(12,281)**	(5,257)
Group operating (loss)/profit	**(1,525)**	(3,533)	2,311	**(4,879)**	2,163

	30 September 2009	30 June 2009	Change	31 December 2008	Change
	£bn	£bn	%	£bn	%
Risk-weighted assets by division					
UK Retail	**51.6**	54.0	(4)	45.7	13
UK Corporate	**91.0**	89.5	2	85.7	6
Wealth	**10.7**	10.3	4	10.8	(1)
Global Banking & Markets	**131.9**	122.4	8	162.4	(19)
Global Transaction Services	**18.9**	16.7	13	17.4	9
Ulster Bank	**28.5**	26.2	9	24.5	16
US Retail & Commercial	**62.8**	55.6	13	63.9	(2)
Other	**9.0**	8.5	6	7.1	27
Core	**404.4**	383.2	6	417.5	(3)
Non-Core	**190.3**	164.1	16	160.3	19
Total	**594.7**	547.3	9	577.8	3

UK Retail

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Income statement	**£m**	£m	£m	**£m**	£m

Operating expenses

Net interest income	**848**	868	821	**2,513**	2,331
Net fees and commissions - banking	**303**	321	365	**961**	1,179
Other non-interest income (net of insurance claims)	**69**	69	34	**191**	173
Non-interest income	**372**	390	399	**1,152**	1,352
Total income	**1,220**	1,258	1,220	**3,665**	3,683
Direct expenses					
- staff	**(206)**	(214)	(243)	**(634)**	(688)
- other	**(99)**	(102)	(109)	**(316)**	(320)
Indirect expenses	**(447)**	(452)	(448)	**(1,386)**	(1,314)
	(752)	(768)	(800)	**(2,336)**	(2,322)
Operating profit before impairment losses	**468**	490	420	**1,329**	1,361
Impairment losses	**(404)**	(470)	(287)	**(1,228)**	(727)
Operating profit	**64**	20	133	**101**	634
Analysis of income by product:					
Personal advances	**303**	311	310	**919**	948
Personal deposits	**319**	354	557	**1,070**	1,567
Mortgages	**319**	273	93	**799**	314
Bancassurance	**69**	69	34	**190**	166
Cards	**225**	212	205	**641**	623
Other	**(15)**	39	21	**46**	65
Total income	**1,220**	1,258	1,220	**3,665**	3,683
Analysis of impairment by sector:					
Mortgages	**26**	41	9	**89**	22
Personal	**247**	299	144	**741**	399
Cards	**131**	130	134	**398**	306
Total impairment	**404**	470	287	**1,228**	727
Loan impairment charge as % of gross customer loans and advances by sector					
Mortgages	**0.13%**	0.21%	0.05%	**0.15%**	0.04%
Personal	**6.81%**	8.31%	3.76%	**6.81%**	3.48%
Cards	**8.59%**	8.52%	8.25%	**8.70%**	6.28%
	1.60%	1.94%	1.23%	**1.62%**	1.04%

Operating expenses

UK Retail

(continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Performance ratios					
Return on equity (1)	**4.6%**	1.4%	9.4%	**2.4%**	15.0%
Net interest margin	**3.47%**	3.69%	3.62%	**3.54%**	3.52%
Cost:income ratio	**57.4%**	59.6%	65.4%	**61.8%**	61.9%

	30 September 2009 £bn	30 June 2009 £bn	Change %	31 December 2008 £bn	Change %
Capital and balance sheet					
Loans and advances to customers - gross					
- mortgages	**80.3**	76.6	5	72.2	11
- personal	**14.5**	14.4	1	15.3	(5)
- cards	**6.1**	6.1	-	6.3	(3)
Customer deposits (excluding bancassurance)	**85.6**	83.4	3	78.9	8
Assets under management - excluding deposits	**5.0**	4.7	6	5.7	(12)
Risk elements in lending	**4.7**	4.5	4	3.8	24
Loan:deposit ratio (excluding repos)	**117.8%**	116.4%	139bp	119.0%	(120bp)
Risk-weighted assets	**51.6**	54.0	(4)	45.7	13

Note:
(1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 7% of divisional risk-weighted assets, adjusted for capital deductions).

Key points

.

Operating profit of £64 million in 3Q09 was up from the previous quarter, with lower income more than offset by reduced costs and impairment charges.

.

Our focus in 2009 has been to grow secured lending to meet our Government commitments and at the same time to build customer deposits, reducing the Group's reliance on wholesale funding.
o

Operating expenses

Mortgage balances were up 5% sequentially or 11% compared with end December 2008, with good retention of existing customers and new business sourced predominantly from the existing customer base. Gross mortgage market share increased to 12.0% from 10.5% in 2Q09, and the Group is on track to deliver its commitments to the Government on net lending. Unsecured lending is flat compared with 2Q09 as the Group continued to focus on lower risk secured lending.

o

Deposit growth remained strong, with balances up 3% on 2Q09 or 8% compared with end 2008. Savings balances were up 8% on end 2008, outperforming the market despite an increasingly competitive environment, while personal current account balances were up 10% over the same period, with a 2% growth in accounts.

UK Retail

(continued)

Key points
(continued)

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Net interest margin declined by 22 basis points in 3Q09 but remains stable year to date.

o

At the product level lending margins widened further in the quarter, although the growth in mortgages and the reduction in unsecured balances led to a drop in the blended total asset margin.

o

Liability margins decreased, as competition on savings accounts increased and as the interest rate hedges established in a higher rate environment began to roll off.

.

Fee income fell by 5% from the previous quarter, reflecting a provision taken on payment protection insurance and weak activity levels in cards. Year to date, fees are down 15%. As a result of the change in the structure of overdraft administration charges, an annual reduction in fee income of approximately £270 million is anticipated, which will impact results from October 2009.

.

Expenses decreased a further 2% over 2Q09, and are now showing a 6% reduction against 3Q08. As the benefits of process re-engineering and technology investment start to flow through, headcount has been reduced by over 3%, with a cumulative reduction of 9% on prior year. Year to date costs are up less than 1%, despite higher deposit insurance levies.

.

RBS continues to progress towards a more convenient, lower cost operating model, with over 4 million active users of online banking and a record share of new sales achieved through direct channels. More than 2.4 million accounts have switched to paperless statements and over 218 branches now utilise automated cash deposit machines.

.

Impairment losses were 14% lower than in 2Q09, which had recorded a sharp rise in provisions to reflect the reduction in expected cash recoveries. We anticipate that the level of impairment charge will resume its upward trajectory, peaking in the middle of 2010.

Operating expenses

o
Mortgage impairments were £26 million on a total book of £80.3 billion. Arrears rates show little increase and remain well below the industry average, as reported by the Council of Mortgage Lenders. Repossessions have shown only a small increase in 3Q09 as we continue to support customers facing financial difficulty.

o
Unsecured impairment charges amounted to £378 million in the quarter, on a book of £20.6 billion. Industry benchmarks for cards arrears indicate a flattening trend, with RBS continuing to perform better than the market.

.
Risk-weighted assets declined by £2.4 billion in the quarter as the impacts of volume growth were offset by a reduction in through-the-cycle loss given default for
mortgages. RWAs grew by 13% compared with 31 December 2008.

UK Corporate

	Quarter ended			Nine months ended	
Income statement	**30 September 2009 £m**	30 June 2009 £m	30 September 2008 £m	**30 September 2009 £m**	30 September 2008 £m
Net interest income	**607**	560	618	**1,666**	1,860
Net fees and commissions	**223**	219	222	**636**	614
Other non-interest income	**106**	109	114	**332**	353
Non-interest income	**329**	328	336	**968**	967
Total income	**936**	888	954	**2,634**	2,827
Direct expenses					
- staff	**(174)**	(182)	(206)	**(541)**	(591)
- other	**(71)**	(46)	(96)	**(191)**	(245)
Indirect expenses	**(125)**	(125)	(129)	**(380)**	(378)
	(370)	(353)	(431)	**(1,112)**	(1,214)
Operating profit before impairment losses	**566**	535	523	**1,522**	1,613
Impairment losses	**(187)**	(450)	(55)	**(737)**	(150)
Operating profit	**379**	85	468	**785**	1,463
Analysis of income by business:					
Corporate and commercial lending	**616**	586	542	**1,740**	1,637

Asset and invoice finance	**59**	57	60	**164**	188
Corporate deposits	**241**	263	342	**794**	928
Other	**20**	(18)	10	**(64)**	74
Total income	**936**	888	954	**2,634**	2,827
Analysis of impairment by sector:					
Manufacturing	**7**	17	5	**28**	15
Housebuilding and construction	**58**	55	6	**119**	11
Property	**69**	149	11	**229**	18
Asset and invoice finance	**4**	47	24	**72**	61
Other	**49**	182	9	**289**	45
Total impairment	**187**	450	55	**737**	150
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector:					
Manufacturing	**0.56%**	1.36%	0.41%	**0.75%**	0.41%
Housebuilding and construction	**4.64%**	4.40%	0.41%	**3.17%**	0.25%
Property	**0.92%**	1.81%	0.15%	**1.02%**	0.08%
Asset and invoice finance	**0.18%**	2.09%	1.13%	**1.07%**	0.96%
Other	**0.30%**	1.20%	0.06%	**0.59%**	0.09%
	0.66%	1.60%	0.19%	**0.86%**	0.18%

UK Corporate
(continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Performance ratios					
Return on equity (1)	**13.7%**	3.2%	18.6%	**9.5%**	19.4%
Net interest margin	**2.38%**	2.17%	2.40%	**2.14%**	2.47%
Cost:income ratio	**39.5%**	39.8%	45.2%	**42.2%**	42.9%

	30 September 2009	30 June 2009		31 December 2008	
			Change		Change
	£bn	£bn	%	£bn	%

Capital and balance sheet					
Total assets	**117.3**	116.2	1	121.0	(3)
Loans and advances to customers - gross					
- Manufacturing	**5.0**	5.0	-	5.4	(7)
- Housebuilding and construction	**5.0**	5.0	-	5.9	(15)
- Property	**30.0**	33.0	(9)	30.5	(2)
- Asset and invoice finance	**9.0**	9.0	-	8.5	6
- Other	**64.9**	60.6	7	66.6	(3)
Customer deposits	**86.7**	85.6	1	82.0	6
Risk elements in lending	**2.5**	2.4	4	1.3	92
Loan:deposit ratio	**131.4%**	131.6%	(16bp)	142.7%	(1,130bp)
Risk-weighted assets	**91.0**	89.5	2	85.7	6

Note:
(1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 8% of divisional risk-weighted assets, adjusted for capital deductions).

Key points

.
Net interest margin increased by 21 basis points from the second quarter of 2009, as lending rates have been repriced upwards to reflect the Group's increased cost of funding. NIM year to date remains 33 basis points lower than in the prior year, reflecting this increase in funding costs and the highly competitive market for deposits.

.
Loans and advances to customers have increased by £1.3 billion from 2Q09, but demand for credit remains subdued and repayments have accelerated, leaving balances down 3% from year-end 2008.

.
Deposits have grown steadily over the course of 2009 and increased by £1.1 billion during 3Q09 reflecting a range of initiatives undertaken to defend and grow the deposit base.

.
Non-interest income has remained resilient despite a slightly lower level of cross-sales of GBM products in the quarter, benefiting from early repayment fees as customers seek to deleverage.

UK Corporate
(continued)

Key points
(continued)

.
Costs reduced slightly in 3Q09, excluding the benefit of a £19 million legal fee recovery in the prior quarter. Year to date costs are down 8%, as initiatives within the Group-wide cost reduction programme continue to deliver savings on headcount and non-staff costs.

.

Impairments were reduced from 2Q09, which included a substantial increase in provisions to reflect deteriorating economic conditions. Year to date impairments remain substantially higher than in the same period of 2008, with the charge biased towards the house building, property and construction sectors.

.

Risk-weighted assets increased by 2% compared with 2Q09, partly reflecting additional lending volumes, but also resulting from the effect of deteriorating economic conditions on risk weightings.

Wealth

	Quarter ended			Nine months ended	
		30 June			30
	30 September	2009	30 September	**30 September**	September
	2009		2008	**2009**	2008
Income statement	**£m**	£m	£m	**£m**	£m
Net interest income	**168**	176	153	**502**	418
Net fees and commissions	**92**	90	98	**272**	309
Other non-interest income	**19**	21	19	**61**	57
Non-interest income	**111**	111	117	**333**	366
Total income	**279**	287	270	**835**	784
Direct expenses					
- staff	**(82)**	(78)	(94)	**(250)**	(280)
- other	**(35)**	(34)	(34)	**(102)**	(105)
Indirect expenses	**(42)**	(41)	(39)	**(129)**	(112)
	(159)	(153)	(167)	**(481)**	(497)
Operating profit before impairment losses	**120**	134	103	**354**	287
Impairment losses	**(1)**	(16)	(3)	**(23)**	(8)
Operating profit	**119**	118	100	**331**	279
Analysis of income:					
Private Banking	**232**	242	211	**693**	598
Investments	**47**	45	59	**142**	186
Total income	**279**	287	270	**835**	784

Wealth

Operating expenses

(continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Performance ratios					
Net interest margin	**4.34%**	4.82%	4.68%	**4.54%**	4.50%
Cost:income ratio	**57.0%**	53.3%	61.9%	**57.6%**	63.4%

	30 September 2009 £bn	30 June 2009 £bn	Change %	31 December 2008 £bn	Change %
Capital and balance sheet					
Loans and advances to customers - gross					
- mortgages	**6.1**	5.6	9	5.3	15
- personal	**4.8**	4.7	2	5.0	(4)
- other	**2.5**	2.1	19	2.1	19
Customer deposits	**36.3**	35.3	3	34.1	6
Assets under management - excluding deposits	**31.7**	29.8	6	34.7	(9)
Risk elements in lending	**0.2**	0.2	-	0.1	100
Loan:deposit ratio	**36.9%**	35.2%	172bp	36.3%	60bp
Risk-weighted assets	**10.7**	10.3	4	10.8	(1)

Key points

·

Deposits showed modest growth from 2Q09, mainly in the UK, and balances have now returned to the same level as at the end of 3Q08. Continued pressure on deposit margins, including a reduction in internal pricing applied to the Wealth deposit base, resulted in a decline in net interest income.

·

Assets under management rose 6% compared with 2Q09 reflecting improved market conditions, but continuing lack of investor appetite to commit to longer term investments and a preference for lower return and more liquid assets
has left AUM 9% lower than at the end of 2008, with a resulting impact on fee income.

·

Loans and advances increased by 8% compared with the prior quarter, and by 8% against 31 December 2008, with lending margins continuing to improve. Loan growth has come primarily in the UK, where Wealth remains on track to achieve its share of the Group's UK lending commitments.

·

Expenses in 3Q09 were marginally higher than in 2Q09, which had benefited from changes to remuneration policy, including bonus deferral. 3Q09 expenses were slightly below the prior year quarter, benefiting from a 9% reduction in headcount versus a year ago.

Operating expenses

Global Banking & Markets

Income statement	Quarter ended 30 September 2009 £m	30 June 2009 £m	30 September 2008 £m	Nine months ended 30 September 2009 £m	30 September 2008 £m
Net interest income from banking activities	**447**	660	535	**1,919**	1,386
Net fees and commissions receivable	**338**	409	405	**1,038**	1,030
Income from trading activities	**1,184**	1,338	760	**6,851**	2,942
Other operating income (net of related funding costs)	**(110)**	(97)	(22)	**(300)**	(83)
Non-interest income	**1,412**	1,650	1,143	**7,589**	3,889
Total income	**1,859**	2,310	1,678	**9,508**	5,275
Direct expenses					
- staff	**(760)**	(762)	(618)	**(2,523)**	(2,204)
- other	**(261)**	(231)	(284)	**(792)**	(911)
Indirect expenses	**(191)**	(201)	(160)	**(585)**	(461)
	(1,212)	(1,194)	(1,062)	**(3,900)**	(3,576)
Operating profit before impairment losses	**647**	1,116	616	**5,608**	1,699
Impairment losses	**(272)**	31	(2)	**(510)**	(20)
Operating profit	**375**	1,147	614	**5,098**	1,679
Analysis of income by product:					
Rates - money markets	**287**	466	384	**1,606**	893
Rates - flow	**694**	536	-	**2,527**	1,370
Currencies	**141**	384	417	**1,083**	1,091
Commodities	**120**	239	47	**587**	396
Equities	**282**	364	21	**1,017**	582
Credit markets	**475**	690	(105)	**2,023**	(1,094)
Portfolio management and origination	**180**	113	266	**820**	805
Fair value of own debt	**(320)**	(482)	648	**(155)**	1,232
Total income	**1,859**	2,310	1,678	**9,508**	5,275

Analysis of impairment by sector:

Manufacturing and infrastructure	**33**	23	-	**72**	-
Property and construction	**-**	4	-	**50**	12
Transport	**2**	1	-	**3**	-
Banks and financial institutions	**237**	39	-	**280**	(8)
Other	**-**	(98)	2	**105**	16
Total impairment	**272**	(31)	2	**510**	20
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements)	**0.60%**	(0.11%)	-	**0.48%**	0.02%

Global Banking & Markets
(continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Performance ratios					
Return on equity (1)	**7.7%**	25.1%	10.5%	**35.0%**	9.6%
Net interest margin	**1.08%**	1.48%	1.24%	**1.52%**	1.07%
Cost:income ratio	**65.2%**	51.7%	63.3%	**41.0%**	67.8%

	30 September 2009 £bn	30 June 2009 £bn	Change %	31 December 2008 £bn	Change %
Capital and balance sheet					
Loans and advances (including banks)	**157.0**	156.0	1	225.5	(30)
Reverse repos	**75.4**	75.2	-	88.8	(15)
Securities	**117.6**	115.5	2	127.5	(8)
Cash and eligible bills	**63.8**	51.5	24	20.2	216
Other	**50.8**	46.2	10	42.9	18
Total third party assets (excluding derivatives mark to market)	**464.6**	444.4	5	504.9	(8)
Net derivative assets (after netting)	**81.5**	70.7	15	113.0	(28)
Customer deposits (excluding repos)	**58.1**	65.0	(11)	88.6	(34)
Risk elements in lending	**1.6**	1.1	49	0.7	112
Loan:deposit ratio	**192.4%**	182.7%	962bp	192.0%	40bp

Risk-weighted assets	**131.9**	122.4	8	162.4	(19)

Note:
(1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 10% of divisional risk-weighted assets, adjusted for capital deductions).

Key points

.
Income fell 20% from the strong second quarter, but year to date income is up 80% relative to the same period of 2008. Rates flow business remained very strong, benefiting from good client activity, with income up 29% versus 2Q09 and 84% year to date. Currencies income declined, with no repeat of the favourable market conditions of the first half. Commodities and equities were down on 2Q09 but remain well ahead of the previous year, with core equities growth driven by a strong equity capital markets performance.

.
Credit markets income was down 31% versus the second quarter but remains strongly improved from the comparable period of 2008, with performance benefiting from greater liquidity and a more positive trading environment driving increased activity, particularly in the US liquid mortgage trading business.

.
Expenses remain tightly controlled, with total expenses for the quarter up 2% on 2Q09 and staff costs flat. Year to date expenses are up 9% on prior year, reflecting the inclusion of Sempra for the full nine months in 2009 and the impact of adverse exchange rate movements, partly offset by restructuring and efficiency benefits.

Global Banking & Markets
(continued)

Key points

(continued)

.
Impairments of £272 million for the quarter included a large individual failure. Year to date impairments were £510 million, representing 0.48% of loans and advances to customers compared with 0.02% in the prior year.

.
Losses of £320 million were incurred in the third quarter on the fair value of own debt, as the Group's credit spreads tightened further. In 3Q08 widening spreads led to a gain being booked.

.
Total third party assets excluding derivatives (TPAs) were up 1% at constant exchange rates from 2Q09, with most of the growth in cash and liquid bills. Compared with 31 December 2008 TPAs have been reduced by 8%, as asset inventories have been run down. Risk-weighted assets increased by 8% during the quarter, or 5% at constant exchange rates, reflecting the roll-off of relief trades. RWAs at 30 September

2009 are 19% down from 31 December 2008, or 16% at constant exchange rates, reflecting the Group's focus on reducing its risk profile and balance sheet usage.

Global Transaction Services

	Quarter ended			Nine months ended	
		30 June			
	30 September	2009	30 September	**30 September**	30 September
	2009		2008	**2009**	2008
Income statement	**£m**	£m	£m	**£m**	£m
Net interest income	**234**	225	244	**679**	688
Non-interest income	**388**	398	375	**1,171**	1,087
Total income	**622**	623	619	**1,850**	1,775
Direct expenses					
- staff	**(87)**	(87)	(91)	**(269)**	(269)
- other	**(37)**	(38)	(38)	**(110)**	(107)
Indirect expenses	**(223)**	(229)	(215)	**(687)**	(628)
	(347)	(354)	(344)	**(1,066)**	(1,004)
Operating profit before impairment losses	**275**	269	275	**784**	771
Impairment losses	**(22)**	(4)	(7)	**(35)**	(14)
Operating profit	**253**	265	268	**749**	757
Analysis of income by product:					
Domestic cash management	**202**	204	203	**608**	585
International cash management	**183**	179	179	**531**	522
Trade finance	**71**	77	60	**223**	171
Merchant acquiring	**134**	131	147	**394**	409
Commercial cards	**32**	32	30	**94**	88
Total income	**622**	623	619	**1,850**	1,775

Global Transaction Services
(continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September	30 June	30 September	**30 September**	30 September

	2009	2009	2008	2009	2008
Performance ratios					
Net interest margin	**9.63%**	9.23%	8.54%	**9.03%**	8.35%
Cost:income ratio	**55.8%**	56.8%	55.6%	**57.6%**	56.6%

	30 September 2009 £bn	30 June 2009 £bn	Change %	31 December 2008 £bn	Change %
Capital and balance sheet					
Total third party assets	**21.4**	19.4	10	22.2	(4)
Loans and advances	**14.5**	13.5	7	14.8	(2)
Customer deposits	**58.6**	54.0	9	61.8	(5)
Risk elements in lending	**0.2**	0.1	-	0.1	-
Loan:deposit ratio	**25.6%**	25.9%	(29bp)	25.1%	50bp
Risk-weighted assets	**18.9**	16.7	13	17.4	9

Key points

.

Operating profit was resilient overall, declining by 5% or 2% at constant foreign exchange rates compared with 2Q09, as a result of modest impairments, offset by slightly improved income and costs.

.

Income increased 2% in the quarter at constant foreign exchange rates. Liability margins remained compressed in the low interest rate environment and there was a reduction in trade finance volumes and pricing.

.

Cash Management performance for the nine months to 30 September 2009 was robust, with deposits up 9% during the quarter supported by additional mandates from new and existing clients, offset by liability margin compression, although balances remained below year-end 2008 levels.

.

Global Merchant Services saw improving transaction volumes and turnover, offset by reduced margins resulting in part from the continued customer migration from credit to debit cards.

.

There was a reduction in Trade Finance volumes in 3Q09 and some softening of previous repricing to account for risk; however, income was up 11% year to date at constant foreign exchange rates.

.

Expenses were tightly controlled and down 1% on 2Q09 at constant foreign exchange rates, with modest movements in transaction-related and indirect costs, and were flat year to date.

.

Modest impairment losses arose as a result of a small number of defaults in Trade Finance and Cash Management. Overall impairments year to date remain small, at 0.3% of loans and advances.

Ulster Bank

	Quarter ended			Nine months ended	
Income statement	**30 September 2009 £m**	30 June 2009 £m	30 September 2008 £m	**30 September 2009 £m**	30 September 2008 £m
Net interest income	**176**	208	207	**586**	599
Net fees and commissions	**45**	39	69	**130**	178
Other non-interest income	**10**	12	-	**33**	34
Non-interest income	**55**	51	69	**163**	212
Total income	**231**	259	276	**749**	811
Direct expenses					
- staff	**(79)**	(81)	(84)	**(249)**	(243)
- other	**(20)**	(25)	(23)	**(67)**	(69)
Indirect expenses	**(73)**	(75)	(71)	**(225)**	(211)
	(172)	(181)	(178)	**(541)**	(523)
Operating profit before impairment losses	**59**	78	98	**208**	288
Impairment losses	**(144)**	(90)	(17)	**(301)**	(35)
Operating (loss)/profit	**(85)**	(12)	81	**(93)**	253
Analysis of income by business:					
Corporate	**134**	138	160	**434**	479
Retail	**104**	101	107	**298**	304
Other	**(7)**	20	9	**17**	28
Total income	**231**	259	276	**749**	811
Analysis of impairment by sector:					
Mortgages	**30**	10	5	**54**	13
Corporate	**87**	66	3	**193**	1
Other	**27**	14	9	**54**	21

Total impairment	**144**	90	17	**301**	35
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector:					
Mortgages	**0.72%**	0.25%	0.13%	**0.43%**	0.11%
Corporate	**1.59%**	1.23%	0.06%	**1.18%**	0.01%
Other	**5.40%**	3.50%	1.61%	**3.60%**	1.27%
	1.42%	0.92%	0.18%	**0.99%**	0.13%

Ulster Bank

(continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Performance ratios					
Return on equity (1)	**(12.7%)**	(2.0%)	17.3%	**(4.6%)**	18.0%
Net interest margin	**1.74%**	2.03%	2.04%	**1.88%**	1.96%
Cost:income ratio	**74.5%**	69.9%	64.5%	**72.2%**	64.5%

	30 September 2009 £bn	30 June 2009 £bn	Change %	31 December 2008 £bn	Change %
Capital and balance sheet					
Loans and advances to customers - gross					
- mortgages	**16.7**	16.0	4	18.1	(8)
- corporate	**21.9**	21.2	3	23.8	(8)
- other	**2.0**	1.8	11	2.1	(5)
Customer deposits	**20.9**	18.9	11	24.3	(14)
Risk elements in lending					
- mortgages	**0.5**	0.4	25	0.3	67
- corporate	**1.3**	1.1	18	0.8	63
- other	**0.2**	0.1	100	0.1	100
Loan:deposit ratio	**194.0%**	206.3%	(1,237bp)	181.1%	1,291bp
Risk-weighted assets	**28.5**	26.2	9	24.5	16

Note:

(1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 7% of divisional risk-weighted assets, adjusted for capital deductions).

Key points

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Deteriorating operating results largely reflect increased impairment losses and funding costs, against the backdrop of difficult economic conditions across the island of Ireland.

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Net interest margin was 29 basis points lower in the quarter and 8 basis points lower year to date. The benefits of asset repricing initiatives have been offset by the increased cost of acquiring and retaining customer deposits. Year to date, net interest income declined by 12% in constant currency terms.

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At constant exchange rates, loans to customers declined by 2% compared with 2Q09 and by 4% compared with December 2008, reflecting a reduction in new business demand, partially offset by lower redemption levels. Customer deposits rose by 5% in the quarter on a constant currency basis, reflecting the continued focus on improving the Bank's funding profile, with balances 11% lower than December 2008, on the same basis, due to strong competition from institutions covered by the Irish Government guarantee scheme.

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Year to date, non-interest income has fallen by 28% from the prior year at constant currency rates, driven by reduced activity levels across all business lines, most notably in Bancassurance and Capital Markets.

Ulster Bank

(continued)

Key points

(continued)

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Ulster Bank continues to implement its restructuring programme, resulting in a 4% decrease in costs in constant currency terms compared with 2Q09, and this trend is expected to continue into 2010. The programme will encompass the merger of the First Active and Ulster Bank businesses and other cost management initiatives across the group. Total costs year to date are down 2% versus prior year on a constant currency basis.

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Impairment charges increased to £144 million for the quarter, driven by the continued deterioration in the Irish economic environment and resultant impact on credit risk metrics, particularly in property-related lending. Year to date impairment charges of £301 million are significantly higher than the prior year.

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Customer account numbers increased by 3% compared with 3Q08, with growth fuelled by strong current account activity and new-to-bank savings customers.

Operating expenses

US Retail & Commercial (£ Sterling)

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Income statement	**£m**	£m	£m	**£m**	£m
Net interest income	**410**	448	440	**1,352**	1,214
Net fees and commissions	**159**	209	171	**566**	481
Other non-interest income	**65**	45	29	**162**	113
Non-interest income	**224**	254	200	**728**	594
Total income	**634**	702	640	**2,080**	1,808
Direct expenses					
- staff	**(174)**	(184)	(159)	**(576)**	(470)
- other	**(132)**	(188)	(92)	**(463)**	(234)
Indirect expenses	**(191)**	(194)	(153)	**(586)**	(451)
	(497)	(566)	(404)	**(1,625)**	(1,155)
Operating profit before impairment losses	**137**	136	236	**455**	653
Impairment losses	**(180)**	(146)	(134)	**(549)**	(260)
Operating (loss)/profit	**(43)**	(10)	102	**(94)**	393
Analysis of income by product:					
Mortgages and home equity	**112**	130	88	**384**	263
Personal lending and cards	**116**	113	86	**336**	243
Retail deposits	**200**	202	256	**633**	721
Commercial lending	**127**	140	98	**408**	277
Commercial deposits	**97**	89	97	**290**	266
Other	**(18)**	28	15	**29**	38
Total income	**634**	702	640	**2,080**	1,808
Average exchange rate - US$/£	**1.640**	1.551	1.892	**1.543**	1.948

US Retail & Commercial (£ Sterling)

Operating expenses

(continued)

	Quarter ended			Nine months ended	
	30 September 2009 £m	30 June 2009 £m	30 September 2008 £m	**30 September 2009 £m**	30 September 2008 £m
Analysis of impairment by sector:					
Residential mortgages	**29**	12	16	**64**	28
Home equity	**82**	43	20	**154**	45
Corporate & Commercial	**65**	61	54	**234**	94
Other consumer	**4**	30	44	**97**	93
Total impairment	**180**	146	134	**549**	260
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector:					
Residential mortgages	**1.68%**	0.66%	0.74%	**1.24%**	0.43%
Home equity	**2.05%**	1.08%	0.53%	**1.28%**	0.40%
Corporate & Commercial	**1.27%**	1.19%	1.11%	**1.53%**	0.65%
Other consumer	**0.20%**	1.45%	2.17%	**1.64%**	1.53%
	1.41%	1.12%	1.04%	**1.43%**	0.68%

US Retail & Commercial (£ Sterling)
(continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Performance ratios					
Return on equity (1)	**(2.5%)**	(0.7%)	7.4%	**(1.9%)**	9.5%
Net interest margin	**2.34%**	2.30%	2.79%	**2.32%**	2.67%
Cost:income ratio	**78.4%**	80.6%	63.1%	**78.1%**	63.8%

	30 September 2009 £bn	30 June 2009 £bn	Change %	31 December 2008 £bn	Change %
Capital and balance sheet					
Total assets	**76.9**	75.6	2	87.5	(12)

Operating expenses

Loans and advances to customers (gross):					
- Residential mortgages	**6.9**	7.3	(5)	9.5	(27)
- home equity	**16.0**	15.9	1	18.7	(14)
- corporate and commercial	**20.5**	20.5	-	23.7	(14)
- other consumer	**7.8**	8.3	(6)	9.8	(20)
Customer deposits	**62.1**	60.2	3	64.4	(4)
Risk elements in lending					
- retail	**0.3**	0.3	-	0.2	50
- commercial	**0.2**	0.1	-	0.2	-
Loan:deposit ratio	**82.6%**	86.7%	(410bp)	96.6%	(1,400bp)
Risk-weighted assets	**62.8**	55.6	13	63.9	(2)
Spot exchange rate - US$/£	**1.599**	1.644		1.460	

Note:
(1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 7% of divisional risk-weighted assets, adjusted for capital deductions).

Key points

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Sterling has weakened over the course of the quarter, and the average exchange rate in 3Q09 reflects a 6% appreciation of the dollar. As a result, weak income and profit trends have been exacerbated in sterling terms.

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Variances are fully described in the US dollar based financials that follow.

US Retail & Commercial (US Dollar)

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Income statement	**$m**	$m	$m	**$m**	$m
Net interest income	**680**	696	834	**2,087**	2,363
Net fees and commissions	**266**	324	325	**874**	937
Other non-interest income	**104**	69	52	**248**	220
Non-interest income	**370**	393	377	**1,122**	1,157
Total income	**1,050**	1,089	1,211	**3,209**	3,520
Direct expenses					

Operating expenses

- staff	**(289)**	(287)	(302)	**(889)**	(916)
- other	**(219)**	(289)	(172)	**(714)**	(453)
Indirect expenses	**(313)**	(301)	(292)	**(902)**	(880)
	(821)	(877)	(766)	**(2,505)**	(2,249)
Operating profit before impairment losses	**229**	212	445	**704**	1,271
Impairment losses	**(296)**	(231)	(258)	**(847)**	(507)
Operating (loss)/profit	**(67)**	(19)	187	**(143)**	764
Analysis of income by product:					
Mortgages and home equity	**186**	203	166	**593**	512
Personal lending and cards	**190**	174	164	**518**	474
Retail deposits	**329**	315	483	**976**	1,402
Commercial lending	**210**	217	186	**629**	540
Commercial deposits	**160**	138	185	**448**	519
Other	**(25)**	42	27	**45**	73
Total income	**1,050**	1,089	1,211	**3,209**	3,520

US Retail & Commercial (US Dollar)
(continued)

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
	$m	$m	$m	**$m**	$m
Analysis of impairment by sector:					
Residential mortgages	**47**	19	30	**99**	54
Home equity	**131**	65	37	**238**	87
Corporate & Commercial	**107**	99	106	**360**	184
Other consumer	**11**	48	85	**150**	182
Total impairment	**296**	231	258	**847**	507
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector:					
Residential mortgages	**1.69%**	0.63%	0.77%	**1.19%**	0.46%

Home equity	**2.05%**	1.00%	0.55%	**1.24%**	0.43%
Corporate & Commercial	**1.31%**	1.18%	1.23%	**1.47%**	0.71%
Other consumer	**0.34%**	1.41%	2.36%	**1.60%**	1.69%
	1.45%	1.08%	1.13%	**1.38%**	0.74%

US Retail & Commercial (US Dollar)
(continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Performance ratios					
Return on equity (1)	**(2.5%)**	(0.8%)	7.6%	**(1.8%)**	10.3%
Net interest margin	**2.37%**	2.32%	2.80%	**2.34%**	2.68%
Cost:income ratio	**78.2%**	80.5%	63.2%	**78.1%**	63.9%

	30 September 2009 $bn	30 June 2009 $bn	Change %	31 December 2008 $bn	Change %
Capital and balance sheet					
Total assets	**122.9**	124.4	(1)	127.8	(4)
Loans and advances to customers (gross):					
- Residential mortgages	**11.0**	12.0	(8)	13.9	(21)
- home equity	**25.6**	26.1	(2)	27.2	(6)
- corporate and commercial	**32.7**	33.6	(3)	34.7	(6)
- other consumer	**12.5**	13.7	(9)	14.3	(13)
Customer deposits	**99.3**	99.0	-	94.0	6
Risk elements in lending					
- retail	**0.5**	0.4	25	0.3	67
- commercial	**0.3**	0.3	-	0.2	50
Loan:deposit ratio	**82.6%**	86.7%	(410bp)	96.6%	(1,400bp)
Risk-weighted assets	**100.4**	91.3	10	93.2	8

Note:
(1) Return on equity is based on divisional operating profit after tax, divided by divisional notional equity (based on 7% of divisional risk-weighted assets, adjusted for capital deductions).

Key points

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Operating expenses

Deteriorating operating loss in the quarter reflects continuing pressure on income lines and further rises in impairments, partially offset by reduced expenses.

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Net interest margin improved by 5 basis points compared with 2Q09, with wider lending margins as a result of strategic repricing, particularly on auto and home equity loans, as well as changes to deposit pricing and mix. However, net interest margin for the year to date is 34 basis points lower than in the same period of 2008, reflecting the decline in deposit margins in the low interest rate environment.

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Fee income has fallen as mortgage banking fee income dropped 30%, compared with 2Q09, reflecting a decline in refinancing applications from the record levels seen in the prior period.

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Consumer loans and advances were 4% lower compared with 2Q09, primarily driven by a decision to reduce activity in the student loan market. Compared with 3Q08, consumer lending is down 14%, with increased prepayments and sales of residential mortgages and reduced demand for auto loans. Commercial lending is down 3% compared with 2Q09 and 6% against 3Q08, reflecting a lack of credit demand.

US Retail & Commercial (US Dollar)
(continued)

Key points
(continued)

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Customer deposits have been maintained in the third quarter. Compared with 3Q08 overall deposit balances are flat, but the mix has altered, with non-interest bearing deposits up 14% and wholesale deposits reduced by $7 billion, or 90%. The loan to deposit ratio has improved further to 82.6%.

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Increased impairments reflect challenging conditions in the home equity, residential mortgage and commercial real estate portfolios. Charge-offs remain in line with 2Q09, representing 0.75% of loans and advances, but were 22 basis points higher than in 3Q08. The provision balance increased by $134 million in 3Q09.

RBS Insurance

	Quarter ended			Nine months ended	
	30 September 2009	30 June 2009	30 September 2008	**30 September 2009**	30 September 2008
Income statement	**£m**	£m	£m	**£m**	£m
Earned premiums	**1,145**	1,119	1,128	**3,370**	3,391
Reinsurers' share	**(43)**	(40)	(51)	**(128)**	(158)

Operating expenses

Insurance net premium income	**1,102**	1,079	1,077	**3,242**	3,233
Net fees and commissions	**(95)**	(95)	(102)	**(282)**	(303)
Other income	**112**	104	107	**324**	374
Total income	**1,119**	1,088	1,082		