

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
November 02, 2012

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 02, 2012

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 a Company announcement in London, England and is furnished pursuant to General Instruction B to the General Instructions to Form 6-K:

Appendix 1

Income statement reconciliations
and Segmental analysis

Appendix 1 Income statement reconciliations and Segmental analysis

Income statement reconciliations

| | 30 September 2012 | | | Quarter ended 30 June 2012 | | | 30 September 2011 | | |
|---------------------------------|-------------------|---|-----------------|-------------------------------|---|-----------------|-------------------|---|-----------------|
| | Managed £m | Reallocation of one-off items £m | Statutory £m | Managed £m | Reallocation of one-off items £m | Statutory £m | Managed £m | Reallocation of one-off items £m | Statutory £m |
| Interest receivable | 4,529 | - | 4,529 | 4,774 | - | 4,774 | 5,371 | - | 5,371 |
| Interest payable | (1,656) | (2) | (1,658) | (1,801) | (2) | (1,803) | (2,293) | (1) | (2,294) |
| Net interest income | 2,873 | (2) | 2,871 | 2,973 | (2) | 2,971 | 3,078 | (1) | 3,077 |
| Fees and commissions receivable | 1,403 | - | 1,403 | 1,450 | - | 1,450 | 1,452 | - | 1,452 |
| Fees and commissions payable | (341) | - | (341) | (314) | - | (314) | (304) | - | (304) |
| Income from trading activities | 769 | (435) | 334 | 931 | (274) | 657 | 282 | 675 | 957 |

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| | | | | | | | | | |
|---|---------|---------|---------|---------|-------|---------|---------|-------|---------|
| (Loss)/gain on redemption of own debt | - | (123) | (123) | - | - | - | - | 1 | 1 |
| Other operating income (excluding insurance net premium income) | 822 | (1,039) | (217) | 469 | (75) | 394 | 549 | 1,835 | 2,384 |
| Insurance net premium income | 932 | - | 932 | 929 | - | 929 | 1,036 | - | 1,036 |
| Non-interest income | 3,585 | (1,597) | 1,988 | 3,465 | (349) | 3,116 | 3,015 | 2,511 | 5,526 |
| Total income | 6,458 | (1,599) | 4,859 | 6,438 | (351) | 6,087 | 6,093 | 2,510 | 8,603 |
| Staff costs | (1,943) | (116) | (2,059) | (2,036) | (107) | (2,143) | (1,963) | (113) | (2,076) |
| Premises and equipment | (552) | (45) | (597) | (523) | (21) | (544) | (584) | (20) | (604) |
| Other administrative expenses | (770) | (489) | (1,259) | (936) | (220) | (1,156) | (858) | (104) | (962) |
| Depreciation and amortisation | (374) | (56) | (430) | (382) | (52) | (434) | (416) | (69) | (485) |
| Operating expenses | (3,639) | (706) | (4,345) | (3,877) | (400) | (4,277) | (3,821) | (306) | (4,127) |
| Profit before other operating charges | 2,819 | (2,305) | 514 | 2,561 | (751) | 1,810 | 2,272 | 2,204 | 4,476 |
| Insurance net claims | (596) | - | (596) | (576) | - | (576) | (734) | - | (734) |
| Operating profit/(loss) before impairment losses | 2,223 | (2,305) | (82) | 1,985 | (751) | 1,234 | 1,538 | 2,204 | 3,742 |
| Impairment losses | (1,176) | - | (1,176) | (1,335) | - | (1,335) | (1,536) | (202) | (1,738) |
| Operating profit/(loss) | 1,047 | (2,305) | (1,258) | 650 | (751) | (101) | 2 | 2,002 | 2,004 |

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Income statement reconciliations (continued)

| | 30 September 2012 | | | Quarter ended 30 June 2012 | | | 30 September 2011 | | |
|---|-------------------|-------------------------------------|-----------|-------------------------------|-------------------------------------|-----------|-------------------|-------------------------------------|-----------|
| | Managed | Reallocation of one-off items | Statutory | Managed | Reallocation of one-off items | Statutory | Managed | Reallocation of one-off items | Statutory |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Operating profit/(loss) | 1,047 | (2,305) | (1,258) | 650 | (751) | (101) | 2 | 2,002 | 2,004 |
| Own credit adjustments (1) | (1,455) | 1,455 | - | (518) | 518 | - | 2,622 | (2,622) | - |
| Asset Protection Scheme (2) | 1 | (1) | - | (2) | 2 | - | (60) | 60 | - |
| Payment Protection Insurance costs | (400) | 400 | - | (135) | 135 | - | - | - | - |
| Sovereign debt impairment | - | - | - | - | - | - | (142) | 142 | - |
| Interest rate hedge adjustments on impaired available-for-sale sovereign debt | - | - | - | - | - | - | (60) | 60 | - |
| Amortisation of purchased intangible assets | (47) | 47 | - | (51) | 51 | - | (69) | 69 | - |
| Integration and restructuring costs | (257) | 257 | - | (213) | 213 | - | (233) | 233 | - |
| (Loss)/gain on redemption of own debt | (123) | 123 | - | - | - | - | 1 | (1) | - |
| Strategic disposals | (23) | 23 | - | 160 | (160) | - | (49) | 49 | - |
| Bonus tax | - | - | - | - | - | - | (5) | 5 | - |
| RFS Holdings minority interest | (1) | 1 | - | 8 | (8) | - | (3) | 3 | - |
| (Loss)/profit before tax | (1,258) | - | (1,258) | (101) | - | (101) | 2,004 | - | 2,004 |
| Tax charge | (30) | - | (30) | (290) | - | (290) | (791) | - | (791) |
| (Loss)/profit from continuing operations | (1,288) | - | (1,288) | (391) | - | (391) | 1,213 | - | 1,213 |

| | | | | | | | | | |
|---|---------|---|---------|-------|---|-------|-------|---|-------|
| Profit/(loss) from discontinued operations, net of tax | 5 | - | 5 | (4) | - | (4) | 6 | - | 6 |
| (Loss)/profit for the period | (1,283) | - | (1,283) | (395) | - | (395) | 1,219 | - | 1,219 |
| Non-controlling interests | (3) | - | (3) | 5 | - | 5 | 7 | - | 7 |
| Preference share dividends | (98) | - | (98) | (76) | - | (76) | - | - | - |
| (Loss)/profit attributable to ordinary and B shareholders | (1,384) | - | (1,384) | (466) | - | (466) | 1,226 | - | 1,226 |

Notes:

- (1) Reallocation of £435 million loss (Q2 2012 - £271 million loss; Q3 2011 - £735 million gain) to income from trading activities and £1,020 million loss (Q2 2012 - £247 million loss; Q3 2011 - £1,887 million gain) to other operating income.
- (2) Reallocation to income from trading activities.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Income statement reconciliations (continued)

| | Nine months ended | | | | | |
|---|-------------------|---|-----------------|-------------------|---|-----------------|
| | 30 September 2012 | | | 30 September 2011 | | |
| | Managed £m | Reallocation of one-off items £m | Statutory £m | Managed £m | Reallocation of one-off items £m | Statutory £m |
| Interest receivable | 14,320 | - | 14,320 | 16,183 | (7) | 16,176 |
| Interest payable | (5,467) | (12) | (5,479) | (6,570) | (1) | (6,571) |
| Net interest income | 8,853 | (12) | 8,841 | 9,613 | (8) | 9,605 |
| Fees and commissions receivable | 4,340 | - | 4,340 | 4,794 | - | 4,794 |
| Fees and commissions payable | (945) | - | (945) | (887) | - | (887) |
| Income from trading activities | 2,964 | (1,761) | 1,203 | 3,071 | (132) | 2,939 |
| Gain on redemption of own debt | - | 454 | 454 | - | 256 | 256 |
| Other operating income (excluding insurance premium income) | 2,016 | (2,586) | (570) | 2,122 | 1,795 | 3,917 |
| Insurance net premium income | 2,799 | - | 2,799 | 3,275 | - | 3,275 |

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| | | | | | | |
|---|----------|---------|----------|----------|---------|----------|
| Non-interest income | 11,174 | (3,893) | 7,281 | 12,375 | 1,919 | 14,294 |
| Total income | 20,027 | (3,905) | 16,122 | 21,988 | 1,911 | 23,899 |
| Staff costs | (6,200) | (572) | (6,772) | (6,382) | (303) | (6,685) |
| Premises and equipment | (1,625) | (79) | (1,704) | (1,703) | (74) | (1,777) |
| Other administrative expenses | (2,525) | (906) | (3,431) | (2,557) | (1,078) | (3,635) |
| Depreciation and amortisation | (1,150) | (182) | (1,332) | (1,192) | (170) | (1,362) |
| Operating expenses | (11,500) | (1,739) | (13,239) | (11,834) | (1,625) | (13,459) |
| Profit before other operating charges | 8,527 | (5,644) | 2,883 | 10,154 | 286 | 10,440 |
| Insurance net claims | (1,821) | - | (1,821) | (2,439) | - | (2,439) |
| Operating profit before impairment losses | 6,706 | (5,644) | 1,062 | 7,715 | 286 | 8,001 |
| Impairment losses | (3,825) | - | (3,825) | (5,747) | (1,044) | (6,791) |
| Operating profit/(loss) | 2,881 | (5,644) | (2,763) | 1,968 | (758) | 1,210 |

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Income statement reconciliations (continued)

| | Nine months ended | | | | | |
|--|-------------------|-------------------------------------|-----------|-------------------|-------------------------------------|-----------|
| | 30 September 2012 | | | 30 September 2011 | | |
| | Managed | Reallocation of one-off items | Statutory | Managed | Reallocation of one-off items | Statutory |
| £m | £m | £m | £m | £m | £m | |
| Operating profit/(loss) | 2,881 | (5,644) | (2,763) | 1,968 | (758) | 1,210 |
| Own credit adjustments (1) | (4,429) | 4,429 | - | 2,386 | (2,386) | - |
| Asset Protection Scheme (2) | (44) | 44 | - | (697) | 697 | - |
| Payment Protection Insurance costs | (660) | 660 | - | (850) | 850 | - |
| Sovereign debt impairment | - | - | - | (875) | 875 | - |
| Interest rate hedge adjustments on impaired available-for-sale sovereign debt | - | - | - | (169) | 169 | - |
| Amortisation of purchased intangible assets | (146) | 146 | - | (169) | 169 | - |
| Integration and restructuring costs | (930) | 930 | - | (586) | 586 | - |
| Gain on redemption of own debt | 454 | (454) | - | 256 | (256) | - |
| Strategic disposals | 129 | (129) | - | (22) | 22 | - |
| Bonus tax | - | - | - | (27) | 27 | - |
| RFS Holdings minority interest | (18) | 18 | - | (5) | 5 | - |
| (Loss)/profit before tax | (2,763) | - | (2,763) | 1,210 | - | 1,210 |
| Tax charge | (459) | - | (459) | (1,436) | - | (1,436) |

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| | | | | | | |
|--|---------|---|---------|-------|---|-------|
| Loss from continuing operations | (3,222) | - | (3,222) | (226) | - | (226) |
| Profit from discontinued operations, net of tax | 6 | - | 6 | 37 | - | 37 |
| Loss for the period | (3,216) | - | (3,216) | (189) | - | (189) |
| Non-controlling interests | 16 | - | 16 | (10) | - | (10) |
| Preference share dividends | (174) | - | (174) | - | - | - |
| Loss attributable to ordinary and B shareholders | (3,374) | - | (3,374) | (199) | - | (199) |

Notes:

- (1) Reallocation of £1,715 million loss (nine months ended 30 September 2011 - £565 million gain) to income from trading activities and £2,714 million loss (nine months ended 30 September 2011 - £1,821 million gain) to other operating income.
- (2) Reallocation to income from trading activities.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Segmental analysis

In January 2012, the Group announced the reorganisation of its wholesale businesses into 'Markets' and 'International Banking'. Divisional results are presented based on the new organisational structure. The Group also revised its allocation of funding and liquidity costs and capital for the new divisional structure as well as for a new methodology. In addition, the Group had previously included movements in the fair value of own derivative liabilities within the Markets operating segment. These movements are now combined with movements in the fair value of own debt in a single measure, 'own credit adjustments' and presented as a reconciling item. Refer to 'presentation of information' on page 4 of the main announcement for further details. Comparatives have been restated accordingly.

Analysis of divisional operating profit/(loss)

The following tables provide an analysis of divisional operating profit/(loss) by main income statement captions. The divisional income statements on pages 20 to 62 of the main announcement reflect certain presentational reallocations as described in the notes below. These do not affect the overall operating profit/(loss).

| Quarter ended 30 | Net interest income | Non-interest income | Total income | Operating expenses | Insurance claims net | Impairment (losses)/ recoveries | Operating profit/(loss) |
|------------------------|---------------------|---------------------|--------------|--------------------|----------------------|---------------------------------|-------------------------|
| September 2012 | £m | £m | £m | £m | £m | £m | £m |
| UK Retail | 990 | 252 | 1,242 | (637) | - | (141) | 464 |
| UK Corporate | 729 | 409 | 1,138 | (523) | - | (247) | 368 |
| Wealth | 185 | 107 | 292 | (219) | - | (8) | 65 |
| International Banking | 227 | 308 | 535 | (348) | - | (12) | 175 |
| Ulster Bank | 163 | 50 | 213 | (126) | - | (329) | (242) |
| US Retail & Commercial | 492 | 288 | 780 | (536) | - | (21) | 223 |
| Markets (1) | 14 | 1,028 | 1,042 | (753) | - | 6 | 295 |
| Direct Line Group (2) | 61 | 838 | 899 | (194) | (596) | - | 109 |
| Central items | (67) | 334 | 267 | (91) | - | - | 176 |

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| | | | | | | | |
|---|-------|---------|---------|---------|-------|---------|---------|
| Core | 2,794 | 3,614 | 6,408 | (3,427) | (596) | (752) | 1,633 |
| Non-Core (3) | 79 | (29) | 50 | (212) | - | (424) | (586) |
| Managed basis | 2,873 | 3,585 | 6,458 | (3,639) | (596) | (1,176) | 1,047 |
| Reconciling items | | | | | | | |
| Own credit adjustments (4) | - | (1,455) | (1,455) | - | - | - | (1,455) |
| Asset Protection Scheme (5) | - | 1 | 1 | - | - | - | 1 |
| Payment Protection Insurance costs | - | - | - | (400) | - | - | (400) |
| Amortisation of purchased intangible assets | - | - | - | (47) | - | - | (47) |
| Integration and restructuring costs | - | - | - | (257) | - | - | (257) |
| Loss on redemption of own debt | - | (123) | (123) | - | - | - | (123) |
| Strategic disposals | - | (23) | (23) | - | - | - | (23) |
| RFS Holdings minority interest | (2) | 3 | 1 | (2) | - | - | (1) |
| Statutory basis | 2,871 | 1,988 | 4,859 | (4,345) | (596) | (1,176) | (1,258) |

Notes:

- (1) Reallocation of £3 million between net interest income and non-interest income to record interest on financial assets and liabilities designated as at fair value through profit or loss.
- (2) Total income includes £48 million investment income, of which £29 million is included in net interest income and £19 million in non-interest income. Reallocation of £32 million between non-interest income and net interest income in respect of instalment income.
- (3) Reallocation of £7 million between net interest income and non-interest income in respect of funding costs of rental assets, £12 million and to record interest on financial assets and liabilities designated as at fair value through profit or loss, £5 million.
- (4) Comprises £435 million loss included in 'Income from trading activities' and £1,020 million loss included in 'Other operating income' on a statutory basis.
- (5) Included in 'Income from trading activities' on a statutory basis.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Segmental analysis (continued)

Analysis of divisional operating profit/(loss) (continued)

| Net interest income | Non-interest income | Total Operating income | Operating expenses | Insurance net claims | Impairment (losses)/ recoveries | Operating profit/(loss) |
|---------------------|---------------------|------------------------|--------------------|----------------------|---------------------------------|-------------------------|
|---------------------|---------------------|------------------------|--------------------|----------------------|---------------------------------|-------------------------|

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| Quarter ended 30 June 2012 | £m | £m | £m | £m | £m | £m | £m |
|---|--------------|--------------|--------------|----------------|--------------|----------------|--------------|
| UK Retail | 988 | 242 | 1,230 | (653) | - | (140) | 437 |
| UK Corporate | 772 | 439 | 1,211 | (518) | - | (181) | 512 |
| Wealth | 178 | 125 | 303 | (227) | - | (12) | 64 |
| International Banking | 234 | 327 | 561 | (367) | - | (27) | 167 |
| Ulster Bank | 160 | 46 | 206 | (128) | - | (323) | (245) |
| US Retail & Commercial | 492 | 323 | 815 | (558) | - | (28) | 229 |
| Markets | 32 | 1,034 | 1,066 | (796) | - | (19) | 251 |
| Direct Line Group (1) | 68 | 866 | 934 | (223) | (576) | - | 135 |
| Central items | 1 | 110 | 111 | (145) | - | 2 | (32) |
| Core | 2,925 | 3,512 | 6,437 | (3,615) | (576) | (728) | 1,518 |
| Non-Core (2) | 48 | (47) | 1 | (262) | - | (607) | (868) |
| Managed basis | 2,973 | 3,465 | 6,438 | (3,877) | (576) | (1,335) | 650 |
| Reconciling items | | | | | | | |
| Own credit adjustments (3) | - | (518) | (518) | - | - | - | (518) |
| Asset Protection Scheme (4) | - | (2) | (2) | - | - | - | (2) |
| Payment Protection Insurance costs | - | - | - | (135) | - | - | (135) |
| Amortisation of purchased intangible assets | - | - | - | (51) | - | - | (51) |
| Integration and restructuring costs | - | - | - | (213) | - | - | (213) |
| Strategic disposals | - | 160 | 160 | - | - | - | 160 |
| RFS Holdings minority interest | (2) | 11 | 9 | (1) | - | - | 8 |
| Statutory basis | 2,971 | 3,116 | 6,087 | (4,277) | (576) | (1,335) | (101) |

Notes:

- (1) Total income includes £73 million investment income, of which £37 million is included in net interest income and £36 million in non-interest income. Reallocation of £31 million between non-interest income and net interest income in respect of instalment income.
- (2) Reallocation of £38 million between net interest income and non-interest income in respect of funding costs of rental assets, £40 million and to record interest on financial assets and liabilities designated as at fair value through profit or loss, £2 million.
- (3) Comprises £271 million loss included in 'Income from trading activities' and £247 million loss included in 'Other operating income' on a statutory basis.
- (4) Included in 'Income from trading activities' on a statutory basis.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Segmental analysis (continued)

Analysis of divisional operating profit/(loss) (continued)

| Quarter ended 30 September 2011 | Net interest income £m | Non- interest income £m | Total income £m | Operating expenses £m | Insurance net claims £m | Impairment (losses)/ recoveries £m | Operating profit/(loss) £m |
|--|---------------------------------|----------------------------------|-----------------------|-----------------------------|----------------------------------|---|----------------------------------|
| UK Retail | 1,086 | 292 | 1,378 | (673) | - | (195) | 510 |
| UK Corporate Wealth | 753 | 453 | 1,206 | (547) | - | (230) | 429 |
| International Banking (1) | 152 | 118 | 270 | (221) | - | (4) | 45 |
| Ulster Bank | 293 | 357 | 650 | (408) | - | (14) | 228 |
| US Retail & Commercial Markets (2) | 196 | 60 | 256 | (137) | - | (327) | (208) |
| Direct Line Group (3) | 482 | 289 | 771 | (563) | - | (85) | 123 |
| Central items | (9) | 456 | 447 | (800) | - | 5 | (348) |
| Core | 84 | 949 | 1,033 | (215) | (695) | - | 123 |
| Non-Core (4) | (88) | 105 | 17 | 66 | (1) | (4) | 78 |
| Managed basis | 2,949 | 3,079 | 6,028 | (3,498) | (696) | (854) | 980 |
| Reconciling items | 129 | (64) | 65 | (323) | (38) | (682) | (978) |
| Own credit adjustments (5) | 3,078 | 3,015 | 6,093 | (3,821) | (734) | (1,536) | 2 |
| Asset Protection Scheme (6) | - | 2,622 | 2,622 | - | - | - | 2,622 |
| Sovereign debt impairment | - | (60) | (60) | - | - | - | (60) |
| Interest rate hedge adjustments on impaired available-for-sale sovereign debt | - | - | - | - | - | (142) | (142) |
| Amortisation of purchased intangible assets | - | - | - | (69) | - | (60) | (60) |
| Integration and restructuring costs | - | - | - | (233) | - | - | (233) |
| Gain on redemption of own debt | - | 1 | 1 | - | - | - | 1 |
| Strategic disposals | - | (49) | (49) | - | - | - | (49) |
| Bonus tax | - | - | - | (5) | - | - | (5) |
| RFS Holdings minority interest | (1) | (3) | (4) | 1 | - | - | (3) |
| Statutory basis | 3,077 | 5,526 | 8,603 | (4,127) | (734) | (1,738) | 2,004 |

Notes:

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- (1) Reallocation of £9 million between net interest income and non-interest income in respect of funding costs of rental assets.
- (2) Reallocation of £3 million between net interest income and non-interest income to record interest on financial assets and liabilities designated as at fair value through profit or loss.
- (3) Total income includes £72 million investment income, of which £49 million is included in net interest income and £23 million in non-interest income. Reallocation of £35 million between non-interest income and net interest income in respect of instalment income.
- (4) Reallocation of £54 million between net interest income and non-interest income in respect of funding costs of rental assets, £53 million and to record interest on financial assets and liabilities designated as at fair value through profit or loss, £1 million.
- (5) Comprises £735 million gain included in 'Income from trading activities' and £1,887 million gain included in 'Other operating income' on a statutory basis.
- (6) Included in 'Income from trading activities' on a statutory basis.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Segmental analysis (continued)

Analysis of divisional operating profit/(loss) (continued)

| | Net interest income | Non-interest income | Total income | Operating expenses | Insurance net claims | Impairment (losses)/ recoveries | Operating profit/(loss) |
|--------------------------------------|---------------------|---------------------|--------------|--------------------|----------------------|---------------------------------|-------------------------|
| | £m | £m | £m | £m | £m | £m | £m |
| Nine months ended 30 September 2012 | | | | | | | |
| UK Retail | 2,979 | 760 | 3,739 | (1,925) | - | (436) | 1,378 |
| UK Corporate Wealth | 2,257 | 1,293 | 3,550 | (1,574) | - | (604) | 1,372 |
| International Banking (1) | 542 | 343 | 885 | (681) | - | (30) | 174 |
| Ulster Bank | 712 | 926 | 1,638 | (1,125) | - | (74) | 439 |
| US Retail & Commercial Markets (2) | 488 | 145 | 633 | (384) | - | (1,046) | (797) |
| Direct Line Group (3) | 1,480 | 871 | 2,351 | (1,729) | - | (68) | 554 |
| Central items | 62 | 3,780 | 3,842 | (2,457) | - | (15) | 1,370 |
| Core | 213 | 2,586 | 2,799 | (650) | (1,821) | - | 328 |
| Non-Core (4) | (71) | 341 | 270 | (238) | - | (32) | - |
| Managed basis | 8,662 | 11,045 | 19,707 | (10,763) | (1,821) | (2,305) | 4,818 |
| Reconciling items | 191 | 129 | 320 | (737) | - | (1,520) | (1,937) |
| Own credit adjustments (5) | 8,853 | 11,174 | 20,027 | (11,500) | (1,821) | (3,825) | 2,881 |
| Asset Protection Scheme (6) | - | (4,429) | (4,429) | - | - | - | (4,429) |
| Payment Protection | - | (44) | (44) | - | - | - | (44) |
| Insurance costs | - | - | - | (660) | - | - | (660) |
| Amortisation of purchased intangible | - | - | - | (146) | - | - | (146) |

| | | | | | | | |
|-------------------------------------|-------|-------|--------|----------|---------|---------|---------|
| assets | | | | | | | |
| Integration and restructuring costs | - | - | - | (930) | - | - | (930) |
| Gain on redemption of own debt | - | 454 | 454 | - | - | - | 454 |
| Strategic disposals | - | 129 | 129 | - | - | - | 129 |
| RFS Holdings minority interest | (12) | (3) | (15) | (3) | - | - | (18) |
| Statutory basis | 8,841 | 7,281 | 16,122 | (13,239) | (1,821) | (3,825) | (2,763) |

Notes:

- (1) Reallocation of £9 million between net interest income and non-interest income in respect of funding costs of rental assets.
- (2) Reallocation of £5 million between net interest income and non-interest income to record interest on financial assets and liabilities designated as at fair value through profit or loss.
- (3) Total income includes £211 million investment income, of which £119 million is included in net interest income and £92 million in non-interest income. Reallocation of £94 million between non-interest income and net interest income in respect of instalment income.
- (4) Reallocation of £96 million between net interest income and non-interest income in respect of funding costs of rental assets, £103 million and to record interest on financial assets and liabilities designated as at fair value through profit or loss, £7 million.
- (5) Comprises £1,715 million loss included in 'Income from trading activities' and £2,714 million loss included in 'Other operating income' on a statutory basis.
- (6) Included in 'Income from trading activities' on a statutory basis.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Segmental analysis (continued)

Analysis of divisional operating profit/(loss) (continued)

| | Net interest income | Non-interest income | Total Operating income | Operating expenses | Insurance net claims | Impairment (losses)/ recoveries | Operating profit/(loss) |
|-------------------------------------|---------------------|---------------------|------------------------|--------------------|----------------------|---------------------------------|-------------------------|
| Nine months ended 30 September 2011 | £m | £m | £m | £m | £m | £m | £m |
| UK Retail | 3,270 | 929 | 4,199 | (2,039) | - | (597) | 1,563 |
| UK Corporate Wealth | 2,334 | 1,352 | 3,686 | (1,611) | - | (557) | 1,518 |
| International Banking (1) | 477 | 347 | 824 | (637) | - | (12) | 175 |
| Ulster Bank | 876 | 1,086 | 1,962 | (1,247) | - | (112) | 603 |
| US Retail & Commercial Markets (2) | 559 | 162 | 721 | (415) | - | (1,057) | (751) |
| Direct Line Group (3) | 1,404 | 843 | 2,247 | (1,626) | - | (261) | 360 |
| | 47 | 3,676 | 3,723 | (2,734) | - | 19 | 1,008 |
| | 261 | 2,888 | 3,149 | (637) | (2,183) | - | 329 |

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| | | | | | | | |
|-------------------------------|-------|--------|--------|----------|---------|---------|---------|
| Central items | (164) | 175 | 11 | 93 | - | (2) | 102 |
| Core | 9,064 | 11,458 | 20,522 | (10,853) | (2,183) | (2,579) | 4,907 |
| Non-Core (4) | 549 | 917 | 1,466 | (981) | (256) | (3,168) | (2,939) |
| Managed basis | 9,613 | 12,375 | 21,988 | (11,834) | (2,439) | (5,747) | 1,968 |
| Reconciling items | | | | | | | |
| Own credit adjustments (5) | - | 2,386 | 2,386 | - | - | - | 2,386 |
| Asset Protection Scheme (6) | - | (697) | (697) | - | - | - | (697) |
| Payment Protection | | | | | | | |
| Insurance costs | - | - | - | (850) | - | - | (850) |
| Sovereign debt impairment | - | - | - | - | - | (875) | (875) |
| Interest rate hedge | | | | | | | |
| adjustments on | | | | | | | |
| impaired available-for-sale | | | | | | | |
| sovereign debt | - | - | - | - | - | (169) | (169) |
| Amortisation of purchased | | | | | | | |
| intangible | | | | | | | |
| assets | - | - | - | (169) | - | - | (169) |
| Integration and restructuring | | | | | | | |
| costs | (2) | (3) | (5) | (581) | - | - | (586) |
| Gain on redemption of own | | | | | | | |
| debt | - | 256 | 256 | - | - | - | 256 |
| Strategic disposals | - | (22) | (22) | - | - | - | (22) |
| Bonus tax | - | - | - | (27) | - | - | (27) |
| RFS Holdings minority | | | | | | | |
| interest | (6) | (1) | (7) | 2 | - | - | (5) |
| Statutory basis | 9,605 | 14,294 | 23,899 | (13,459) | (2,439) | (6,791) | 1,210 |

Notes:

- (1) Reallocation of £30 million between net interest income and non-interest income in respect of funding costs of rental assets.
- (2) Reallocation of £9 million between net interest income and non-interest income to record interest on financial assets and liabilities designated as at fair value through profit or loss.
- (3) Total income includes £205 million investment income, of which £156 million is included in net interest income and £49 million in non-interest income. Reallocation of £105 million between non-interest income and net interest income in respect of instalment income.
- (4) Reallocation of £159 million between net interest income and non-interest income in respect of funding costs of rental assets, £155 million and to record interest on financial assets and liabilities designated as at fair value through profit or loss, £4 million.
- (5) Comprises £565 million gain included in 'Income from trading activities' and £1,821 million gain included in 'Other operating income' on a statutory basis.
- (6) Included in 'Income from trading activities' on a statutory basis.

Appendix 2

Businesses outlined for
disposal

Appendix 2 Businesses outlined for disposal

To comply with EC State Aid requirements the Group agreed to make a series of divestments by the end of 2013: the disposal of a majority interest in Direct Line Group, Global Merchant Services and its interest in RBS Sempra Commodities JV. The Group also agreed to dispose of its RBS England and Wales and NatWest Scotland branch-based businesses, along with certain SME and corporate activities across the UK ('UK branch-based businesses'). The disposals of Global Merchant Services and RBS Sempra Commodities JV businesses have now effectively been completed.

On 12 October 2012, the Group announced that it had received notification of Santander's decision to pull out of its agreed purchase of certain of the Group's UK branched-based businesses. Santander's decision follows extensive work by both parties to separate the businesses into a largely standalone form and to prepare the business, customers and staff for transfer. RBS intends to initiate a new process of disposal following discussion with HM Treasury and the European Commission.

The Direct Line Group IPO prospectus was published on 28 September 2012 and the shares were admitted to listing on 16 October 2012. RBS Group sold 520.8 million ordinary shares in Direct Line Group, representing 34.7% of the total share capital, generating gross proceeds of £911 million. This was consistent with the already communicated plan to divest control of Direct Line Group in stages, with control ceded by the end of 2013 and complete disposal by the end of 2014.

Direct Line Group reached agreement with RBS Group in September 2012 for an arm's-length, five year distribution agreement for the continued provision of general insurance products post-divestment. Residual IT services will also be provided under a Transitional Services Agreement.

The table below shows total income and operating profit of Direct Line Group and the UK branch-based businesses.

| | Total income | | Operating profit before impairments | | Operating profit | |
|-------------------------------|----------------|---------|--|---------|------------------|---------|
| | YTD Q3 2012 | FY 2011 | YTD Q3 2012 | FY 2011 | YTD Q3 2012 | FY 2011 |
| | £m | £m | £m | £m | £m | £m |
| Direct Line Group (1) | 2,799 | 4,286 | 328 | 407 | 328 | 407 |
| UK branch-based businesses | 672 | 959 | 360 | 518 | 262 | 319 |
| Total | 3,471 | 5,245 | 688 | 925 | 590 | 726 |

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The table below shows the estimated risk-weighted assets, total assets and capital of the businesses identified for disposal.

| | RWAs | | Total assets | | Capital | |
|-----------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | 30 September 2012 £bn | 31 December 2011 £bn | 30 September 2012 £bn | 31 December 2011 £bn | 30 September 2012 £bn | 31 December 2011 £bn |
| Direct Line Group (1) | n/m | n/m | 13.1 | 13.9 | 3.5 | 4.4 |
| UK branch-based businesses (2) | 10.2 | 11.1 | 19.0 | 19.3 | 1.0 | 1.1 |
| Total | 10.2 | 11.1 | 32.1 | 33.2 | 4.5 | 5.5 |

Notes:

- (1) Total income includes investment income of £211 million (FY 2011 - £302 million). Total assets and estimated capital include approximately £0.9 billion of goodwill, of which £0.7 billion is attributed to Direct Line Group by RBS Group.
- (2) Estimated notional equity based on 10% of RWAs.

Appendix 2 Businesses outlined for disposal (continued)

Further information on the UK branch-based businesses by division is shown in the tables below:

| | Division | | Total | |
|---|--------------------|-----------------------|----------------------|---------------|
| | UK Retail £m | UK Corporate £m | YTD Q3 2012 £m | FY 2011 £m |
| Income statement | | | | |
| Net interest income | 241 | 256 | 497 | 689 |
| Non-interest income | 64 | 111 | 175 | 270 |
| Total income | 305 | 367 | 672 | 959 |
| Direct expenses | | | | |
| - staff | (53) | (64) | (117) | (158) |
| - other | (70) | (42) | (112) | (166) |
| Indirect expenses | (46) | (37) | (83) | (117) |
| | (169) | (143) | (312) | (441) |
| Operating profit before impairment losses | 136 | 224 | 360 | 518 |
| Impairment losses | (42) | (56) | (98) | (199) |

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| | | | | |
|---|-------|-------|-------|-------|
| Operating profit | 94 | 168 | 262 | 319 |
| Analysis of income by product | | | | |
| Loans and advances | 86 | 224 | 310 | 436 |
| Deposits | 58 | 108 | 166 | 245 |
| Mortgages | 106 | - | 106 | 134 |
| Other | 55 | 35 | 90 | 144 |
| Total income | 305 | 367 | 672 | 959 |
| Net interest margin | 4.64% | 3.03% | 3.64% | 3.57% |
| Employee numbers (full time equivalents rounded to the nearest hundred) | 2,700 | 1,600 | 4,300 | 4,400 |

| | Division | | | Total | |
|--|---------------------|------------------------|----------------|--------------------------|-------------------------------|
| | UK Retail £bn | UK Corporate £bn | Markets £bn | September 2012 £bn | 31 December 2011 £bn |
| Capital and balance sheet | | | | | |
| Total third party assets (excluding mark-to- market derivatives) | 7.4 | 11.2 | - | 18.6 | 18.9 |
| Loans and advances to customers (gross) | 7.6 | 11.7 | - | 19.3 | 19.5 |
| Customer deposits | 8.5 | 12.9 | - | 21.4 | 21.8 |
| Derivative assets | - | - | 0.4 | 0.4 | 0.4 |
| Derivative liabilities | - | - | - | - | 0.1 |
| Risk elements in lending | 0.5 | 0.9 | - | 1.4 | 1.5 |
| Loan:deposit ratio | 86% | 88% | - | 87% | 86% |
| Risk-weighted assets | 3.5 | 6.7 | - | 10.2 | 11.1 |

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: 02 November 2012

THE ROYAL BANK OF
SCOTLAND GROUP plc
(Registrant)

By: /s/ Jan Cargill

Name: Jan Cargill
Title: Deputy Secretary

