

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
April 30, 2015

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 April 30, 2015

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:

Interim Management Statement
Q1 2015

The Royal Bank of Scotland Group plc
Q1 2015 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', 'believe', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions.

In particular, this document includes forward-looking statements relating, but not limited to: The Royal Bank of Scotland Group plc's (RBS) Transformation Plan (which includes RBS's 2013/2014 strategic plan relating to the implementation of its new divisional and functional structure and the continuation of its balance sheet reduction programme including its proposed divestments of CFG and Williams & Glyn, RBS's information technology and operational investment plan, the proposed restructuring of RBS's CIB business and the restructuring of RBS as a result of the implementation of the regulatory ring-fencing regime), as well as restructuring, capital and strategic plans, divestments, capitalisation, portfolios, net interest margin, capital and leverage ratios, liquidity, risk-weighted assets (RWAs), RWA equivalents (RWAE), Pillar 2A, Maximum Distributable Amount (MDA), total loss absorbing capital (TLAC), minimum requirements for eligible liabilities (MREL) return on equity (ROE), profitability, cost:income ratios, loan:deposit ratios, funding and risk profile; litigation, government and regulatory investigations including investigations relating to the setting of interest rates and foreign exchange trading and rate setting activities; costs or exposures borne by RBS arising out of the origination or sale of mortgages or mortgage-backed securities in the US; RBS's future financial performance; the level and extent of future impairments and write-downs; and RBS's exposure to political risks, credit rating risk and to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates, targets and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk and other disclosures are dependent on choices relying on 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 adversely affect our results and the accuracy of forward looking statements in this document include the risk factors and other uncertainties discussed in the 2014 Annual Report and Accounts. These include the significant risks presented by the execution of the Transformation Plan; RBS's ability to successfully implement the various initiatives that are comprised in the Transformation Plan, particularly the balance sheet reduction programme including the divestment of Williams & Glyn and its remaining stake in CFG, the proposed restructuring of its CIB business and the significant restructuring undertaken by RBS as a result of the implementation of the ring fence; whether RBS will emerge from implementing the Transformation Plan as a viable, competitive, customer focussed and profitable bank; RBS' ability to achieve its capital targets which depend on RBS' success in reducing the size of its business; the cost and complexity of the implementation of the ring-fence and the extent to which it will have a material adverse effect on RBS; the risk of failure to realise the benefit of RBS's substantial investments in its information technology and operational infrastructure and systems, the significant changes, complexity and costs relating to the implementation of the Transformation Plan, the risks of lower revenues resulting from lower customer retention and revenue generation as RBS refocuses on the UK as well as increasing competition. In addition, there are other risks and uncertainties. These include RBS's ability to attract and retain qualified personnel; uncertainties regarding the outcomes of legal, regulatory and governmental actions and investigations that RBS is subject to and any resulting material adverse effect on RBS of unfavourable outcomes; heightened regulatory and governmental scrutiny and the increasingly regulated environment in which RBS operates; uncertainty relating to how policies of the new government elected in the May 2015 UK election may impact RBS including a possible referendum on the UK's membership of the EU; operational risks that are inherent in RBS's business and that could increase as RBS implements its Transformation Plan; the potential negative impact on RBS's business of actual or perceived global economic and financial market conditions and other global risks; how RBS will be increasingly impacted by UK developments as its operations become gradually more focussed on the UK; uncertainties regarding RBS exposure to any weakening of economies within the EU and renewed threat of default by certain countries in the Eurozone; the risks resulting from RBS implementing the State Aid restructuring plan including with respect to the disposal of certain assets and businesses as announced or required as part of the State Aid restructuring plan; the achievement of capital and costs reduction targets; ineffective management of capital or changes to regulatory requirements relating to capital adequacy and liquidity; the ability to access sufficient sources of capital, liquidity and funding when required; deteriorations in borrower and counterparty credit quality; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by RBS; the impact of unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices, equity prices; basis, volatility and correlation risks; changes in the credit ratings of RBS; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; regulatory or legal changes (including those requiring any restructuring of RBS's operations); changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies; changes in UK and foreign laws, regulations, accounting standards and taxes; impairments of goodwill; the high dependence of RBS' operations on its information technology systems and its increasing exposure to cyber security threats; the reputational risks inherent in RBS' operations; the risk that RBS may suffer losses due to employee misconduct; pension fund shortfalls; the recoverability of deferred tax assets; HM Treasury exercising influence over the operations of RBS; limitations on, or additional requirements imposed on, RBS's activities as a result of HM Treasury's investment in RBS; and the success of RBS 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 RBS 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.

Introduction

Statutory results

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2014 will be filed with the Registrar of Companies following the company's Annual General Meeting. The report of the auditor on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

Presentation of information

Some of the financial information contained in this document, prepared using RBS's accounting policies, shows the operating performance of The Royal Bank of Scotland Group plc (RBS) on a non-statutory basis which excludes own credit adjustments, gain on redemption of own debt, write down of goodwill and strategic disposals and includes the results of Citizens which is classified as a discontinued operation in the statutory results. RFS Holdings minority interest (RFS MI) was also excluded in the periods ended 31 December 2014 and 31 March 2014. Such information is provided to give a better understanding of the results of RBS's operations.

Contacts

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Analysts and investors conference call

RBS will hold an audio Q&A session for analysts and investors on the results for the quarter ended 31 March 2015.

Details are as follows:

Date:	Thursday 30 April 2015
Time:	9.00 am UK time
Webcast:	www.rbs.com/results
Dial in details:	International - +44 (0) 1452 568 172 UK Free Call - 0800 694 8082 US Toll Free - 1 866 966 8024

Announcement and slides are available on www.rbs.com/results

Financial supplement containing income statement and balance sheet information for the nine quarters ended 31 March 2015 is available on www.rbs.com/results

Global Systemically Important Institutions template as of and for the year ended 31 December 2014 will be available at www.rbs.com/results on 30 April 2015.

Revisions

Revised return on equity calculation

In the first quarter of 2015, in line with the revised strategy announced in February 2015 the business segment return on equity has been calculated based on operating profit after tax adjusted for preference share dividends divided by average notional equity (based on 13% of monthly average RWA equivalents). Comparatives have been revised.

Highlights

RBS reports an attributable loss of £446 million for the first quarter of 2015, but makes good progress towards its stated 2015 targets, with further steps to build a bank that is stronger, simpler and better for both customers and shareholders.

An attributable loss of £446 million for the first quarter of 2015 included restructuring costs of £453 million and £856 million of litigation and conduct charges. A net charge of £122 million was recorded in relation to the reclassification of the International Private Banking business to disposal groups, together with a net loss within discontinued operations of £320 million reflecting the fall in the market price of Citizens shares during the quarter.

Operating profit(1) totalled £325 million, compared with profit of £1,283 million in Q1 2014 and a loss of £375 million in Q4 2014. Adjusted operating profit(2) was £1,634 million, up 16% from Q1 2014. These results continued to benefit from generally benign credit conditions, with a £91 million net release of impairment provisions, and from continuing reductions in operating costs.

Our UK franchises have seen volume growth, with increased operating profits in both Personal & Business Banking (PBB) and Commercial & Private Banking (CPB), compared with Q4 2014 supported by benign credit conditions. Corporate & Institutional Banking (CIB) has made a good start on reshaping its business following its strategy announcement in February 2015, beginning the wind-down of legacy activities and cementing management structures for the continuing business.

Tangible net asset value per ordinary and equivalent B share was 384p at 31 March 2015, compared with 387p at 31 December 2014.

On track to achieve 2015 targets

The capital position continued to strengthen, with a Common Equity Tier 1 ratio of 11.5% at 31 March 2015, up 30 basis points from the end of 2014.

Risk-weighted assets (RWAs) were down 2% from the end of 2014 to £349 billion, on track to be less than £300 billion by the end of 2015.

RBS moved closer to the deconsolidation of Citizens with the successful sale in March 2015 of 155 million shares, realising \$3.7 billion. Following a further \$250 million share repurchase by Citizens in April 2015, RBS's holding has been reduced to 40.8%.

RBS Capital Resolution (RCR) remains on course to complete its targeted run-down by the end of 2015, with funded assets down £4 billion during Q1 2015 to £11 billion.

Net Promoter Scores show year-on-year improvement in Business Banking and Commercial Banking. There has been no significant change in Personal Banking.

RBS remains committed to delivering an £800 million cost reduction(3) in 2015, notwithstanding the increase in the UK bank levy.

Notes:

- (1) Operating profit/(loss) before tax, own credit adjustments, gain on redemption of own debt and strategic disposals and includes the results of Citizens (excluding any fair value adjustment) which are classified as discontinued operations in the statutory results. The quarters ended 31 December 2014 and 31 March 2014 are stated before RFS minority interest.

- (2) Excluding restructuring, litigation and conduct costs.
- (3) Excluding restructuring, litigation and conduct costs, write-off of intangible assets, and operating expenses of Citizens and Williams & Glyn.

Highlights

In the UK, UK PBB provided 8% of gross new mortgage lending in Q1 2015, in line with historical market share, delivering £0.4 billion net mortgage growth. New mortgage applications accelerated towards the end of quarter with volume in March up 10% year on year. March was the highest month for mortgage application numbers and volumes since the start of 2014. Mortgage balances were £103.6 billion, 3% higher than at the end of Q1 2014. Business and personal loans saw positive momentum in the quarter as business and consumer confidence continue to improve, while in Commercial Banking net new loan growth was £1.3 billion.

RBS has continued to make good progress on its transformation plan, with further steps taken to improve resilience and simplicity in the bank's structures and systems, and momentum building in disposal plans, including the sales of:

Two portfolios of US and Canadian loan commitments (approximately \$9 billion of RWAs) to Mizuho Bank, scheduled to complete respectively in Q2 and Q3 2015;

The International Private Banking business to Union Bancaire Privée, with most of the business scheduled to transfer in Q4 2015, subject to regulatory approval;

The RBS Kazakhstan subsidiary (subject to regulatory approvals and other conditions); and

Additional sales were agreed for legacy ABN Amro assets including a portfolio of UAE loans.

Key customer initiatives during Q1 2015 include:

The mortgage platform was upgraded and the number of mortgage advisors increased to 835 in UK PBB (up 91 or 12% compared with start of 2015 and up 205 or 33% compared with start of 2014) which have increased lending capacity.

RBS became the first UK-based bank to enable customers to log in to their mobile banking app using only their fingerprint, recording over 22 million logins since launch.

Working closely with the Royal National Institute of Blind People (RNIB), RBS launched new cards specifically designed for blind and partially sighted customers. This is the first banking product to be awarded the new national quality assurance mark 'RNIB approved'.

In partnership with Entrepreneurial Spark, RBS launched the first of eight entrepreneurial accelerator hubs in Birmingham, providing free space, financial support and mentoring to small businesses. We also announced the opening of our headquarters in Edinburgh to entrepreneurs and enterprise. The Entrepreneurial Centre will house business organisations including Entrepreneurial Scotland, Business Gateway and The Prince's Trust Scotland as well as up to 80 entrepreneurs.

RBS has made it easier for thousands of small businesses to access finance by referring customers to leading peer-to-peer lending platforms.

The pilot of a new online onboarding smart form in CPB saw a 75% reduction in pages that a customer received in order to fill out their application. This is now being rolled out across the business.

Real Time Registration allows new customers to have access to mobile banking within 1 day of an account being opened. This gives our customers the functionality that Mobile offers: Get Cash, Pay your Contacts and much more without having to wait 3-5 days for their Debit card to arrive.

Outlook

The business outlook remains as indicated in our FY 2014 results announcement on 26 February 2015.

Customer

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

RBS remains committed to achieving its target of being number one bank for customer service, trust and advocacy by 2020.

We use independent surveys to measure our customers' experience and track our progress against our goal in each of our markets.

Net Promoter Score (NPS)

Customers are asked how likely they would be to recommend their bank to a friend or colleague, and respond based on a 0-10 scale with 10 indicating 'extremely likely' and 0 indicating 'not at all likely'. Customers scoring 0 to 6 are termed detractors and customers scoring 9 to 10 are termed promoters. The Net Promoter Score (NPS) is established by subtracting the proportion of detractors from the proportion of promoters.

The table below lists all of the businesses for which we have an NPS for Q1 2015. None of the NPS movements during Q1 2015 represents a statistically significant change but, year-on-year, Business Banking and Commercial Banking have seen significant improvements in NPS.

	Q1 2014	Q4 2014	Q1 2015	Year end 2015 target
Personal Banking				
NatWest (England & Wales)(1)	4	6	5	9
RBS (Scotland)(1)	-16	-13	-18	-10
Ulster Bank (Northern Ireland)(2)	-31	-24	-18	-21
Ulster Bank (Republic of Ireland)(2)	-23	-18	-16	-15
Business Banking				
NatWest (England & Wales)(3)	-13	-11	-6	-7
RBS (Scotland)(3)	-37	-23	-17	-21
Commercial Banking(4)	4	12	12	15

Notes:

Suitable measures for Private Banking and for Corporate & Institutional Banking are in development. NPS for Ulster Bank Business Banking is measured at Q4.

- (1) Source: GfK FRS 6 month rolling data. Latest base sizes: NatWest England & Wales (3,444) RBS Scotland (520). Based on the question: "How likely is it that you would recommend (brand) to a relative, friend or colleague in the next 12 months for current account banking?"

- (2) Source: Coyne Research 12 month rolling data. Question: "Please indicate to what extent you would be likely to recommend (brand) to your friends or family using a scale of 0 to 10 where 0 is not at all likely and 10 is extremely likely".
- (3) Source: Charterhouse Research Business Banking Survey, based on interviews with businesses with an annual turnover up to £2 million. 12 month rolling data. Latest base sizes: NatWest England & Wales (1,240), RBS Scotland (419). Weighted by region and turnover to be representative of businesses in England & Wales/Scotland.
- (4) Source: Charterhouse Research Business Banking Survey, based on interviews with businesses with annual turnover between £2 million and £1 billion. Latest base size: RBSG Great Britain (965). Weighted by region and turnover to be representative of businesses in Great Britain.

Customer Trust

We also use independent experts to measure our customers' trust in the bank. Each quarter we ask customers to what extent they trust or distrust their bank to do the right thing. The score is a net measure of those customers that trust their bank (a lot or somewhat) minus those that distrust their bank (a lot or somewhat).

		Q1 2014	Q4 2014	Q1 2015	Year end 2015 target
Customer Trust(5)	NatWest (England & Wales)	40%	41%	44%	46%
	RBS (Scotland)	6%	2%	10%	11%

- (5) Source: Populus. Latest quarter's data. Measured as a net of those that trust RBS/NatWest to do the right thing, less those that do not. Latest base sizes: NatWest, England & Wales (916), RBS Scotland (209).

Highlights

Summary consolidated income statement for the period ended 31 March 2015

	Quarter ended		
	31		
	31 March 2015	December 2014	31 March 2014
	£m	£m	£m
Net interest income	2,756	2,915	2,698
Non-interest income	1,575	945	2,355
Total income	4,331	3,860	5,053
Staff and non-staff expenses	(2,788)	(3,131)	(3,279)
Restructuring costs	(453)	(563)	(129)
Litigation and conduct costs	(856)	(1,164)	-
Operating expenses	(4,097)	(4,858)	(3,408)
Profit/(loss) before impairment releases/(losses)	234	(998)	1,645
Impairment releases/(losses)	91	623	(362)

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Operating profit/(loss) (1)	325	(375)	1,283
Own credit adjustments	120	(144)	139
Gain on redemption of own debt	-	-	20
Strategic disposals	(135)	-	191
Citizens discontinued operations	(257)	(175)	(152)
RFS Holdings minority interest	-	11	9
Operating profit/(loss) before tax	53	(683)	1,490
Tax charge	(193)	(1,040)	(314)
(Loss)/profit from continuing operations	(140)	(1,723)	1,176
(Loss)/profit from discontinued operations, net of tax			
- Citizens (2)	(320)	(3,885)	104
- Other	4	3	9
(Loss)/profit from discontinued operations, net of tax	(316)	(3,882)	113
(Loss)/profit for the period	(456)	(5,605)	1,289
Non-controlling interests	84	(71)	(19)
Other owners' dividends	(74)	(115)	(75)
(Loss)/profit attributable to ordinary and B shareholders	(446)	(5,791)	1,195
Memo			
Operating expenses - adjusted (3)	(2,788)	(3,131)	(3,279)
Operating profit - adjusted (3)	1,634	1,352	1,412

Key metrics and ratios	Quarter ended		
	31 March 2015	31 December 2014	31 March 2014
Net interest margin	2.26%	2.32%	2.12%
Cost:income ratio	95%	126%	67%
(Loss)/earnings per share from continuing operations			
- basic (4)	(2.1p)	(16.2p)	-
- adjusted (5,6)	(1.7p)	(15.1p)	6.9p
Return on tangible equity (7)	(4.1%)	(49.6%)	11.6%
Average tangible equity (7)	£43,879m	£46,720m	£41,035m
Average number of ordinary shares and equivalent B shares outstanding during the period (millions)	11,451	11,422	11,281

Notes:

(1) Operating profit/(loss) before tax, own credit adjustments, gain on redemption of own debt and strategic disposals and includes the results of Citizens (prior to any fair value adjustment) which are classified as discontinued operations in the statutory results. The quarters ended 31 December 2014 and 31 March 2014 are stated before RFS minority interest.

(2)

Included within Citizens discontinued operations are the results of the reportable operating segment Citizens Financial Group (CFG), the loss on transfer of CFG to disposal groups, subsequent fair value adjustments related to Citizens, and certain Citizens related activities in Central items and related one-off and other items.

- (3) Excluding restructuring costs and litigation and conduct costs.
- (4) Q1 2014 earnings were all attributable to the dividend access share (DAS).
- (5) Adjusted earnings per ordinary and equivalent B share for the quarter ended 31 March 2014 exclude the rights of the dividend access share (DAS). Prior to the June 2014 DAS retirement agreement, the DAS was entitled to a dividend amounting to the greater of 7% of the B share issue price and 250% of the ordinary share dividend times the number of B shares, less dividends paid on the B shares and any ordinary shares issued on their conversion.
- (6) Adjusted earnings excludes own credit adjustments, gain on redemption of own debt, write down of goodwill, strategic disposals and RFS MI.
- (7) Tangible equity is equity attributable to ordinary and B shareholders less intangible assets.

Highlights

Summary consolidated balance sheet as at 31 March 2015

	31	
	31 March	December
	2015	2014
	£m	£m
Cash and balances at central banks	75,521	74,872
Net loans and advances to banks (1,2)	25,002	23,027
Net loans and advances to customers (1,2)	333,173	334,251
Reverse repurchase agreements and stock borrowing	69,400	64,695
Debt securities and equity shares	85,557	92,284
Assets of disposal groups (3)	93,673	82,011
Other assets	31,721	26,033
Funded assets	714,047	697,173
Derivatives	390,565	353,590
Total assets	1,104,612	1,050,763
Bank deposits (2,4)	37,235	35,806
Customer deposits (2,4)	349,289	354,288
Repurchase agreements and stock lending	69,383	62,210
Debt securities in issue	45,855	50,280
Subordinated liabilities	22,004	22,905
Derivatives	386,056	349,805
Liabilities of disposal groups (3)	85,244	71,320
Other liabilities	47,265	43,957

Total liabilities	1,042,331	990,571
Non-controlling interests	5,473	2,946
Owners' equity	56,808	57,246
Total liabilities and equity	1,104,612	1,050,763
Contingent liabilities and commitments	237,087	241,186

Notes:

- (1) Excludes reverse repurchase agreements and stock borrowing.
- (2) Excludes disposal groups.
- (3) Primarily Citizens and International Private Banking at 31 March 2015 and Citizens at 31 December 2014.
- (4) Excludes repurchase agreements and stock lending.

Balance sheet related key metrics and ratios	31	
	31 March 2015	December 2014
Tangible net asset value per ordinary and equivalent B share (1)	384p	387p
Loan:deposit ratio (2,3)	95%	95%
Short-term wholesale funding (2,4)	£27bn	£28bn
Wholesale funding (2,4)	£84bn	£90bn
Liquidity portfolio	£157bn	£151bn
Liquidity coverage ratio (5)	112%	112%
Net stable funding ratio (6)	110%	112%
Common Equity Tier 1 ratio	11.5%	11.2%
Risk-weighted assets	£348.6bn	£355.9bn
Leverage ratio (7)	4.3%	4.2%
Tangible equity (8)	£44,242m	£44,368m
Number of ordinary shares and equivalent B shares in issue (millions) (9)	11,514	11,466

Notes:

- (1) Tangible net asset value per ordinary and equivalent B share represents total tangible equity divided by the number of ordinary and equivalent B shares in issue.
- (2) Includes disposal groups.
- (3) Excludes repurchase agreements and stock lending.
- (4) Excludes derivative collateral.
- (5) In January 2013, the BCBS published its final guidance for calculating LCR currently expected to come into effect from October 2015 on a phased basis. Pending the finalisation of the LCR rules within the EU, RBS monitors LCR based on its interpretation of current guidance available for EU LCR reporting. The reported LCR will change over time with regulatory developments. Due to differences in interpretation, RBS's ratio may not be comparable with those of other financial institutions.
- (6) NSFR for both periods has been calculated using RBS's current interpretations of the revised BCBS guidance on NSFR issued in late 2014. Therefore, reported NSFR will change over time with regulatory developments. Due to differences in interpretation,

- RBS's ratio may not be comparable with those of other financial institutions.
- (7) Based on end-point CRR Tier 1 capital and revised 2014 Basel III leverage ratio framework.
 - (8) Tangible equity is equity attributable to ordinary and B shareholders less intangible assets.
 - (9) Includes 27 million Treasury shares (31 December 2014 - 28 million).

Highlights

Q1 2015 performance

The loss attributable to ordinary and B shareholders was £446 million, compared with a loss of £5,791 million in Q4 2014 and a profit of £1,195 million in Q1 2014.

Total income was £4,331 million, up 12% from Q4 2014 but 14% lower than Q1 2014, reflecting the reduction in the scale and risk profile of CIB. Net interest income was £2,756 million, with new business margins broadly stable but with a lower Q1 day count. Non-interest income of £1,575 million benefited from lower IFRS volatility costs and disposal gains in RBS Capital Resolution (RCR).

Operating expenses totalled £4,097 million, with adjusted operating expenses down 15% from Q1 2014 at £2,788 million, reflecting continuing headcount reductions. Compared with Q4 2014, adjusted expenses were down 11%, or 3% after excluding the impact of the UK bank levy booked in Q4. Operating expenses included £856 million of litigation and conduct charges, relating to foreign exchange and mortgage-backed securities litigation and investigations in the United States together with other customer redress. Restructuring costs amounted to £453 million, down from Q4 2014 but higher than Q1 2014, and related principally to a write-down of the value of US premises.

Impairment releases of £91 million reflected continuing benign credit conditions in all franchises, though at a lower rate than in Q4 2014.

Operating profit was £325 million, compared with a profit of £1,283 million in Q1 2014 and a loss of £375 million in Q4 2014. Excluding restructuring, litigation and conduct costs, operating profit was £1,634 million, up 16% from Q1 2014.

Statutory operating profit before tax from continuing operations was £53 million, compared with a profit of £1,490 million in Q1 2014 and a loss of £683 million in Q4 2014. After a tax charge of £193 million the loss from continuing operations was £140 million. The Q1 tax rate reflects property and conduct costs in the US for which a deferred tax asset has not been recognised and the non deductibility of certain other UK conduct costs and strategic disposal losses.

Results from discontinued operations included a net loss of £320 million reflecting the fall in the market value of Citizens shares during the quarter, from \$24.86 at 31 December 2014 to \$24.13 at 31 March 2015.

Strategic disposals losses comprise a net charge of £122 million in respect of International Private Banking and £13 million mainly in relation to RBS Kazakhstan.

Tangible net asset value per ordinary and equivalent B share was 384p at 31 March 2015, compared with 387p at 31 December 2014.

Balance sheet and capital

Funded assets at 31 March 2015 were £714 billion, up 2% from December 2014 but down 4% from the prior year. The increase in Q1 principally reflected the strengthening of the US dollar against sterling, together with client-driven trading activity and

settlement balances returning from seasonal lows at the year end.

Loans and advances to customers, excluding disposal groups, totalled £333 billion, with the continuing wind-down in RCR offsetting growth in certain strategic segments. Risk elements in lending fell by 21%, £5.9 billion to £22.3 billion at 31 March 2015, representing 5.4% of gross customer loans compared with 6.8% at 31 December 2014 and 9.0% at March 2014.

Note:

(1) Excluding restructuring, litigation and conduct costs.

Highlights

Balance sheet and capital (continued)

Customer deposits, excluding disposal groups, were down 1% from year end, including a £1 billion reduction in CIB deposits.

RWAs declined to £349 billion, down £7 billion from Q4 2014 and £66 billion from Q1 2014. The decline over the past year has been driven principally by reductions in CIB and RCR, down £37 billion and £23 billion respectively. The annual recalculation of operational risk RWAs led to a reduction of £5 billion in Q1 2015, partially offset by the effect of the strong US dollar on credit and counterparty risk RWAs (£3 billion).

Capital and leverage ratios continued to improve and were 11.5% and 4.3% respectively compared with 11.2% and 4.2% at year end and 9.4% and 3.6% a year ago.

Analysis of results

Income	Quarter ended		
	31 March 2015	31 December 2014	31 March 2014
Net interest income	£m	£m	£m
Net interest income	2,756	2,915	2,698
Average interest-earning assets			
- RBS	494,605	495,546	512,244
- Personal & Business Banking	155,999	156,002	153,711
- Commercial & Private Banking	93,052	93,184	93,151
- Citizens Financial Group	79,225	74,302	67,452
Gross yield on interest-earning assets of banking business	3.02%	3.06%	3.01%
Cost of interest-bearing liabilities of banking business	(1.09%)	(1.05%)	(1.21%)
Interest spread of banking business	1.93%	2.01%	1.80%
Benefit from interest free funds	0.33%	0.31%	0.32%

Net interest margin (1)

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- RBS	2.26%	2.32%	2.12%
- Personal & Business Banking	3.32%	3.46%	3.37%
- Commercial & Private Banking	2.94%	2.96%	2.89%
- Citizens Financial Group	2.83%	2.86%	2.94%

Non-interest income

Net fees and commissions	992	1,036	1,055
Income/(loss) from trading activities	270	(295)	856
Other operating income	313	204	444
Total non-interest income	1,575	945	2,355
Total income	4,331	3,860	5,053

Note:

For the purposes of net interest margin calculations the following adjustments have been made.

- (1) A decrease of £5 million in Q1 2015 (Q4 2014 - £12 million; Q1 2014 - £14 million) in respect of interest on financial assets and liabilities designated as at fair value through profit or loss. Related interest-earning assets and interest-bearing liabilities have also been adjusted.

Key points

Q1 2015 compared with Q4 2014

- Net interest income decreased by £159 million or 5% and was adversely affected by two fewer days in Q1. UK PBB net interest income was down from Q4, which had benefited from recognition of income on previously non-performing assets, with underlying margins broadly stable, as some narrowing of mortgage margins offset improvement in deposit margins. Ulster Bank net interest margin (NIM), down from 2.14% to 1.95%, reflected in part declining returns on free funds.
- Non-interest income increased by £630 million or 67%, with disposal gains and credit and funding valuation adjustments in RCR, lower volatile items under IFRS and higher income from trading activities in CIB.

Q1 2015 compared with Q1 2014

- Net interest income increased by £58 million or 2% with improvements in deposit margin in PBB and in Commercial Banking.
- Non-interest income declined by £780 million or 33%, primarily reflecting lower income from trading activities, driven by risk and balance sheet reductions in CIB including the wind-down of the US asset-backed products business.
- Losses on the disposal of available-for-sale securities in Treasury totalled £27 million compared with a gain of £203 million in Q1 2014.
- NIM increased by 14 basis points to 2.26%, with improvements in CPB. The UK PBB margin was stable and the Ulster Bank margin was down reflecting lower return on free funds and an increase in the liquid asset portfolio.

Analysis of results

Operating expenses

	31 March	Quarter ended 31 December	31 March
	2015	2014	2014
	£m	£m	£m
Operating expenses			
Staff expenses	1,558	1,455	1,647
Premises and equipment	487	525	594
Other	511	827	687
Restructuring costs*	453	563	129
Litigation and conduct costs	856	1,164	-
Administrative expenses	3,865	4,534	3,057
Depreciation and amortisation	232	250	269
Write down of intangible assets	-	74	82
Operating expenses	4,097	4,858	3,408
Adjusted operating expenses (1)	2,788	3,131	3,279
*Restructuring costs comprise:			
- staff expenses	55	134	43
- premises, equipment, depreciation and amortisation	290	31	61
- other	108	398	25
Restructuring costs	453	563	129
Staff costs as a % of total income	36%	38%	33%
Cost:income ratio	95%	126%	67%
Cost:income ratio - adjusted (1)	64%	81%	65%
Employee numbers (FTEs - thousands)	109.2	108.7	116.7

Note:

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

Key points

Q1 2015 compared with Q4 2014

- Operating expenses decreased by £761 million or 16% to £4,097 million. Adjusted operating expenses declined by £343 million or 11% to £2,788 million.
- Litigation and conducts costs totalled £856 million compared with £1,164 million in Q4 2014.
- Restructuring costs decreased by £110 million to £453 million, including a £277 million write-down of the value of US premises and £133 million in relation to Williams & Glyn.

Q1 2015 compared with Q1 2014

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- Operating expenses increased by £689 million or 20% to £4,097 million. Adjusted operating expenses declined by £491 million or 15% to £2,788 million.
- Litigation and conducts costs totalled £856 million in Q1 2015 against a nil charge in Q1 2014.
- Restructuring costs increased by £324 million to £453 million, principally due to the property related charge in the US.

Analysis of results

Impairment (releases)/losses

	Quarter ended		
	31 March	31 December	31 March
	2015	2014	2014
	£m	£m	£m
Impairment (releases)/losses			
Loans	(190)	(638)	360
Securities	99	15	2
Total impairment (releases)/losses	(91)	(623)	362
Loan impairment (releases)/losses			
- individually assessed	(6)	(502)	155
- collectively assessed	69	(85)	127
- latent	(253)	(51)	78
Loan impairment (releases)/losses	(190)	(638)	360
RBS excluding RCR	(30)	53	254
RCR	(160)	(691)	106
RBS loan impairment (releases)/losses	(190)	(638)	360
Customer loan impairment (releases)/losses as a % of gross loans and advances (1)			
RBS	(0.2%)	(0.6%)	0.3%
RBS excluding RCR	-	0.1%	0.3%
RCR	(4.2%)	(12.6%)	1.2%
	31 March	31 December	31 March
	2015	2014	2014
Loan impairment provisions			
- RBS	£13.8bn	£18.0bn	£24.2bn
- RBS excluding RCR	£6.6bn	£7.1bn	£8.5bn
- RCR	£7.2bn	£10.9bn	£15.7bn

Risk elements in lending			
- RBS	£22.3bn	£28.2bn	£37.4bn
- RBS excluding RCR	£12.1bn	£12.8bn	£14.4bn
- RCR	£10.2bn	£15.4bn	£23.0bn
Provisions as a % of REIL			
- RBS	62%	64%	65%
- RBS excluding RCR	55%	55%	59%
- RCR	70%	71%	68%
REIL as a % of gross customer loans			
- RBS	5.4%	6.8%	9.0%
- RBS excluding RCR	3.0%	3.3%	3.8%
- RCR	68%	70%	68%

Note:

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

Analysis of results

Risk elements in lending (REIL) and loan impairment provisions

	Quarter ended 31 March 2015					
	REIL			Impairment provisions (1)		
	RBS excl. RCR £m	RCR £m	Total £m	RBS excl. RCR £m	RCR £m	Total £m
At beginning of period	12,819	15,400	28,219	7,094	10,946	18,040
Currency translation and other adjustments	(257)	(593)	(850)	(142)	(407)	(549)
Additions	805	372	1,177			
Transfers between REIL and potential problem loans	(52)	-	(52)			
Transfer to performing book	(144)	(16)	(160)			
Repayments and disposals	(761)	(1,733)	(2,494)			
Amounts written-off	(357)	(3,205)	(3,562)	(357)	(3,205)	(3,562)
Recoveries of amounts previously written-off				80	11	91
Release to the income statement from continuing operations				(68)	(160)	(228)
Charge to the income statement from discontinued operations				38	-	38
Unwind of discount (2)				(30)	(15)	(45)
At end of period	12,053	10,225	22,278	6,615	7,170	13,785

Notes:

(1) Includes provisions relating to loans and advances to banks of £38 million.

(2) Recognised in interest income.

Key points

Q1 2015 compared with Q4 2014

- Net impairment releases decreased by £532 million to £91 million at Q1 2015. Releases were recorded across most core businesses, notably in CIB (£44 million), and in RCR (£109 million) and included releases of latent provisions totalling £253 million compared with £51 million in Q4 2014.
- REIL decreased by £5.9 billion, primarily in RCR, reflecting the completion of a sizeable loan portfolio sale. This loan sale also contributed to the £3.3 billion reduction in gross commercial real estate (CRE) lending to £40.0 billion.
- The £84 million increase in securities losses, included in impairments, related to a small number of single name exposures, predominantly an exposure in the RBS N.V. liquidity portfolio.

Q1 2015 compared with Q1 2014

- Net impairment releases totalled £91 million compared with a net impairment loss of £362 million in Q1 2014. Releases including latent provision releases of £253 million compared with a loss of £78 million in Q1 2014, were recorded across most core segments, notably in CIB (£44 million), and in RCR (£109 million).

Analysis of results

Loans and related credit metrics: Loans, REIL, provisions and impairments

The table below analyses gross loans and advances to banks and customers (excluding reverse repos) and related credit metrics by sector and geography (by location of lending office).

	Credit metrics							
	Gross		REIL as a % of gross			Provisions as a % of gross		Impairment losses/ Amounts
	loans	REIL	Provisions	loans	of REIL	loans	(releases)	written-off
31 March 2015	£m	£m	£m	%	%	%	£m	£m
Central and local government	9,725	17	9	0.2	53	0.1	8	-
Finance	44,326	316	207	0.7	66	0.5	(5)	15
Personal								
- mortgages	150,200	5,239	1,402	3.5	27	0.9	15	60
- unsecured	31,042	1,790	1,506	5.8	84	4.9	102	187
Property	47,810	8,922	5,916	18.7	66	12.4	(115)	2,568
Construction	5,464	637	426	11.7	67	7.8	(32)	140
of which: CRE	40,040	9,056	5,985	22.6	66	14.9	(135)	2,581
Manufacturing	22,360	377	262	1.7	69	1.2	-	49
Finance leases (1)	13,991	147	102	1.1	69	0.7	(2)	6
Retail, wholesale and repairs	18,116	761	501	4.2	66	2.8	(5)	117

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Transport and storage	13,547	1,146	536	8.5	47	4.0	66	44
Health, education and leisure	15,743	608	291	3.9	48	1.8	(2)	66
Hotels and restaurants	7,918	855	475	10.8	56	6.0	16	91
Utilities	5,704	106	48	1.9	45	0.8	(14)	19
Other	27,954	1,318	1,017	4.7	77	3.6	31	200
Latent	-	-	1,049	-	-	-	(253)	n/a
Customers	413,900	22,239	13,747	5.4	62	3.3	(190)	3,562
Geographic regional analysis								
UK								
- residential mortgages	114,015	1,326	187	1.2	14	0.2	10	10
- personal lending	15,329	1,523	1,360	9.9	89	8.9	55	155
- property	36,248	4,757	2,770	13.1	58	7.6	(53)	834
- construction	4,166	441	257	10.6	58	6.2	(60)	44
- other	120,227	3,219	2,254	2.7	70	1.9	(89)	137
Europe								
- residential mortgages	14,455	2,909	1,058	20.1	36	7.3	(18)	11
- personal lending	1,377	61	61	4.4	100	4.4	2	-
- property	5,184	4,073	3,097	78.6	76	59.7	(52)	1,733
- construction	803	188	162	23.4	86	20.2	27	96
- other	16,735	2,040	1,747	12.2	86	10.4	(38)	442
US								
- residential mortgages	21,730	1,004	157	4.6	16	0.7	23	39
- personal lending	12,371	189	68	1.5	36	0.5	45	32
- property	5,703	67	24	1.2	36	0.4	(9)	1
- construction	438	2	2	0.5	100	0.5	1	-
- other	32,891	204	369	0.6	181	1.1	(22)	4
RoW								
- personal lending	1,965	17	17	0.9	100	0.9	-	-
- property	675	25	25	3.7	100	3.7	(1)	-
- construction	57	6	5	10.5	83	8.8	-	-
- other	9,531	188	127	2.0	68	1.3	(11)	24
Customers	413,900	22,239	13,747	5.4	62	3.3	(190)	3,562
Banks	29,328	39	38	0.1	97	0.1	-	-

Note:

(1) Includes instalment credit.

Analysis of results

Capital and leverage ratios

	End-point CRR basis (1)		PRA transitional basis	
	31 March 2015	December 2014	31 March 2015	December 2014
Risk asset ratios	%	%	%	%
CET1	11.5	11.2	11.5	11.1
Tier 1	11.5	11.2	13.3	13.2
Total	14.0	13.7	17.0	17.1
Capital	£m	£m	£m	£m
Tangible equity	44,242	44,368	44,242	44,368
Expected loss less impairment provisions	(1,512)	(1,491)	(1,512)	(1,491)
Prudential valuation adjustment	(393)	(384)	(393)	(384)
Deferred tax assets	(1,140)	(1,222)	(1,140)	(1,222)
Own credit adjustments	609	500	609	500
Pension fund assets	(245)	(238)	(245)	(238)
Other deductions	(1,436)	(1,614)	(1,414)	(1,884)
Total deductions	(4,117)	(4,449)	(4,095)	(4,719)
CET1 capital	40,125	39,919	40,147	39,649
AT1 capital	-	-	6,206	7,468
Tier 1 capital	40,125	39,919	46,353	47,117
Tier 2 capital	8,689	8,717	12,970	13,626
Total regulatory capital	48,814	48,636	59,323	60,743
Risk-weighted assets				
Credit risk				
- non-counterparty	263,000	264,700	263,000	264,700
- counterparty	31,200	30,400	31,200	30,400
Market risk	22,800	24,000	22,800	24,000
Operational risk	31,600	36,800	31,600	36,800
Total RWAs	348,600	355,900	348,600	355,900
Leverage (2)				
Derivatives	391,100	354,000		
Loans and advances	429,400	419,600		
Reverse repos	69,900	64,700		
Other assets	214,200	212,500		
Total assets	1,104,600	1,050,800		
Derivatives				

- netting	(379,200)	(330,900)
- potential future exposures	96,000	98,800
Securities financing transactions gross up	20,200	25,000
Undrawn commitments	94,900	96,400
Regulatory deductions and other adjustments		
(3)	900	(600)
Leverage exposure	937,400	939,500
Leverage ratio %	4.3	4.2

Notes:

- (1) Capital Requirements Regulation (CRR) as implemented by the Prudential Regulation Authority in the UK, with effect from 1 January 2014. All regulatory adjustments and deductions to CET1 have been applied in full for the end-point CRR basis with the exception of unrealised gains on AFS securities which has been included from 2015 for the PRA transitional basis.
- (2) Based on end-point CRR Tier 1 capital and revised 2014 Basel III leverage ratio framework.
- (3) The change in regulatory adjustments was driven by the increase in disallowable settlement balances.

Analysis of results

Key points

Q1 2015 compared with Q4 2014

- The end-point CRR CET1 ratio improved to 11.5% from 11.2%, reflecting a reduction in RWAs.
- CET1 capital has improved by £0.2 billion in the quarter. The current period loss has been offset by a reduction in other intangibles and deferred tax deductions.
- The leverage ratio improved by 10 basis points to 4.3% reflecting both increased CET1 capital and reduced leverage exposure driven by higher derivatives netting offsetting higher funded assets.
- RWAs have decreased by £7.3 billion in the quarter principally due to the annual recalculation of the operational risk charge resulting in a decrease of £5.2 billion, reductions in non-modelled market risk of £1.2 billion and disposals, partially offset by the effect of foreign currency movements in credit risk and counterparty risk RWAs.
- RCR RWAs reduced by £4.8 billion principally reflecting disposals and write-offs and repayments of £3.2 billion, £1.6 billion of risk parameter and other changes, including £0.6 billion due to counterparties moving into default.
- CIB RWAs decreased by £4.3 billion due to portfolio reduction of £3.2 billion, partly offset by the impact of credit risk model changes of £1 billion and foreign exchange movements of £0.7 billion. The operational risk recalculation resulted in a further

decrease of £3.3 billion.

- The increase of £3.6 billion in Citizens Financial Group RWAs related primarily to the appreciation of the dollar against sterling.
- Ulster Bank's RWAs decreased by £1.4 billion is due to the euro weakening against sterling in the quarter of £1.2 billion and the operational risk recalculation decrease.

Segment performance

	Quarter ended 31 March 2015										
	PBB			CPB			CIB			Total	
	Ulster			Commercial		Private	Central				
	UK	Bank	Total	Banking	Banking	Total	(1)	CFG	RCR	RBS	
PBB	Bank	Total	Banking	Banking	Total	(1)	CFG	RCR	RBS	Total	
£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Income statement											
Net interest income	1,143	133	1,276	546	128	674	202	62	553	(11)	2,756
Non-interest income	309	57	366	276	86	362	602	(130)	244	131	1,575
Total income	1,452	190	1,642	822	214	1,036	804	(68)	797	120	4,331
Direct expenses											
- staff costs	(216)	(60)	(276)	(129)	(76)	(205)	(180)	(583)	(289)	(25)	(1,558)
- other costs	(70)	(17)	(87)	(54)	(12)	(66)	(78)	(786)	(207)	(6)	(1,230)
Indirect expenses											