ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

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

15 December 2010

The Royal Bank of Scotland Group plc

Gogarburn
PO Box 1000
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Scotland
United Kingdom

(Address of principal executive offices)

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

Form 20-F X Form 40-F

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

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

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

Yes No X

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

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(File Nos. 333-162219 and 333-162219-01) and to be a part thereof from the date which it was filed, to the extent not superseded by documents or reports subsequently filed or furnished.

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

In particular, this document includes forward-looking statements relating, but not limited to: the Group’s restructuring plans, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk weighted assets, return on equity (ROE), cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; the Group’s future financial performance; the level and extent of future impairments and write-downs; the protection provided by the Asset Protection Scheme (APS); and the Group’s potential exposures to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain 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: the full nationalisation of the Group or other resolution procedures under the Banking Act 2009; the global economy and instability in the global financial markets, and their impact on the financial industry in general and on the Group in particular; the financial stability of other financial institutions, and the Group’s counterparties and borrowers; the ability to complete restructurings on a timely basis, or at all, including the disposal of certain Non-Core assets and assets and businesses required as part of the EC State Aid restructuring plan; organisational restructuring; the ability to access sufficient funding to meet liquidity needs; cancellation, change or withdrawal of, or failure to renew, governmental support schemes; the extent of future write-downs and impairment charges caused by depressed asset valuations; the inability to hedge certain risks economically; costs or exposures borne by the Group arising out of the origination or sale of mortgages or mortgage-backed securities in the United States; the value and effectiveness of any credit protection purchased by the Group; unanticipated turbulence in interest rates, yield curves, foreign currency exchange rates, credit spreads, bond prices, commodity prices and equity prices; changes in the credit ratings of the Group; ineffective management of capital or changes to capital adequacy or liquidity requirements; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; HM Treasury exercising influence over the operations of the Group; the ability of the Group to attract or retain senior management or other key employees; regulatory change in the United Kingdom, the United States and other countries in which the Group operates or a change in United Kingdom Government policy; changes to regulatory requirements relating to capital and liquidity; changes to the monetary and interest rate policies of the Bank of England, the Board of Governors of the Federal Reserve System and other G7 central banks; impairments of goodwill; pension fund shortfalls; litigation and regulatory investigations; general operational risks; insurance claims; reputational risk; general geopolitical and economic conditions in the UK and in other countries in which the Group has significant business activities or investments, including the United States; the ability to achieve revenue benefits and cost savings from the integration of certain of RBS Holdings N.V.’s (formerly ABN AMRO Holding N.V.) businesses and assets; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; the participation of the Group in the APS and the effect of the APS on the Group’s financial and capital position; the ability to access the contingent capital arrangements with HM Treasury; the conversion of the B Shares in accordance with their terms; limitations on, or additional requirements imposed on, the Group’s activities as a result of HM Treasury’s investment in the Group; and the success of the Group in managing the risks involved in the foregoing.

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

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

Presentation of information

Statutory results
RFS Holdings is the entity that acquired ABN AMRO and is jointly owned by the Consortium Members. It is controlled by RBS and is therefore fully consolidated in its financial statements. The interests of Fortis, and its successor the State of the Netherlands, and Santander in RFS Holdings are included in minority interests. Following the legal separation of ABN AMRO Bank NV on 1 April 2010, RBS no longer consolidates the interests in ABN AMRO of its consortium partners in its results.

Non-GAAP financial information
IFRS requires the Group to consolidate those entities that it controls, including RFS Holdings as described above. However, discussion of the Group's performance focuses on performance measures that exclude the RFS Holdings minority interest as the Group believes that such measures allow a more meaningful analysis of the Group's financial condition and the results of its operations. These measures are non-GAAP financial measures. A body of generally accepted accounting principles such as IFRS is commonly referred to as 'GAAP'. A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. Reconciliations of these non-GAAP measures are presented throughout this document. These non-GAAP financial measures are not a substitute for GAAP measures, for which management has responsibility.

RBS has divided its operations into "Core" and "Non-Core" for internal reporting purposes. Certain measures disclosed in this document for Core operations and used by RBS management are non-GAAP financial measures as they represent a combination of all reportable segments with the exception of Non-Core. In addition, RBS has further divided parts of the Core business into "Retail & Commercial" consisting of UK Retail, UK Corporate, Wealth, Global Transaction Services, Ulster Bank and US Retail & Commercial divisions. This is a non-GAAP financial measure.

Recent Developments

World Online International N.V.
In November 2009 the Supreme Court in the Netherlands gave a declaratory judgment against World Online International N.V., Goldmans Sachs International and ABN AMRO Bank N.V. (now known as The Royal Bank of Scotland N.V.) in relation to claims arising out of the World Online initial public offering of 2000. It held that these Defendants had committed certain wrongful acts in connection with the initial public offering. The judgment does not establish liability or the amount of any loss. The defendant banks have agreed to pay some damages to certain investors. RBS Group does not believe that such settlements or any final liability or loss will have a significant effect on RBS Group's financial position or profitability.

Other investigations
In April 2009 the FSA notified RBS Group that it was commencing a supervisory review of the acquisition of ABN AMRO in 2007 and the 2008 capital raisings and an investigation into conduct, systems and controls within the Global Banking & Markets division of the RBS Group. RBS Group and its subsidiaries cooperated fully with this review and investigation. On 2 December 2010, the FSA confirmed that it had completed its investigation and had concluded that no enforcement action, either against RBS Group or against individuals, was warranted.

Comment

Stephen Hester, Group Chief Executive, commented:

"Our third quarter results demonstrate that we continue to make good progress in our recovery. We are delivering what we set out to achieve.

The Core Bank is becoming stronger. As we focus on serving customers better, profitability is also improving and rebalancing towards a more sustainable mix of business contributions. At the same time, the legacy risks and losses in Non-Core are being worked out effectively and our ambitious restructuring efforts continue apace.

The accounting treatment of some balance sheet items is volatile and can sometimes obscure our underlying story. Nevertheless, I believe that our results today show clear and measured progress toward our three strategic goals:

1. Serving our customers better must be the foundation of everything we do. It is our mission. Across our businesses change is occurring to improve customer service, not least through the customer charters that now drive our UK retail and corporate banking operations. Already we have customer satisfaction and market positions that compare well with our competitors. Our aspirations are higher still and we are investing to achieve them.

2. We are making the bank safer, stronger, and more resilient. We have delivered good progress on all our targets: reducing costs; strengthening our capital base; reducing our dependency on short-term wholesale funding; improving our liquidity; and, reducing our leverage. This activity should also ensure that RBS is well positioned to meet the very substantial uplifts required by international regulatory change in bank resilience in the areas of capital and liquidity, within the timetable given.

3. The profitable Core of RBS is the ultimate source of value creation for all of our shareholders; we need to produce profits above the cost of capital we use across business cycles. At present, as these Core profits build, they are partially offset by planned Non-Core losses. We target continued improvement in this balance in 2011 and in the sustainable level of Core profitability. We have much still to do on the revenue lines. There is substantial management action in train targeting long-term improvements.

While economic challenges, especially interest rate-driven, and regulatory costs will impact the level of improvements targeted and their speed, RBS remains focused on achieving balanced progress across all our key objectives."

Condensed consolidated income statement
for the period ended 30 September 2010

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September* 2009	30 September 2010	30 September* 2009
	£m	£m	£m	£m	£m
Interest receivable	5,584	5,888	5,693	17,164	20,334
Interest payable	(2,173)	(2,212)	(2,573)	(6,535)	(10,365)
Net interest income	3,411	3,676	3,120	10,629	9,969
Fees and commissions receivable	2,037	2,053	1,919	6,141	6,385
Fees and commissions payable	(611)	(579)	(545)	(1,762)	(1,896)
Income from trading activities	277	2,110	1,088	4,153	3,052
Gain on redemption of own debt	-	553	-	553	3,790
Other operating income (excluding insurance premium income)	(317)	346	(77)	476	569
Insurance net premium income	1,289	1,278	1,301	3,856	3,958
Non-interest income	2,675	5,761	3,686	13,417	15,858
Total income	6,086	9,437	6,806	24,046	25,827
Staff costs	(2,423)	(2,365)	(2,363)	(7,477)	(7,499)
Premises and equipment	(611)	(547)	(631)	(1,693)	(1,909)
Other administrative expenses	(914)	(1,022)	(1,062)	(2,947)	(3,265)
Depreciation and amortisation	(603)	(519)	(534)	(1,604)	(1,566)
Write-down of goodwill and other intangible assets	-	-	-	-	(311)
Operating expenses	(4,551)	(4,453)	(4,590)	(13,721)	(14,550)
Profit before other operating charges and impairment losses	1,535	4,984	2,216	10,325	11,277
Insurance net claims	(1,142)	(1,323)	(1,145)	(3,601)	(3,036)
Impairment losses	(1,953)	(2,487)	(3,279)	(7,115)	(10,800)
Operating (loss)/profit before tax	(1,560)	1,174	(2,208)	(391)	(2,559)
Tax credit/(charge)	295	(825)	617	(637)	1,073
(Loss)/profit from continuing operations	(1,265)	349	(1,591)	(1,028)	(1,486)
Loss on distribution of ABN AMRO Bank NV to	-	(1,019)	-	(1,019)	-

the State of the Netherlands and Santander					
Other profits from discontinued operations, net of tax	18	-	-	331	30
Profit/(loss) from discontinued operations, net of tax	18	(1,019)	-	(688)	30
Loss for the period	(1,247)	(670)	(1,591)	(1,716)	(1,456)
Minority interests	101	946	36	703	(595)
Preference share and other dividends	-	(19)	(245)	(124)	(791)
(Loss)/profit attributable to ordinary and B shareholders	(1,146)	257	(1,800)	(1,137)	(2,842)

* restated for the reclassification of the results attributable to other Consortium Members as discontinued operations.

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Highlights

Third quarter 2010 results summary
Group operating loss in Q3 2010 was £1,560 million down from a profit of £1,174 million in the second quarter but improved from a loss of £2,208 million in Q3 2009.

The net loss attributable to shareholders was £1,146 million, compared with a profit of £257 million in Q2 2010 and a loss of £1,800 million in Q3 2009.

Operating performance
Improved Core operating results were led by a good performance from our Retail & Commercial businesses. The Retail & Commercial net interest margin continued its recovery from the trough levels reached in 2008 and 2009, rising 12 basis points to 3.23%. Impairments were 12% lower, with improved credit performance in UK Retail and UK Corporate, leaving operating profits up 12% at £1,100 million.

GBM revenues were 20% lower at £1,554 million for the quarter, given lower customer trading volumes and volatility. Expenses were 3% lower and a small net recovery was recorded on previously booked impairments. Operating profit fell by 21% to £589 million. Year-to-date revenue was £6,325 million.

RBS Insurance's performance improved in the third quarter, due to lower additions to bodily injury reserves, though the business still recorded an operating loss of £33 million. Tighter underwriting criteria are now in effect, but the motor segment remained in loss. The home insurance segment continues to deliver strong results.

Third quarter 2010 results summary (continued)

Operating performance (continued)
Non-Core income benefited from higher trading income while impairment losses decreased by 16% to £1,171 million. Total Non-Core operating loss was 24% lower at £1,006 million.

Overall Group impairments fell to £1,953 million, 21% lower than in Q2 2010 and down 40% from Q3 2009. The reduction in credit costs was broadly spread, with improvements in most Retail & Commercial franchises, in GBM and in Non-Core. Impairment losses in Ulster Bank, however, remained severe, reflecting the continuing deterioration in credit metrics across the Irish economy.

Efficiency
Group expenses were up 2% during the third quarter at £4,551 million and down 1% from the third quarter of 2009. Core expenses were flat during the quarter and 4% lower than in the prior year. Non-Core expenses were 2% lower than in Q2 2010 reflecting a number of business disposals. Costs within Business Services, which provides technology, property and operational services to the Group's customer-facing divisions, rose 2% compared with Q2 2010 but were 4% lower than in the third quarter of 2009. Further plans to consolidate a number of Business Services operations centres were announced in September.

The Group cost:income ratio, excluding fair value of own debt and net of claims, was 60.5%, compared with 60.0% in the second quarter and 65.2% in Q3 2009. The Core cost:income ratio, excluding fair value of own debt, in Q3 2010 was 58.3%.

Balance sheet management
The Group's funded balance sheet increased by £22 billion during the third quarter, driven by a 5% increase in GBM, which returned towards more normal asset levels after a sharp reduction during Q2 2010. This was partially offset by continued good progress of the Non-Core run-off programme, with third party assets, excluding derivatives, down £20 billion. This was largely driven by the division's disposal programme (£11 billion), including the disposal of Sempra JV assets (£3 billion) and a number of other assets, principally from the markets business. Portfolio run-off totalled £9 billion. There was some asset growth in UK Retail and Wealth, but loan demand remained muted in other Retail & Commercial divisions.

Gross risk-weighted assets (excluding the relief provided by the Asset Protection Scheme) were broadly flat at £595 billion, as Non-Core asset run-off was largely offset by run-off of capital relief trades in GBM.

Third quarter 2010 results summary (continued)

Balance sheet management (continued)
Wholesale funding market conditions improved significantly during the quarter and RBS has taken advantage of opportunities to improve its funding profile, in line with the Group's strategic plan. Public and private unguaranteed debt issuance during Q3 2010 totalled £18 billion, higher than the first half of 2010, featuring RBS's second covered bond and its first residential mortgage-backed securities public issuance since 2007.

The run-off of the Non-Core portfolio continues to contribute to the reduction in the Group's overall wholesale funding, and more of this requirement is being funded longer term. The proportion of debt instruments with more than one year to maturity increased to 62% at 30 September 2010, compared with 50% at 31 December 2009.

The liquidity portfolio increased by £14 billion to £151 billion during the quarter which reflects asset disposals in Non-Core and the impact of term debt issuance.

Capital
The Group's Core Tier 1 ratio at 30 September 2010 was 10.2%, compared with 10.5% at 30 June 2010. The decline reflects the attributable loss together with reduced RWA relief from the APS as covered assets run-off.

Basel III capital implementation and impacts
The new framework under Basel III is being phased in over the next few years. Given our current strong capital base and improving operating earnings performance, we expect to be well positioned to meet the Basel requirements. For further details see the Capital section on pages 90 and 91.

Bank levy
Certain details of the UK bank levy announced in the June 2010 Budget are yet to be clarified. However, on the basis of the proposals announced in the initial consultation paper, the cost of the levy to RBS is currently estimated to be approximately £225-£250 million in 2011, rising to approximately £350-£400 million in 2012. The levy penalises non-insured liabilities, including deposits from our corporate customers, as well as other wholesale funding.

Highlights (continued)

Third quarter 2010 results summary (continued)

Customer franchises
A key element of the Group’s strategic progress involves strengthening and improving its Core businesses through a dedicated focus on serving customers well. RBS customer franchises have come through the turmoil of the last three years with resilience, demonstrating the solidity of their foundations. The third quarter has seen further early progress across the Group in restoring and developing these franchises.

- UK Retail launched the Retail Customer Charter in June and is now working towards delivery of the commitments made. Progress against these commitments will be formally reviewed at the end of 2010 and reported as part of the year end results. Tangible steps so far to meet the commitment and improve customers’ experience include process improvements in approximately 1,200 branches and 500 new cash deposit machines installed in branches around the UK.

- UK Corporate is currently opening more than 2,000 start-up accounts per week and recently launched a Start-Up Hotline to give advice to budding entrepreneurs. Over the past 12 months the division has helped more than 100,000 new businesses enter the market with two years free banking.

- Global Transaction Services delivered a number of initiatives designed to increase UK companies’ ability and confidence to do business overseas. One such initiative saw Global Transaction Services partner with UK Trade & Investment to support UK businesses in taking advantage of business opportunities in Asia.

- Ulster Bank has increased customer numbers by 3% over the past year, representing a net increase of 50,000. The September 2010 launch of the "Helpful Banking" programme resulted in a number of new initiatives, including Saturday branch openings in most towns and cities. By opening on Saturdays, and extending weekday opening hours in the Republic of Ireland, Ulster Bank is giving customers an extra 30,000 hours each year to visit its branches.

- US Retail & Commercial added more than 52,500 new customer accounts and 12,500 small business accounts in the year to 30 September 2010 with the new brand platform of “Good Banking is Good Citizenship” garnering positive response, from both new and existing customers.

- GBM, despite difficult conditions and reduced client activity, has retained its number one position for sterling derivative products in Q3 2010 and has been recognised for service quality as most innovative in asset & liability management and inflation products.

- RBS Insurance's home business has continued to make good progress and the division established itself as the largest home insurance provider within the UK at the end of H1 2010, with Privilege and Churchill brands combined growing in-force policies by over 17% in the last year.

Highlights (continued)

Third quarter 2010 results summary (continued)

UK Lending
The Group grew net UK mortgage balances by £2.6 billion in Q3 2010, up 6% from Q2 2010. While gross lending remained strong at £5.3 billion in Q3 2010 (up 8% from the previous quarter), net lending volumes have been affected by an increase in redemptions during 2010. This reflects the roll-off of a large number of customers from fixed-term mortgage deals, as well as greater competition in the market. However, the Group's market share for gross mortgage lending remained high, at 14%, for the third quarter.

Acceptance rates remain high at approximately 90% and we continue to offer a wide range of mortgage products up to 90% Loan to Value. In particular, the Group continues to support the first time buyer market, helping more than 8,000 customers to move into their first home during Q3 2010.

With net lending of £5.8 billion in the seven months March-September 2010, RBS remains on course to achieve its £8 billion mortgage lending target for the March 2010 to February 2011 period.

During Q3 2010, the Group extended £13.9 billion of gross new facilities to UK businesses. This was 9% higher than the previous quarter and a 34% rise from Q3 2009. However, many businesses are continuing to reduce existing borrowings. Net repayments by businesses totalled £3.7 billion in the quarter though this includes loans in RBS's Non-Core Division targeted for run-off. Additionally, businesses have access to £43 billion of undrawn facilities extended by RBS and available for when credit demand increases.

Gross new facilities of £7.6 billion were extended to SMEs during Q3 2010, up 8% from the previous quarter and 15% higher year-on-year. However, the volume of new credit applications is weak, down 8% in Q3 2010 from the previous quarter and 12% lower than the comparable period last year. The Group continues to approve approximately 85% of credit applications. The average price of new loans to SMEs during the third quarter was 3.44%, an increase from 3.18% in Q3 2009 largely driven by the rising cost of term funding, but considerably lower than the average of 7.01% during the third quarter of 2008.

In the mid and large corporate segments, £6.3 billion of gross new facilities were extended during Q3 2010, up 11% on the previous quarter and 67% higher than during the third quarter of 2009. The higher lending volumes during Q3 2010 were primarily due to a number of significant one-off transactions and larger corporates bringing forward refinancings. The latter reflects both current loan market conditions, with margins having tightened and terms lengthened, and longer-term concerns over loan market liquidity and funding costs.

Gross new facilities extended to businesses in the seven months March-September 2010 totalled £30.9 billion, of which £17.5 billion was to SMEs. At this stage, the Group is on plan to achieve its £50 billion gross business lending target for the March 2010 to February 2011 period.

Third quarter 2010 results summary (continued)

Disposals
During the third quarter, the Group completed four disposals from its Non-Core division, resulting in a reduction of close to £10 billion in risk-weighted assets. Three more Non-Core business disposals were signed during the quarter, including the sale of the Indian retail and commercial banking operations to HSBC.

Significant progress has also been made on the Group’s European Commission-mandated disposal programme, with three of our four mandated disposal businesses largely agreed. In early August, agreement was reached on the sale of the Group’s RBS England and Wales and NatWest Scotland branches to Santander UK plc. The sale remains subject to regulatory and other approvals and is expected to complete by the end of 2011. In the same month, the sale of the Global Merchant Services business to a consortium of Advent International and Bain Capital was agreed. RBS will hold a 19.99% minority stake in the resulting entity and the transaction is expected to close in Q4 2010.

Following the sale of RBS Sempra Commodities’ Metals, Oil and European Energy business lines to J.P. Morgan in February, sale agreements have now been reached for substantially all of the remaining assets of the joint venture. The sale of Sempra Energy Solutions to Noble Americas Gas & Power Corp was announced in September, while the sale of Sempra North American Power and Gas to J.P. Morgan was announced on 7 October. Both these transactions are expected to close in Q4 2010.

Taken together, these EU mandated transactions will reduce the Group’s gross risk-weighted assets by approximately £18 billion. The progress made will allow management to intensify focus on the Core business and further the execution of the Group’s strategic plan.

Outlook
Fourth quarter trends in RBS Retail & Commercial banking businesses seem likely to be broadly consistent with those of the third quarter in terms of both profitability and key balance sheet items. The pace of net interest margin expansion is likely to moderate into 2011 pending the start of interest rate normalisation. GBM revenues, as is typical for the industry, are hard to forecast. It is anticipated, however, the fourth quarter market environment will remain challenging.

In Non-Core we expect to continue to make good progress on risk reduction in the fourth quarter. Given our healthy asset sales pipeline, we expect to come in below our year-end third party asset target. This could bring with it an increase in disposal losses.

Lastly, accounting (non-cash) volatility in fair value of own debt and APS costs is likely to continue.

Overall RBS expects to continue to operate broadly in line with its strategic plan metrics for 2010 as a whole.

Condensed consolidated balance sheet
at 30 September 2010

	30 September 2010	30 June 2010	31 December 2009
	£m	£m	£m
Assets			
Cash and balances at central banks	61,416	29,591	52,261
Net loans and advances to banks	60,334	54,489	56,656
Reverse repurchase agreements and stock borrowing	48,407	47,663	35,097
Loans and advances to banks	108,741	102,152	91,753
Net loans and advances to customers	528,049	539,375	687,353
Reverse repurchase agreements and stock borrowing	44,503	39,396	41,040
Loans and advances to customers	572,552	578,771	728,393
Debt securities	226,410	236,260	267,254
Equity shares	21,755	17,326	19,528
Settlement balances	22,874	20,718	12,033
Derivatives	548,805	522,871	441,454
Intangible assets	14,369	14,482	17,847
Property, plant and equipment	17,398	17,608	19,397
Deferred taxation	5,909	5,839	7,039
Prepayments, accrued income and other assets	11,908	14,095	20,985
Assets of disposal groups	17,450	22,340	18,542
Total assets	1,629,587	1,582,053	1,696,486
Liabilities			
Bank deposits	80,304	96,710	104,138
Repurchase agreements and stock lending	41,465	44,165	38,006
Deposits by banks	121,769	140,875	142,144
Customer deposits	420,639	420,890	545,849
Repurchase agreements and stock lending	87,287	70,655	68,353
Customer accounts	507,926	491,545	614,202
Debt securities in issue	235,083	217,317	267,568
Settlement balances	20,628	19,730	10,413
Short positions	44,004	42,994	40,463
Derivatives	543,397	508,966	424,141
Accruals, deferred income and other liabilities	23,667	24,867	30,327
Retirement benefit liabilities	2,637	2,611	2,963
Deferred taxation	2,270	2,195	2,811
Insurance liabilities	6,782	6,521	10,281
Subordinated liabilities	27,890	27,523	37,652
Liabilities of disposal groups	16,154	17,615	18,890
Total liabilities	1,552,207	1,502,759	1,601,855

Equity			
Minority interests	1,780	2,492	16,895
Owners' equity*			
Called up share capital	15,030	15,029	14,630
Reserves	60,570	61,773	63,106
Total equity	77,380	79,294	94,631
Total liabilities and equity	1,629,587	1,582,053	1,696,486
* Owners' equity attributable to:			
Ordinary and B shareholders	70,856	72,058	69,890
Other equity owners	4,744	4,744	7,846
	75,600	76,802	77,736

Commentary on condensed consolidated balance sheet

Total assets of £1,629.6 billion at 30 September 2010 were up £47.5 billion, 3%, compared with 30 June 2010.

Cash and balances at central banks were up £31.8 billion, 108% to £61.4 billion.

Loans and advances to banks increased by £6.6 billion, 6%, to £108.7 billion. Reverse repurchase agreements and stock borrowing ('reverse repos') were up £0.7 billion, 2% to £48.4 billion and bank placings rose £5.8 billion, 11%, to £60.3 billion as a result of increased placings on the inter-bank markets.

Loans and advances to customers decreased £6.2 billion, 1%, to £572.6 billion. Within this reverse repos were up £5.1 billion, 13% to £44.5 billion. Excluding reverse repos, customer lending decreased by £11.3 billion, 2%, to £528.0 billion or by £9.8 billion before impairment provisions. This reflected reductions, in constant currency terms, in Non-Core of £6.8 billion, together with declines in UK Corporate £1.7 billion, Global Transaction Services, £1.2 billion, Global Banking & Markets, £1.2 billion and US Retail & Commercial, £1.1 billion together with the effect of exchange rate movements, £0.2 billion. These were offset by growth in UK Retail, £1.9 billion, and Wealth, £0.6 billion.

Equity shares increased £4.4 billion, 26%, to £21.8 billion driven by increased holdings within Global Banking & Markets.

Settlement balances rose £2.2 billion, 10%, to £22.9 billion as a result of customer activity principally within Global Banking & Markets.

Movements in the value of derivative assets, up £25.9 billion, 5%, to £548.8 billion, and liabilities, up £34.4 billion, 7%, to £543.4 billion, primarily reflect changes in interest rates, currency movements, with Sterling strengthening against the US dollar offset in part by weakening against the Euro, and growth in trading volumes.

Assets of disposal groups reduced by £4.9 billion, 22%, to £17.5 billion resulting primarily from the completion of disposals of RBS Sempra's Oil, Metals and European Gas & Power business, the Eurosales Finance businesses in France and Germany and certain of the Group's Asian and Latin American businesses.

Deposits by banks declined £19.1 billion, 14%, to £121.8 billion, reflecting reduced inter-bank deposits, down £16.4 billion, 17%, to £80.3 billion and decreased repurchase agreements and stock lending ('repos'), down £2.7 billion, 6%, to £41.5 billion.

Customer accounts rose £16.4 billion, 3%, to £507.9 billion. Within this, repos increased £16.6 billion, 24%, to £87.3 billion. Excluding repos, customer deposits were down £0.3 billion, to £420.6 billion, with reductions, in constant currency terms, in Global Banking & Markets, £4.8 billion, Wealth, £1.4 billion and Ulster Bank, £0.2 billion, together with the effect of exchange rate movements of £1.5 billion. This was partially offset by growth in UK Corporate, £2.6 billion, Global Transaction Services, £2.3 billion, UK Retail, £1.4 billion and US Retail & Commercial, £1.1 billion.

Commentary on condensed consolidated balance sheet (continued)

Debt securities in issue were up £17.8 billion, 8%, to £235.1 billion, principally as a result of the Group’s capital raising programme in the third quarter, coupled with movements in Global Banking & Markets.

Liabilities of disposal groups declined £1.5 billion, 8%, to £16.2 billion primarily reflecting the completion of several disposals in the quarter.

Owners' equity reduced by £1.2 billion, 2%, to £75.6 billion. The attributable loss for the period, £1.1 billion, and exchange rate movements, £0.7 billion, were offset in part by an increase in cash flow hedging reserves, £0.4 billion, and reduced losses in available-for-sale reserves £0.2 billion.

Results summary

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Non-interest income	£m	£m	£m	£m	£m
Net fees and commissions	1,426	1,474	1,374	4,379	4,489
Income from trading activities					
- fair value of own debt	(330)	104	(246)	(185)	(114)
- Asset Protection Scheme credit default swap – fair value changes	(825)	500	-	(825)	-
- other	1,432	1,506	1,334	5,163	3,166
Gain on redemption of own debt	-	553	-	553	3,790
Other operating income					
- fair value of own debt	(528)	515	(237)	(223)	(298)
- strategic disposals	27	(411)	(155)	(331)	(298)
- other	184	242	315	1,030	1,165
Non-interest income (excluding insurance net premium income)*	1,386	4,483	2,385	9,561	11,900
Insurance net premium income	1,289	1,278	1,301	3,856	3,958
Total non-interest income	2,675	5,761	3,686	13,417	15,858
* includes fair value of own debt impact:					
(Loss)/income from trading activities	(330)	104	(246)	(185)	(114)
Other operating income	(528)	515	(237)	(223)	(298)
Fair value of own debt	(858)	619	(483)	(408)	(412)

Key points

Q3 2010 compared with Q2 2010

- Income from trading activities, excluding movements in the fair value of own debt and the Asset Protection Scheme (APS) credit default swap, declined by £74 million, with economic uncertainty and the seasonally quieter summer period leading to weaker capital market conditions, reduced volatility and lower client activity. Non-Core income from trading activities was £227 million, compared with £25 million in the second quarter, reflecting credit market write-backs.

- The Group's credit spreads narrowed during the quarter, resulting in a loss of £858 million on the fair value of own debt, compared with a gain of £619 million in the second quarter.

- The APS is structured as a credit derivative, and movements in the fair value of the contract led to a charge of £825 million in the third quarter compared with a credit of £500 million in the second quarter. This largely reflected tightening credit spreads across the portfolio of covered assets, leading to a fall in the fair value of the protection provided by the contract. The minimum fee on the APS policy throughout its life remains £2.5 billion, with the cumulative fees paid for coverage through to the end of 2010 at £1.4 billion.

- Other operating income, excluding movements in the fair value of own debt and strategic disposals, totalled £184 million compared with £242 million in the second quarter.

Results summary (continued)

Q3 2010 compared with Q3 2009

- GBM trading income was 51% lower than in the third quarter of 2009, which saw greater activity and volatility in capital markets. Non-Core trading income of £227 million compared with a loss of £565 million in the prior year period when losses were incurred on banking book hedges and CDPCs.

- Other operating income, excluding movements in the fair value of own debt and strategic disposals, totalled £184 million compared with £315 million in the third quarter of 2009.

- The charge of £858 million on the fair value of own debt compares with a charge of £483 million in the third quarter of 2009, resulting from a sharp improvement in the Group’s credit spreads during the quarter.

Results summary (continued)

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Operating expenses	£m	£m	£m	£m	£m
Staff costs	2,423	2,365	2,363	7,477	7,499
Premises and equipment	611	547	631	1,693	1,909
Other	914	1,022	1,062	2,947	3,265
Administrative expenses	3,948	3,934	4,056	12,177	12,673
Depreciation and amortisation	603	519	534	1,604	1,566
Write-down of goodwill and other intangible assets	-	-	-	-	311
Operating expenses	4,551	4,453	4,590	13,721	14,550
General insurance	1,092	1,348	1,054	3,547	2,919
Bancassurance	50	(25)	91	54	117
Insurance net claims	1,142	1,323	1,145	3,601	3,036

Key points

Q3 2010 compared with Q2 2010

- Total expenses increased to 2% to £4,551 million. Excluding a £74 million credit in Q2 2010 relating to changes to the US defined benefit pension plan, expenses were flat due to good cost control and the benefits of the Group’s efficiency programmes. Staff costs were similarly well controlled.

- Insurance claims fell by 14% to £1,142 million, with a reduction during the quarter in prior year-related bodily injury reserving.

Q3 2010 compared with Q3 2009

- Total expenses were down 1% compared with a year ago due to the benefits of the Group’s efficiency programmes, particularly in relation to property and purchasing.

Results summary (continued)

Impairment losses	Quarter ended 30 September 2010 £m	30 June 2010 £m	30 September 2009 £m	Nine months ended 30 September 2010 £m	30 September 2009 £m
Division					
UK Retail	251	300	404	938	1,228
UK Corporate	158	198	187	542	737
Wealth	1	7	1	12	23
Global Transaction Services	3	3	22	6	35
Ulster Bank	286	281	144	785	301
US Retail & Commercial	125	144	180	412	549
Retail & Commercial	824	933	938	2,695	2,873
Global Banking & Markets	(40)	164	272	156	510
RBS Insurance	-	-	2	-	8
Central items	(2)	-	1	(1)	(1)
Core	782	1,097	1,213	2,850	3,390
Non-Core	1,171	1,390	2,066	4,265	7,410
Group impairment losses	1,953	2,487	3,279	7,115	10,800
Asset category					
Loan impairment losses	1,908	2,479	3,262	6,989	10,058
Securities impairment losses	45	8	17	126	742
Group impairment losses	1,953	2,487	3,279	7,115	10,800
Loan impairment charge as % of gross loans and advances (excluding reverse repurchase agreements)	1.4%	1.8%	2.2%	1.7%	2.2%

Key points

Q3 2010 compared with Q2 2010

- Within Core, Retail & Commercial impairments were down 12%, £109 million, compared with the second quarter of 2010 with improvements in both personal and mortgage loans. The exception remains Ulster Bank where impairments remain elevated reflecting a very weak economy and property market. In GBM there was an absence of individual impairments and several minor recoveries.

- Non-Core impairments of £1,171 million were down £219 million compared with the second quarter.

Q3 2010 compared with Q3 2009

- Impairments were lower across most divisions compared with the elevated levels experienced in the prior year, reflecting our risk reduction actions and slightly better economic conditions. Impairment losses in Ulster Bank, however, worsened, reflecting the continuing deterioration in credit metrics across the Irish economy.

- Impairments in the quarter versus a year ago were down 36% in Core and 43% in Non-Core.

Results summary (continued)

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Credit and other market (gains)/losses (1)	£m	£m	£m	£m	£m
Monoline exposures	(191)	139	106	(52)	1,653
CDPCs (2)	15	56	276	103	846
Asset backed products	(160)	(97)	(147)	(202)	390
Other credit exotics	2	(47)	46	(56)	588
Equities	15	6	12	28	34
Banking book hedges	123	(147)	426	12	1,465
Other	54	183	55	377	97
Net credit and other market (gains)/losses	(142)	93	774	210	5,073

Notes:
(1) Included in 'Income from trading activities', all in Non-Core in Q3 2010.
(2) Credit derivative product companies.

Key points

Q3 2010 compared with Q2 2010

Net gains of £142 million compared with losses of £93 million in Q2 2010, primarily reflect general tightening of credit spreads across a range of asset classes in Q3 2010, compared with widening of spreads in the second quarter, together with a rally in asset prices. These factors more than offset losses on banking book hedges.

Gains on monoline exposures reflect tightening credit spreads and net reductions in exposures, following restructuring; these were partially offset by foreign currency movements. In Q2 2010, credit spread movements more than offset reductions in exposures from restructuring.

Gains on asset-backed products in both quarters resulted from disposals and asset price improvements.

The losses on the banking book hedges in Q3 2010 compared with gains in Q2 2010 reflect tightening credit spreads.

Q3 2010 compared with Q3 2009

Gains of £142 million compared with losses of £774 million in Q3 2009 when substantial losses on CDPCs and banking book hedges were incurred due to widening credit spreads.

Monoline-related gains in Q3 2010 reflect tighter credit spreads compared with widening credit spreads in Q3 2009.

In Q3 2009 widening credit spreads resulted in higher CDPC credit valuation adjustment, but it remained broadly flat in Q3 2010 primarily reflecting exchange movements and tighter credit spreads.

Asset-backed product gains in both quarters reflected disposals and price improvements.

Lower losses on banking book hedges in Q3 2010 compared with Q3 2009 reflect lower credit spread movement on a smaller book.

Results summary (continued)

Capital resources and ratios	30 September 2010	30 June 2010	31 December 2009
Core Tier 1 capital	£48bn	£50bn	£60bn
Tier 1 capital	£59bn	£61bn	£76bn
Total capital	£65bn	£66bn	£87bn
Risk-weighted assets – gross	£595bn	£600bn	£669bn
Benefit of Asset Protection Scheme	(£117bn)	(£123bn)	(£128bn)
Risk-weighted assets	£478bn	£477bn	£541bn
Core Tier 1 ratio*	10.2 %	10.5 %	11.0 %
Tier 1 ratio	12.4 %	12.8 %	14.1 %
Total capital ratio	13.5 %	13.9 %	16.1 %

* Benefit of APS in Core Tier 1 ratio is 1.2% at 30 September 2010, 1.3% at 30 June 2010 and 1.6% at 31 December 2009.

Key points

· The attributable loss and reduced risk-weighted asset (RWA) relief on the Asset Protection Scheme led to a decline of 30 basis points to 10.2% in the Core Tier 1 ratio and 40 basis points to 12.4% in the Tier 1 ratio. The Total Capital ratio declined by 40 basis points to 13.5%.

· Gross RWAs were broadly flat at £595 billion, reflecting successful Non-Core de-leveraging counterbalanced by the roll-off of capital relief trades within GBM.

· RWAs eligible for the Asset Protection Scheme relief declined by £6 billion to £117 billion, reflecting disposals and repayments as well as changes in risk parameters.

Results summary (continued)

Balance sheet	30 September 2010	30 June 2010	31 December 2009
Total assets	£1,630bn	£1,582bn	£1,696bn
Funded balance sheet	£1,081bn	£1,059bn	£1,255bn
Loans and advances to customers (1)	£528bn	£539bn	£687bn
Customer deposits (2)	£421bn	£421bn	£546bn

Notes:
(1) Excluding reverse repurchase agreements and stock borrowing.
(2) Excluding repurchase agreements and stock lending.

Key points

- The funded balance sheet increased by £22 billion during the third quarter. This reflects growth in the GBM balance sheet of £21 billion compared with the seasonally low position at the end of the second quarter and growth in our liquidity portfolio, partially offset by further deleveraging in Non-Core, which reduced its balance sheet by £20 billion to £154 billion.

- Loans and advances in Retail & Commercial were down 1% during the quarter at £336 billion, with growth in UK Retail more than offset by small reductions elsewhere as loan demand remained subdued.

- Retail & Commercial deposits rose by 1% during the third quarter and by 7% year-on-year. GBM deposits fell by £4.7 billion during the quarter, with excess short term balances continuing to decline.

Further discussion of the Group's funding and liquidity position is included on pages 108 to 113.

Divisional performance

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Operating profit/(loss) by division					
UK Retail	398	276	64	814	101
UK Corporate	422	390	379	1,130	785
Wealth	74	81	119	217	331
Global Transaction Services	309	279	253	821	749
Ulster Bank	(176)	(177)	(85)	(490)	(93)
US Retail & Commercial	73	129	(43)	242	(94)
Retail & Commercial	1,100	978	687	2,734	1,779
Global Banking & Markets	589	750	641	2,837	4,993
RBS Insurance	(33)	(203)	11	(286)	228
Central items	76	49	283	462	554
Core	1,732	1,574	1,622	5,747	7,554
Non-Core	(1,006)	(1,324)	(2,664)	(3,889)	(12,021)
	726	250	(1,042)	1,858	(4,467)
Reconciling items					
Fair value of own debt	(858)	619	(483)	(408)	(412)
RFS Holdings minority interest	(181)	17	(131)	(148)	(186)
Amortisation of purchased intangible assets	(123)	(85)	(73)	(273)	(213)
Integration and restructuring costs	(311)	(254)	(324)	(733)	(1,058)
Write-down of goodwill	-	-	-	-	(311)
Gain on redemption of own debt	-	553	-	553	3,790
Strategic disposals	27	(411)	(155)	(331)	298
Bonus tax	(15)	(15)	-	(84)	-
Asset Protection Scheme credit default swap – fair value changes	(825)	500	-	(825)	-
Group operating (loss)/profit	(1,560)	1,174	(2,208)	(391)	(2,559)

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Divisional performance (continued)

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Impairment losses by division					
UK Retail	251	300	404	938	1,228
UK Corporate	158	198	187	542	737
Wealth	1	7	1	12	23
Global Transaction Services	3	3	22	6	35
Ulster Bank	286	281	144	785	301
US Retail & Commercial	125	144	180	412	549
Retail & Commercial	824	933	938	2,695	2,873
Global Banking & Markets	(40)	164	272	156	510
RBS Insurance	-	-	2	-	8
Central items	(2)	-	1	(1)	(1)
Core	782	1,097	1,213	2,850	3,390
Non-Core	1,171	1,390	2,066	4,265	7,410
Group impairment losses	1,953	2,487	3,279	7,115	10,800

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	%	%	%	%	%
Net interest margin by division					
UK Retail	4.02	3.88	3.47	3.85	3.54
UK Corporate	2.58	2.50	2.38	2.49	2.14
Wealth	3.44	3.36	4.34	3.39	4.54
Global Transaction Services	6.72	6.47	9.63	6.96	9.03
Ulster Bank	1.90	1.92	1.74	1.86	1.88
US Retail & Commercial	2.92	2.78	2.37	2.79	2.34
Retail & Commercial	3.23	3.11	2.91	3.10	2.84
Global Banking & Markets	1.14	1.01	1.08	1.08	1.52
Non-Core	1.05	1.22	0.55	1.18	0.54

Divisional performance (continued)

	30 September 2010 £bn	30 June 2010 £bn	Change	31 December 2009 £bn	Change
Risk-weighted assets by division					
UK Retail	49.3	49.1	-	51.3	(4%)
UK Corporate	84.7	87.6	(3%)	90.2	(6%)
Wealth	12.1	12.0	1%	11.2	8%
Global Transaction Services	18.6	19.4	(4%)	19.1	(3%)
Ulster Bank	32.6	30.5	7%	29.9	9%
US Retail & Commercial	64.1	65.5	(2%)	59.7	7%
Retail & Commercial	261.4	264.1	(1%)	261.4	-
Global Banking & Markets	143.7	141.3	2%	123.7	16%
Other	19.9	16.9	18%	9.4	112%
Core	425.0	422.3	1%	394.5	8%
Non-Core	166.9	175.0	(5%)	171.3	(3%)
	591.9	597.3	(1%)	565.8	5%
Benefit of Asset Protection Scheme	(116.9)	(123.4)	(5%)	(127.6)	(8%)
	475.0	473.9	-	438.2	8%
RFS Holdings minority interest	3.0	3.1	(3%)	102.8	(97%)
Total	478.0	477.0	-	541.0	12%

Employee numbers in continuing operations (full time equivalents rounded to the nearest hundred)	30 September 2010	30 June 2010	31 December 2009
UK Retail	24,400	24,000	25,500
UK Corporate	13,000	12,600	12,300
Wealth	5,100	5,000	4,600
Global Transaction Services	3,700	3,600	3,500
Ulster Bank	4,500	4,300	4,500
US Retail & Commercial	15,700	15,700	15,500
Retail & Commercial	66,400	65,200	65,900
Global Banking & Markets	19,500	19,200	17,900
RBS Insurance	14,400	14,500	13,900
Group Centre	4,600	4,700	4,200

Core	104,900	103,600	101,900
Non-Core	10,000	11,300	15,100
	114,900	114,900	117,000
Business Services	41,300	41,800	43,100
Integration	300	300	500
RFS Holdings minority interest	-	-	300
Group total	156,500	157,000	160,900

UK Retail

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Income statement					
Net interest income	1,056	1,001	848	2,990	2,513
Net fees and commissions	279	280	322	832	1,021
Other non-interest income	97	14	141	182	248
Non-interest income	376	294	463	1,014	1,269
Total income	1,432	1,295	1,311	4,004	3,782
Direct expenses					
- staff	(197)	(203)	(206)	(598)	(634)
- other	(134)	(140)	(129)	(406)	(407)
Indirect expenses	(402)	(401)	(417)	(1,194)	(1,295)
	(733)	(744)	(752)	(2,198)	(2,336)
Insurance net claims	(50)	25	(91)	(54)	(117)
Impairment losses	(251)	(300)	(404)	(938)	(1,228)
Operating profit	398	276	64	814	101
Analysis of income by product					
Personal advances	248	236	303	718	919
Personal deposits	277	277	319	831	1,070
Mortgages	527	478	319	1,427	799
Bancassurance and insurance net claims	110	33	160	231	307
Cards	243	239	225	711	641
Other	27	32	(15)	86	46
Total income	1,432	1,295	1,311	4,004	3,782
Analysis of impairments by sector					
Mortgages	55	44	26	147	89
Personal	150	168	247	551	741
Cards	46	88	131	240	398

Total impairment losses	251	300	404	938	1,228
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector					
Mortgages	0.2 %	0.2 %	0.1 %	0.2 %	0.1 %
Personal	4.8 %	5.3 %	6.8 %	5.9 %	6.8 %
Cards	3.0 %	5.9 %	8.6 %	5.2 %	8.7 %
	0.9 %	1.1 %	1.6 %	1.2 %	1.6 %

UK Retail (continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Performance ratios					
Return on equity (1)	23.2%	16.1%	3.8%	15.8%	2.0%
Net interest margin	4.02%	3.88%	3.47%	3.85%	3.54%
Cost:income ratio	51%	57%	57%	55%	62%
Adjusted cost:income ratio (2)	53%	56%	62%	56%	64%

	30 September 2010 £bn	30 June 2010 £bn	Change	31 December 2009 £bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)					
- mortgages	89.1	86.9	3%	83.2	7%
- personal	12.4	12.8	(3%)	13.6	(9%)
- cards	6.1	6.0	2%	6.2	(2%)
Customer deposits (excluding bancassurance)	91.4	90.0	2%	87.2	5%
Assets under management (excluding deposits)	5.4	5.4	-	5.3	2%
Risk elements in lending	5.0	4.8	4%	4.6	9%
Loan:deposit ratio (excluding repos)	115%	114%	100bp	115%	-
Risk-weighted assets	49.3	49.1	-	51.3	(4%)

Notes:

(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).

(2) Adjusted cost:income ratio is based on total income after netting insurance claims, and operating expenses.

Key points

Q3 2010 compared with Q2 2010

· UK Retail delivered a strong operating performance in Q3 2010, with income up, costs down and impairments continuing to improve. Operating profit was up 44% from the previous quarter at £398 million.

· The NatWest and RBS Customer Charters aim to deliver those elements that customers have said are most important to them, and has been well received by both customers and staff. The division is reaping continuing benefits from investment in process improvements and automation resulting in gains in both service quality and cost efficiency.

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UK Retail (continued)

Key points (continued)

Q3 2010 compared with Q2 2010 (continued)

· UK Retail continues to achieve growth in secured lending, while building customer deposits.

  o Mortgage balances increased 3% on Q2 2010, with strong retention rates among existing customers and gross new lending up 4% on Q2 2010. Market share of new mortgage lending remained at 12% in the quarter, still well above the Group's 7% share of stock. While the Group offers a broad range of products across a variety of Loan-to-value (LTV) bandings, the average LTV of new business decreased from 69% in Q2 2010 to 64% in Q3 2010.
  o Unsecured lending fell 2% in the quarter, in line with current risk appetite and the Group's continued focus on lower risk secured lending.
  o Deposits grew by £1.4 billion or 2% in Q3 2010 despite a still challenging market place
  o The loan to deposit ratio at 30 September 2010 was 115%, broadly in line with the prior quarter.

· Net interest income increased by 5%, with net interest margin continuing to recover from the low levels recorded in 2009 to 4.02% in the quarter. Asset margins continued to widen, mainly reflecting the increasing proportion of customers on standard variable rate mortgages. Liability margins, however, fell further compared with Q2 2010, with strong competition in fixed term bonds and bonus savings accounts, compounded by a continuing reduction in yield on current account hedges.

· Non-interest income increased by 28%, with an improvement across the majority of products despite the still-challenging economic climate.

· Expenses declined by 1% in the quarter, with continuing benefit of process re-engineering and technology investment. Headcount in Q3 2010 increased 2% partly as a result of extensions to opening hours, in line with the Customer Charters. The adjusted cost:income ratio improved by 300 basis points to 53%.

· Impairment losses declined by 16% in Q3 2010. Impairments are expected to continue gradually improving, subject to economic conditions remaining stable.

  o Mortgage impairment losses were £55 million on a total book of £89 billion. The quarter-on-quarter increase of £11 million broadly relates to more conservative assumptions on recoveries.
  o The unsecured portfolio charge fell 23% to £196 million, on a book of £19 billion, with lower default volumes and improved collections performance.

· Risk-weighted assets increased marginally in the quarter with growth in mortgage loans and a retiring credit cards securitisation largely offset by lower unsecured lending balances and improving portfolio credit metrics.

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UK Retail (continued)

Key points (continued)

Q3 2010 compared with Q3 2009

· Operating profit increased by £334 million, with income up 9%, costs down 3% and impairments 38% lower than in Q3 2009. Return on equity in the first nine months of 2010 was 15.8%, compared with 2.0% in the same period of 2009.

· Net interest income was 25% higher than Q3 2009, with strong mortgage and deposit balance growth and recovering asset margins across all products, which together more than offset the decline in liability margins.

· Non-interest income decreased 19% on prior year, principally reflecting the change to the structure of overdraft charges, which took effect from Q4 2009.

· Deposit balances were up 7% on Q3 2009. Savings balances grew by 9%, outperforming the market total deposit growth of 2.4%, which remains intensely competitive. Personal current account balances were up 2% in the same period.

· Mortgage balances at 30 September 2010 were up 11%. UK Retail considers mortgages to be a core customer product requirement and continues to support lending for both new and existing customers.

· Costs were 3% lower than in Q3 2009, driven by process re-engineering efficiencies within the branch network and operational centres. The adjusted cost:income ratio improved from 62% to 53%.

· Impairment losses dropped by 38% on Q3 2009 primarily reflecting lower arrears volumes on the unsecured portfolio.

UK Corporate

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Income statement					
Net interest income	662	647	607	1,919	1,666
Net fees and commissions	244	233	223	701	636
Other non-interest income	80	107	106	292	332
Non-interest income	324	340	329	993	968
Total income	986	987	936	2,912	2,634
Direct expenses					
- staff	(186)	(189)	(174)	(580)	(541)
- other	(81)	(82)	(71)	(266)	(191)
Indirect expenses	(139)	(128)	(125)	(394)	(380)
	(406)	(399)	(370)	(1,240)	(1,112)
Impairment losses	(158)	(198)	(187)	(542)	(737)
Operating profit	422	390	379	1,130	785
Analysis of income by business					
Corporate and commercial lending	651	660	546	1,941	1,542
Asset and invoice finance	163	154	129	451	361
Corporate deposits	183	185	241	544	795
Other	(11)	(12)	20	(24)	(64)
Total income	986	987	936	2,912	2,634
Analysis of impairments by sector					
Banks and financial institutions	15	(9)	4	8	9
Hotels and restaurants	6	12	7	34	58
Housebuilding and construction	62	8	58	84	119
Manufacturing	2	2	2	10	23
Other	19	83	31	139	138
Private sector education, health, social work, recreational and community services	1	-	(4)	9	36

Property	34	61	69	161	229
Wholesale and retail trade, repairs	14	28	16	60	53
Asset and invoice finance	5	13	4	37	72
Total impairment losses	158	198	187	542	737

UK Corporate (continued)

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector					
Banks and financial institutions	1.0%	(0.6%)	0.3%	0.2%	0.2%
Hotels and restaurants	0.3%	0.7%	0.4%	0.7%	1.1%
Housebuilding and construction	5.5%	0.7%	5.0%	2.5%	3.4%
Manufacturing	0.2%	0.1%	0.1%	0.3%	0.5%
Other	0.2%	1.0%	0.4%	0.6%	0.6%
Private sector education, health, social work, recreational and community services	-	-	(0.2%)	0.1%	0.7%
Property	0.5%	0.8%	0.8%	0.7%	0.9%
Wholesale and retail trade, repairs	0.5%	1.1%	0.6%	0.8%	0.7%
Asset and invoice finance	0.2%	0.6%	0.2%	0.5%	1.1%
	0.6%	0.7%	0.7%	0.6%	0.9%

Key metrics

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Performance ratios					
Return on equity (1)	16.0%	14.3%	13.5%	14.3%	9.3%
Net interest margin	2.58%	2.50%	2.38%	2.49%	2.14%
Cost:income ratio	41%	40%	40%	43%	42%

	30 September 2010 £bn	30 June 2010 £bn	Change	31 December 2009 £bn	Change
Capital and balance sheet					
Total third party assets	116.6	118.4	(2%)	114.9	1%
Loans and advances to customers (gross)					
- banks and financial institutions	6.0	6.5	(8%)	6.3	(5%)
- hotels and restaurants	6.9	7.0	(1%)	6.7	3%
- housebuilding and construction	4.5	4.6	(2%)	4.3	5%
- manufacturing	5.3	5.5	(4%)	5.9	(10%)

- other	31.9		32.6		(2	%)	29.9		7	%
- private sector education, health, social work, recreational and community services	9.0		9.1		(1	%)	6.5		38	%
- property	30.0		30.3		(1	%)	33.0		(9	%)
- wholesale and retail trade, repairs	10.2		10.4		(2	%)	10.2		-	
- asset and invoice finance	9.7		9.2		5	%	8.8		10	%
Customer deposits	98.1		95.4		3	%	87.8		12	%
Risk elements in lending	3.3		2.9		14	%	2.3		43	%
Loan:deposit ratio (excluding repos)	114	%	119	%	(500	bp)	126	%	(1,200	bp)
Risk-weighted assets	84.7		87.6		(3	%)	90.2		(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).

UK Corporate (continued)

Key points

Q3 2010 compared with Q2 2010

· Operating profit increased by 8% to £422 million, driven by improved credit performance.

· Net interest income rose by 2%. Deposit balances grew by £2.7 billion with new product launches and other deposit-gathering initiatives continuing to deliver in an intensely competitive market. Loans and advances to customers were marginally down from the previous quarter, with above-target levels of gross new lending offset by customer deleveraging. Net interest margin increased by 8 basis points, driven by a recovery in asset margins from the depressed levels recorded in 2008 and 2009, whilst deposit margins remain under pressure.

· Non-interest income declined 5%, with reduced sales of financial market products.

· Total costs rose 2%, driven by investment in strategic initiatives.

· Impairments were £40 million lower; reflecting an improved flow into collectively assessed balances.

· Risk-weighted assets decreased by 3% reflecting lower nominal assets and improved risk metrics.

Q3 2010 compared with Q3 2009

· Operating profit was up £43 million or 11%, reflecting good income growth and lower impairments partially offset by higher costs.

· Net interest income increased by 9%, reflecting good growth in deposit volumes, together with a recovery in asset margins. Deposit balances grew by £11.4 billion compared with 30 September 2009 and the loan:deposit ratio improved to 114%, compared with 130% a year earlier. Net interest margin improved by 20 basis points, reflecting the progressive repricing of the loan portfolio and a better funding cost environment than in Q3 2009.

· Non-interest income was 2% (£5 million) lower, the result of reduced sales of financial market products and services.

· Total expenses increased by 10%, driven primarily by investment in strategic initiatives.

· Impairments were £29 million lower compared with Q3 2009, which included a charge for potential losses in the portfolio not yet specifically identified and lower specific provisions.

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Whilst loans and advances stayed broadly in line, risk-weighted assets decreased by £6.3 billion, or 7% primarily reflecting improvements in risk metrics.

Wealth

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Income statement					
Net interest income	156	150	168	449	502
Net fees and commissions	90	97	92	282	272
Other non-interest income	18	19	19	54	61
Non-interest income	108	116	111	336	333
Total income	264	266	279	785	835
Direct expenses					
- staff	(95)	(92)	(82)	(286)	(250)
- other	(39)	(39)	(41)	(113)	(119)
Indirect expenses	(55)	(47)	(36)	(157)	(112)
	(189)	(178)	(159)	(556)	(481)
Impairment losses	(1)	(7)	(1)	(12)	(23)
Operating profit	74	81	119	217	331
Analysis of income					
Private banking	217	216	232	637	693
Investments	47	50	47	148	142
Total income	264	266	279	785	835

Key metrics

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Performance ratios					
Net interest margin	3.44%	3.36%	4.34%	3.39%	4.54%
Cost:income ratio	72%	67%	57%	71%	58%

	30 September 2010 £bn	30 June 2010 £bn	Change	31 December 2009 £bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)					
- mortgages	7.5	6.9	9%	6.5	15%
- personal	6.5	6.4	2%	4.9	33%
- other	1.5	1.6	(6%)	2.3	(35%)
Customer deposits	34.8	36.2	(4%)	35.7	(3%)
Assets under management (excluding deposits)	31.1	30.2	3%	30.7	1%
Risk elements in lending	0.2	0.2	-	0.2	-
Loan:deposit ratio (excluding repos)	44%	41%	300bp	38%	600bp
Risk-weighted assets	12.1	12.0	1%	11.2	8%

Wealth (continued)

Key points

Q3 2010 compared with Q2 2010

- Operating profit fell 9% to £74 million in the third quarter, with weaker investment fee income and higher business investment costs only partially mitigated by a fall in impairment losses.

- Total income fell 1% in the quarter. Lower average assets under management and reduced levels of trading fees led to a 7% fall in non-interest income. This was offset by a 4% increase in net interest income.

- Loans and advances continued to grow strongly, increasing 4% in the quarter, primarily driven by mortgage lending which rose by £0.6 billion. Credit metrics remain satisfactory and were comparable with previous quarters.

- Net interest margin improved 8 basis points reflecting strong lending performance. However the competitive nature of pricing within the deposit market continues, leading to a 4% reduction in balances.

- Assets under management grew 3% in positive market conditions, reversing the falls seen in Q2 2010. The international businesses continue to feel the impact of client losses following the departures of a number of senior private bankers earlier in the year.

- Total expenses increased 6% primarily driven by investment in strategic initiatives, combined with continued front office staff investment and temporary resource to support the implementation of the new banking platform.

Q3 2010 compared with Q3 2009

- Operating profit fell 38% with lower income and an increase in expenses.

- Income declined by 5% primarily due to lower net interest income which fell £12 million, 7%.

- Lending continued to be made available to meet client demand, with balances increasing 16% over Q3 2009. Mortgage balances in particular saw strong growth, increasing 23%.

- Client deposits decreased 4% through the impact of client losses in the International businesses. Pricing competition to retain and attract balances put pressure on net interest margin which narrowed by 90 basis points.

- Assets under management fell 2% (5% at constant exchange rates) due to client attrition in the International businesses.

- Total expenses rose 19%, in part reflecting additional headcount in expanding the UK and International franchises.

Global Transaction Services

	Quarter ended			Nine months ended	
	30 September 2010 £m	30 June 2010 £m	30 September 2009 £m	30 September 2010 £m	30 September 2009 £m
Income statement					
Net interest income	257	237	234	711	679
Non-interest income	411	411	388	1,212	1,171
Total income	668	648	622	1,923	1,850
Direct expenses					
- staff	(100)	(102)	(87)	(306)	(269)
- other	(38)	(37)	(37)	(108)	(110)
Indirect expenses	(218)	(227)	(223)	(682)	(687)
	(356)	(366)	(347)	(1,096)	(1,066)
Impairment losses	(3)	(3)	(22)	(6)	(35)
Operating profit	309	279	253	821	749
Analysis of income by product					
Domestic cash management	216	201	202	611	608
International cash management	200	193	183	578	531
Trade finance	81	76	71	228	223
Merchant acquiring	123	133	127	371	377
Commercial cards	48	45	39	135	111
Total income	668	648	622	1,923	1,850

Key metrics

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Performance ratios					
Net interest margin	6.72%	6.47%	9.63%	6.96%	9.03%
Cost:income ratio	53%	56%	56%	57%	58%

	30 September 2010 £bn	30 June 2010 £bn	Change	31 December 2009 £bn	Change
Capital and balance sheet					
Total third party assets	24.2	25.7	(6%)	18.4	32%
Loans and advances	14.4	15.6	(8%)	12.7	13%
Customer deposits	65.4	62.7	4%	61.8	6%
Risk elements in lending	0.2	0.2	-	0.2	-
Loan:deposit ratio (excluding repos)	22%	25%	(300bps)	21%	100bps
Risk-weighted assets	18.6	19.4	(4%)	19.1	(3%)

Global Transaction Services (continued)

Key points

Q3 2010 compared with Q2 2010

- Operating profit increased 11%, driven by increased deposit volumes and lower expenses.

- Income increased 3%, or 4% at constant foreign exchange rates, reflecting increased earnings on the division's deposit surplus and improving commercial card transaction volumes, partially offset by seasonality impacts in Merchant Acquiring.

- Expenses fell by 3%, or 1% on a constant foreign exchange basis, mainly reflecting lower operations costs in indirect expenses.

- Customer deposits increased by 4% to £65.4 billion, driven by growth in both non-interest-bearing balances in the Domestic business and interest-bearing balances in the International cash management business. The loan to deposit ratio improved by 300 basis points to 22% from 25% in the previous quarter.

- The sale of the Global Merchant Services business is on track for completion during the fourth quarter. In Q3 2010, Global Merchant Services reported income of £128 million and expenses of £76 million, generating an operating profit of £52 million.

Q3 2010 compared with Q3 2009

- Operating profit increased 22%, or 18% at constant foreign exchange rates, with income up 7% and expenses up 3%.

- Income rose to £668 million, reflecting higher domestic and international average deposit balances, increased foreign exchange transaction fees and improving commercial card transaction volumes.

- Expenses rose 3%, largely reflecting continued investment in front office and support infrastructure.

- Third party assets increased by £3 billion as yen clearing activities were brought in-house.

- Customer deposit balances increased by 12% with growth in the international and UK domestic cash management businesses. Net interest margin declined by 291 basis points largely driven by the impact of new yen clearing activities and associated low interest cash balances, as well as deposit and trade finance margin compression. The loan to deposit ratio improved by 300 basis points and the funding surplus increased by £6.9 billion.

Ulster Bank

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Income statement					
Net interest income	192	194	176	574	586
Net fees and commissions	38	43	45	116	130
Other non-interest income	14	10	10	42	33
Non-interest income	52	53	55	158	163
Total income	244	247	231	732	749
Direct expenses					
- staff	(54)	(60)	(79)	(180)	(249)
- other	(18)	(20)	(22)	(57)	(73)
Indirect expenses	(62)	(63)	(71)	(200)	(219)
	(134)	(143)	(172)	(437)	(541)
Impairment losses	(286)	(281)	(144)	(785)	(301)
Operating loss	(176)	(177)	(85)	(490)	(93)
Analysis of income by business					
Corporate	120	134	134	399	434
Retail	124	105	104	341	298
Other	-	8	(7)	(8)	17
Total income	244	247	231	732	749
Analysis of impairments by sector					
Mortgages	69	33	30	135	54
Corporate					
- property	107	117	(2)	306	73
- other corporate	100	118	89	309	120
Other lending	10	13	27	35	54
Total impairment losses	286	281	144	785	301

Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector					
Mortgages	1.3%	0.9%	0.7%	0.8%	0.4%
Corporate					
- property	8.1%	4.9%	(0.1%)	7.7%	1.0%
- other corporate	4.3%	4.8%	3.0%	4.4%	1.3%
Other lending	2.4%	2.7%	5.4%	2.7%	3.6%
	3.0%	3.1%	1.4%	2.8%	1.0%

Ulster Bank (continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Performance ratios					
Return on equity (1)	(20.9%)	(21.7%)	(11.3%)	(19.4%)	(4.1%)
Net interest margin	1.90%	1.92%	1.74%	1.86%	1.88%
Cost:income ratio	55%	58%	74%	60%	72%

	30 September 2010 £bn	30 June 2010 £bn	Change	31 December 2009 £bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)					
- mortgages	21.4	14.9	44%	16.2	32%
- corporate					
- property	5.3	9.5	(44%)	10.1	(48%)
- other corporate	9.4	9.9	(5%)	11.0	(15%)
- other lending	1.7	1.9	(11%)	2.4	(29%)
Customer deposits	23.4	22.7	3%	21.9	7%
Risk elements in lending					
- mortgages	1.4	0.7	100%	0.6	133%
- corporate					
- property	0.6	1.3	(54%)	0.7	(14%)
- other corporate	1.0	1.3	(23%)	0.8	25%
- other lending	0.2	0.2	-	0.2	-
Loan:deposit ratio (excluding repos)	156%	154%	200bp	177%	(2,100bp)
Risk-weighted assets	32.6	30.5	7%	29.9	9%

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

Key points

Q3 2010 compared with Q2 2010

· Operating loss for the quarter of £176 million was in line with the previous quarter. Operating profit before impairment losses increased by 4% in constant currency terms reflecting improved performance in the quarter on both income and expenses.

· As part of its strategic plan update, the bank has taken the decision to cease early stage development property lending. Accordingly on 1 July 2010 the division transferred a portfolio of development property assets to the Non-Core division. In addition, reflecting its continued commitment to the retail mortgage sector, a portfolio of retail mortgage assets to be managed as part of the core business was transferred back.

· Net interest income rose 2% in the quarter on a constant currency basis, with higher asset and liability balances but reduced net interest margin, reflecting an increased level of liquid assets held.

· Total expenses decreased by 1% on a constant currency basis, driven by the continuing impact on direct costs (down 5% at constant exchange rates) of savings initiated through its restructuring programme and ongoing operational efficiencies.

Key points (continued)

Q3 2010 compared with Q2 2010 (continued)

· Customer deposit balances remained broadly flat in constant currency terms during the period.

· Impairment losses remain severe, reflecting the continuing deterioration in credit metrics across the Irish economy. Asset default levels and loss rates in both the retail and corporate portfolios continue to remain elevated which is expected to continue into Q4 before beginning to stabilise.

· In September, Ulster Bank launched its Helpful Banking programme which outlines a set of commitments to personal and business customers and clearly articulates how the bank intends to deliver on what matters most to them. Private Banking in the Republic of Ireland was also launched in September, delivering an island-wide proposition to meet the day-to-day banking needs of high net worth customers.

Q3 2010 compared with Q3 2009

· Operating loss increased significantly compared with Q3 2009 as a result of higher impairment losses, partially mitigated by strong management action to improve income generation and to reduce costs.

· Net interest income increased by 15% in constant currency terms, with improved asset pricing more than offsetting a decrease in liability margins.

· Loans to customers decreased by 3% over the period on a constant currency basis, while deposit balances increased by 16%, reflecting the business's focus on growing the customer deposit base.

· Non-interest income declined by 4% in constant currency terms, largely reflecting changes to the structure of overdraft charges which took effect from Q4 2009.

· The focus on the management of the cost base across the business coupled with the impact of the Group-wide restructuring programme has resulted in a reduction in total expenses of 18% from the prior year on a constant currency basis.

· Impairment losses increased sharply reflecting the deterioration in the economic environment in the Republic of Ireland.

US Retail & Commercial (£ Sterling)

	Quarter ended			Nine months ended	
	30 September 2010 £m	30 June 2010 £m	30 September 2009 £m	30 September 2010 £m	30 September 2009 £m
Income statement					
Net interest income	480	502	410	1,450	1,352
Net fees and commissions	180	203	159	560	566
Other non-interest income	91	72	65	238	162
Non-interest income	271	275	224	798	728
Total income	751	777	634	2,248	2,080
Direct expenses					
- staff	(214)	(151)	(174)	(580)	(576)
- other	(148)	(163)	(132)	(445)	(463)
Indirect expenses	(191)	(190)	(191)	(569)	(586)
	(553)	(504)	(497)	(1,594)	(1,625)
Impairment losses	(125)	(144)	(180)	(412)	(549)
Operating profit/(loss)	73	129	(43)	242	(94)
Average exchange rate – US$/£	1.551	1.492	1.640	1.534	1.543
Analysis of income by product					
Mortgages and home equity	142	124	112	381	384
Personal lending and cards	127	122	116	363	336
Retail deposits	223	248	200	697	633
Commercial lending	145	152	127	439	408
Commercial deposits	78	86	97	245	290
Other	36	45	(18)	123	29
Total income	751	777	634	2,248	2,080
Analysis of impairments by sector					
Residential mortgages	14	22	29	55	64
Home equity	56	38	82	100	154
Corporate and commercial	23	76	65	148	234
Other consumer	28	7	4	91	97

Securities impairment losses	4		1		-		18		-	
Total impairment losses	125		144		180		412		549	
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector										
Residential mortgages	0.9	%	1.3	%	1.7	%	1.2	%	1.2	%
Home equity	1.5	%	0.9	%	2.1	%	0.9	%	1.3	%
Corporate and commercial	0.5	%	1.5	%	1.3	%	1.0	%	1.5	%
Other consumer	1.6	%	0.3	%	0.2	%	1.8	%	1.6	%
	1.0	%	1.1	%	1.4	%	1.1	%	1.4	%

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US Retail & Commercial (£ Sterling) (continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Performance ratios					
Return on equity (1)	3.7%	6.4%	(2.2%)	4.1%	(1.6%)
Net interest margin	2.92%	2.78%	2.37%	2.79%	2.34%
Cost:income ratio	74%	65%	78%	71%	78%

	30 September 2010 £bn	30 June 2010 £bn	Change	31 December 2009 £bn	Change
Capital and balance sheet					
Total third party assets	72.4	78.2	(7%)	75.4	(4%)
Loans and advances to customers (gross)					
- residential mortgages	6.2	6.6	(6%)	6.5	(5%)
- home equity	15.3	16.3	(6%)	15.4	(1%)
- corporate and commercial	19.8	20.7	(4%)	19.5	2%
- other consumer	6.8	8.0	(15%)	7.5	(9%)
Customer deposits (excluding repos)	60.5	62.3	(3%)	60.1	1%
Risk elements in lending					
- retail	0.4	0.4	-	0.4	-
- commercial	0.4	0.5	(20%)	0.2	100%
Loan:deposit ratio (excluding repos)	78%	81%	(300bp)	80%	(200bp)
Risk-weighted assets	64.1	65.5	(2%)	59.7	7%
Spot exchange rate – US$/£	1.570	1.498		1.622	

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

Key points

· Sterling strengthened relative to the US dollar during the third quarter, with the average exchange rate increasing by 4% compared with Q2 2010.

· Performance is described in full in the US dollar-based financial statements set out on pages 43 and 44.

US Retail & Commercial (US Dollar)

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	$m	$m	$m	$m	$m
Income statement					
Net interest income	745	748	680	2,223	2,087
Net fees and commissions	280	303	266	859	874
Other non-interest income	139	110	104	365	248
Non-interest income	419	413	370	1,224	1,122
Total income	1,164	1,161	1,050	3,447	3,209
Direct expenses					
- staff	(332)	(223)	(289)	(890)	(889)
- other	(230)	(246)	(219)	(683)	(714)
Indirect expenses	(296)	(283)	(313)	(872)	(902)
	(858)	(752)	(821)	(2,445)	(2,505)
Impairment losses	(193)	(214)	(296)	(631)	(847)
Operating profit/(loss)	113	195	(67)	371	(143)
Analysis of income by product					
Mortgages and home equity	220	185	186	585	593
Personal lending and cards	196	182	190	556	518
Retail deposits	345	372	329	1,068	976
Commercial lending	225	226	210	673	629
Commercial deposits	122	128	160	376	448
Other	56	68	(25)	189	45
Total income	1,164	1,161	1,050	3,447	3,209
Analysis of impairments by sector					
Residential mortgages	22	33	47	85	99
Home equity	88	56	131	154	238
Corporate and commercial	35	113	107	225	360
Other consumer	42	10	11	139	150
Securities impairment losses	6	2	-	28	-

Total impairment losses	193	214	296	631	847
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector					
Residential mortgages	0.9 %	1.3 %	1.7 %	1.2 %	1.2 %
Home equity	1.5 %	0.9 %	2.0 %	0.9 %	1.2 %
Corporate and commercial	0.5 %	1.5 %	1.3 %	1.0 %	1.5 %
Other consumer	1.6 %	0.3 %	0.3 %	1.7 %	1.6 %
	1.0 %	1.1 %	1.5 %	1.1 %	1.4 %

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US Retail & Commercial (US Dollar) (continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Performance ratios					
Return on equity (1)	3.6%	6.5%	(2.2%)	4.0%	(1.5%)
Net interest margin	2.92%	2.78%	2.37%	2.79%	2.34%
Cost:income ratio	74%	65%	78%	71%	78%

	30 September 2010 $bn	30 June 2010 $bn	Change	31 December 2009 $bn	Change
Capital and balance sheet					
Total third party assets	113.7	117.2	(3%)	122.3	(7%)
Loans and advances to customers (gross)					
- residential mortgages	9.7	9.9	(2%)	10.6	(8%)
- home equity	24.0	24.4	(2%)	25.0	(4%)
- corporate and commercial	31.1	30.9	1%	31.6	(2%)
- other consumer	10.7	12.0	(11%)	12.1	(12%)
Customer deposits (excluding repos)	95.1	93.3	2%	97.4	(2%)
Risk elements in lending					
- retail	0.7	0.6	17%	0.6	17%
- commercial	0.6	0.7	(14%)	0.4	50%
Loan:deposit ratio (excluding repos)	78%	81%	(300bp)	80%	(200bp)
Risk-weighted assets	100.7	98.1	3%	96.9	4%

Note:

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

Key points

Q3 2010 compared with Q2 2010

· US Retail & Commercial delivered a profit for the third consecutive quarter, posting an operating profit of £73 million ($113 million). Excluding a £74 million ($113 million) credit related to changes to the defined benefit pension plan in Q2 2010, operating profit was up 38% from the previous quarter. Economic conditions in core regions remain subdued, with lingering high unemployment, a soft housing market and reduced consumer activity.

·

Net interest income was in line with the previous quarter. Loans and advances declined 2% principally due to the sale of a student loan portfolio (£0.7 billion, ($1.1 billion)) and reduced housing related loans. Customer deposits, however, increased 2% overall, with demand deposit account balances up 9%.

· Net interest margin increased by 14 basis points to 2.92%, with a continued trend of balance migration from lower margin term and time accounts to higher margin checking accounts, as well as a positive impact from a balance sheet restructuring carried out during the quarter.

· The loan to deposit ratio continued to trend lower, dropping by 300 basis points to 78% during the quarter.

US Retail & Commercial (US Dollar) (continued)

Key points (continued)

Q3 2010 compared with Q2 2010 (continued)

- Non-interest income was up 1% reflecting strong mortgage income (up £23 million ($35 million) on the second quarter), offset by lower deposit fees as a result of Regulation E legislative changes introduced in the quarter. The current annual impact of Regulation E is estimated at between £80-100 million ($125-150 million). Mitigating action to implement changes to account and transaction fee schedules is currently under review. In addition, gains of £213 million ($330 million) were recognised on the sale of available-for-sale securities as part of a balance sheet restructuring exercise which were largely offset by losses crystallised on the termination of swaps hedging fixed-rate funding.

- Regulation E prohibits financial institutions from charging consumers fees for paying automated teller machine (ATM) and one-off debit card transactions which would result in overdraft, unless a consumer consents, or opts in, to the overdraft service for those types of transactions.

- Total expenses were 1% lower, excluding the pension credit booked in Q2 2010.

- Impairment losses fell 10%, reflecting a gradual improvement in the underlying credit environment. Loan impairments decreased as a proportion of loans and advances, falling 10 basis points from the second quarter and continuing a downward trend from their peak in Q3 2009.

- Following significant loan reserve building in 2009, provisions for loan losses held steady at £0.8 billion ($1.2 billion), reflecting a cautious near-term view of the credit environment.

Q3 2010 compared with Q3 2009

- Operating profit increased to £73 million ($113 million) from an operating loss of £43 million ($67 million).

- Net interest income rose 10%, with net interest margin increasing by 55 basis points to 2.92%, offsetting a reduction in loan and deposit balances. The margin improvement was primarily due to changes in deposit mix and new deposit pricing strategies, as well as a positive impact from a balance sheet restructuring carried out during the quarter.

- Customer deposits were down 4%, reflecting the impact of a changed pricing strategy on low margin term and time products, but strong growth was achieved in checking balances. Over 52,500 consumer checking accounts were added over the year, and more than 12,500 small business checking accounts were added. Consumer checking balances grew by 8% and small business balances by 11%.

- Non-interest income was up 13%, driven by higher mortgage and debit card income and higher gains on the sale of securities.

- Total expenses rose 5% reflecting impairment of mortgage servicing rights (£15 million ($23 million)), changes in the phasing of staff compensation and higher medical costs.

Global Banking & Markets

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Income statement					
Net interest income from banking activities	317	329	486	1,027	2,008
Funding costs of rental assets	(8)	(9)	(12)	(26)	(39)
Net interest income	309	320	474	1,001	1,969
Net fees and commissions receivable	354	262	299	902	897
Income from trading activities	619	1,517	1,276	4,147	6,418
Other operating income	272	(152)	(16)	275	(189)
Non-interest income	1,245	1,627	1,591	5,324	7,126
Total income	1,554	1,947	2,065	6,325	9,095
Direct expenses					
- staff	(621)	(631)	(716)	(2,139)	(2,268)
- other	(166)	(200)	(184)	(550)	(587)
Indirect expenses	(218)	(202)	(252)	(643)	(737)
	(1,005)	(1,033)	(1,152)	(3,332)	(3,592)
Impairment losses	40	(164)	(272)	(156)	(510)
Operating profit	589	750	641	2,837	4,993
Analysis of income by product					
Rates – money markets	38	4	287	130	1,606
Rates – flow	402	471	694	1,572	2,527
Currencies & commodities	218	179	147	692	1,102
Equities	198	238	282	750	1,017
Credit and mortgage markets	349	474	475	1,782	2,023
Portfolio management and origination	349	581	180	1,399	820
Total income	1,554	1,947	2,065	6,325	9,095
Analysis of impairments by sector					
Manufacturing and infrastructure	(34)	(12)	33	(53)	72

Property and construction	-	56	-	64	50
Banks and financial institutions	(3)	110	237	123	280
Other	(3)	10	2	22	108
Total impairment losses	(40)	164	272	156	510
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements)	(0.2%)	0.7%	0.6%	0.2%	0.5%

Global Banking & Markets (continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
Performance ratios					
Return on equity (1)	11.3%	13.8%	14.2%	18.0%	36.9%
Net interest margin	1.14%	1.01%	1.08%	1.08%	1.52%
Cost:income ratio	65%	53%	56%	53%	39%
Compensation ratio (2)	40%	32%	35%	34%	25%

	30 September 2010 £bn	30 June 2010 £bn	Change	31 December 2009 £bn	Change
Capital and balance sheet					
Loans and advances to customers	87.9	88.8	(1%)	90.9	(3%)
Loans and advances to banks	44.8	40.1	12%	36.9	21%
Reverse repos	92.3	85.6	8%	73.3	26%
Securities	118.8	109.8	8%	106.0	12%
Cash and eligible bills	42.0	41.2	2%	74.0	(43%)
Other	34.9	34.5	1%	31.1	12%
Total third party assets (excluding derivatives mark-to-market)	420.7	400.0	5%	412.2	2%
Net derivative assets (after netting)	41.1	52.1	(21%)	68.0	(40%)
Customer deposits (excluding repos)	40.9	45.6	(10%)	46.9	(13%)
Risk elements in lending	1.6	1.8	(11%)	1.8	(11%)
Loan:deposit ratio (excluding repos)	215%	195%	2,000bp	194%	2,100bp
Risk-weighted assets	143.7	141.3	2%	123.7	16%

Notes:

(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).

(2) Compensation ratio is based on staff costs as a percentage of total income, excluding the fair value of own debt.

Key points

Q3 2010 compared with Q2 2010

- Operating profit fell 21% to £589 million, with reduced revenue partially offset by a net recovery on impairments and a small reduction in costs.

- Revenue fell 20%. Adjusting for the impact of the tightening in the Group's credit spreads on derivative liabilities the decline was 13%. Trading volumes were weak as investors remained risk averse amidst uncertainty in the global economy. Volatility also subsided as concerns about European sovereign debt default decreased during the quarter. In spite of this environment, GBM continued to focus on serving its customers, remaining a top three bookrunner for IG Corporates in EMEA DCM.

Global Banking & Markets (continued)

Key points (continued)

Q3 2010 compared with Q2 2010 (continued)

- Rates flow and Credit and mortgage markets products suffered from subdued client flow, but Currencies revenues recovered somewhat. Portfolio revenue fell back after a spike in market derivative values in Q2 2010.

- Total costs fell by 3% compared with Q2 2010. The cost:income ratio for the nine months to September 2010 was 53%, below the 55% strategic plan target. The year-to-date compensation ratio of 34%, excluding fair value of own debt, remains within the expected range of 32-35%.

- Impairments for the quarter were negligible, with no significant single name defaults, low levels of underlying impairment and several modest recoveries, resulting in a credit of £40 million.

- Third party assets increased by £21 billion during Q3 2010, to £421 billion, within the normal range of £400 billion to £450 billion, reflecting increased customer demand for securities and a pick up in repo trading activity towards the end of the period.

- Risk-weighted assets increased by 2% over the period reflecting effective management of underlying risk which mitigated the impact of changes in the regulatory treatment of some assets.

- Adjusting for the fair value of own debt, return on equity for the quarter was 11.3% and 18.0% for the nine months to September 2010, ahead of the strategic plan target of 15% despite tough market conditions during Q2 and Q3 2010.

Q3 2010 compared with Q3 2009

- Operating profit declined by 8%, reflecting lower revenue that was partially offset by lower costs and impairments.

- Excluding the movement in fair value of own debt, revenue fell 25%. Rates, money markets and flow revenue fell, reflecting reduced volatility and client activity. However, revenue from currencies improved, driven by a significantly better performance in emerging markets.

- Credit and mortgage market revenue declined as mortgage trading income fell from the buoyant trading conditions experienced in Q3 2009. Reduced revenue in Equities reflected lower ECM volumes in the EMEA region. Portfolio management revenue improved as a result of lower costs of balance sheet management and lower losses on market derivative values.

- Third party assets over the period declined by £38 billion, an 8% year-on-year reduction. This was a result of active balance sheet management.

RBS Insurance

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Income statement					
Earned premiums	1,111	1,118	1,145	3,359	3,370
Reinsurers' share	(36)	(38)	(43)	(108)	(128)
Net premium income	1,075	1,080	1,102	3,251	3,242
Fees and commissions	(96)	(91)	(95)	(276)	(282)
Other income	112	116	112	320	324
Total income	1,091	1,105	1,119	3,295	3,284
Direct expenses					
- staff	(68)	(66)	(67)	(197)	(206)
- other	(41)	(48)	(47)	(136)	(168)
Indirect expenses	(66)	(62)	(64)	(193)	(195)
	(175)	(176)	(178)	(526)	(569)
Net claims	(949)	(1,132)	(928)	(3,055)	(2,479)
Impairment losses	-	-	(2)	-	(8)
Operating (loss)/profit	(33)	(203)	11	(286)	228
Analysis of income by product					
Personal lines motor excluding broker					
- Own brands	481	472	482	1,430	1,385
- Partnerships	73	71	82	220	245
Personal lines home excluding broker					
- Own brands	123	121	115	365	336
- Partnerships	97	97	98	298	293
Personal lines other excluding broker					
- Own brands	48	47	49	147	143
- Partnerships	45	53	54	154	170
Other					
- Commercial and international	165	158	152	487	473
- Other (including personal lines broker)	59	86	87	194	239
Total income	1,091	1,105	1,119	3,295	3,284

RBS Insurance (continued)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
In-force policies (thousands)					
Personal lines motor excluding broker					
- Own brands	4,276	4,424	4,798	4,276	4,798
- Partnerships	698	755	874	698	874
Personal lines home excluding broker					
- Own brands	1,765	1,772	1,671	1,765	1,671
- Partnerships	1,859	1,875	1,947	1,859	1,947
Personal lines other excluding broker					
- Own brands	2,069	2,194	2,250	2,069	2,250
- Partnerships	7,201	7,186	7,518	7,201	7,518
Other					
- Commercial and international	1,373	1,322	1,213	1,373	1,213
- Other (including personal lines broker)	911	1,046	1,053	911	1,053
Total in-force policies (1)	20,152	20,574	21,324	20,152	21,324
Gross written premium (£m)	1,128	1,092	1,186	3,310	3,456
Performance ratios					
Return on equity (2)	(3.5%)	(21.8%)	1.2%	(10.2%)	8.5%
Cost:income ratio (3)	16%	16%	16%	16%	17%
Loss ratio (4)	88.6%	106.3%	84.0%	94.7%	75.9%
Combined operating ratio (5)	110.2%	128.7%	104.7%	116.9%	98.4%
Balance sheet					
General insurance reserves – total (£m)	7,552	7,326	6,839	7,552	6,839

Notes:

(1) Total in-force policies include travel and creditor policies sold through RBS Group. These comprise travel policies included in bank accounts e.g. Royalties Gold Account, and creditor policies sold with bank products including mortgage, loan & card repayment payment protection.

(2) Return on equity is based on divisional operating profit/(loss) after tax, divided by divisional notional equity (based on regulatory capital).

(3) Cost:income ratio is based on total income, including investment income and total expenses.

(4) Loss ratio is based on net claims divided by net premium income for the UK businesses.

(5)

Combined operating ratio is the expenses (including fees & commissions) divided by gross written premium income, added to the loss ratio, for the UK businesses.

Key points

Q3 2010 compared with Q2 2010

Performance improved on Q2 2010 due to lower additions to bodily injury reserves in the quarter. Tighter underwriting criteria are now in effect and pricing and claims management initiatives for bodily injury have started to deliver; further improvements still need to be fully embedded to restore the business to sustainable profitability.

RBS Insurance recently announced plans to rationalise its operational sites. This together with further actions to drive down expenses will deliver a more robust and cost-competitive platform for the business.

As planned, total in-force policies have declined. A reduction in motor policies following significant re-pricing as well as the Group's exit from less profitable partnership and broker business, has been partly offset by growth in Commercial and International policies.

RBS Insurance (continued)

Key points (continued)

Q3 2010 compared with Q2 2010 (continued)

Total income declined slightly to £1,091 million. Although motor pricing has increased, premium income has fallen as a result of exiting the higher risk, higher premium motor business.

Net claims were 16% lower than Q2 2010, during which additional reserves totalling £320 million were established in respect of bodily injury. For Q3 2010 an additional £100 million has been added to bodily injury claims reserves, largely relating to periodic payment orders following an industry-wide review during the quarter. In response to this claims experience, motor pricing has been further increased from the second quarter and significant progress continues to be made in removing higher risk business from the overall motor book by targeted rating actions.

Expenses were flat in the quarter, with higher staff expenses offset by lower marketing costs and levies. In advance of the main phase of planned role reductions, additional headcount has been required to deliver the business transformation programme.

Q3 2010 compared with Q3 2009

· Total in-force policies declined by 5%, reflecting the change in mix of the policy book, with motor own-brand policies down 11% but own-brand home policies up 6%. The partnership and broker segment declined by 11%, in line with business strategy.

· Total income declined by 3% as a result of a reduction in in-force policies, including the removal of higher risk, higher premium motor business, partially offset by increased pricing.

Our market leading home business has continued to make solid progress with an increase in year to date total income of 5%.

· Net claims were 2% higher, principally driven by the deterioration in the observed severity of bodily injury claims.

· Expenses were down 2%, driven by lower levies and marketing costs.

· The combined operating ratio, including indirect costs, was 110.2% compared with 104.7% in Q3 2009, owing to the impact of increased reserving for bodily injury claims partially mitigated by expense ratio improvement. Excluding increased bodily injury reserving relating to prior years, the combined operating ratio was 100.2%.

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Central items

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Central items not allocated	76	49	283	462	554
Operating (loss)/profit	76	49	283	462	554

Key points

- Funding and operating costs have been allocated to operating divisions, based on direct service usage, the requirement for market funding and other appropriate drivers where services span more than one division.

- Residual unallocated items relate to volatile corporate items that do not naturally reside within a division.

Q3 2010 compared with Q2 2010

- Central items not allocated, which are primarily volatile Group Treasury items, amounted to a net credit of £76 million, an increase of £27 million on Q2 2010. In Q3 2010 RBS N.V. realised a gain of £216 million on the sale of AFS securities. This was largely offset by negative movements relating to IFRS volatility.

Q3 2010 compared with Q3 2009

- Central items not allocated during the quarter declined by £207 million relative to Q3 2009. This movement is attributable to unallocated volatile Group Treasury items.

Non-Core

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Income statement					
Net interest income from banking activities	433	550	282	1,551	929
Funding costs of rental assets	(79)	(78)	(56)	(226)	(192)
Net interest income	354	472	226	1,325	737
Net fees and commissions	40	150	121	285	350
Income from trading activities	227	25	(565)	130	(4,322)
Insurance net premium income	180	173	173	521	613
Other operating income	87	53	99	434	213
Non-interest income	534	401	(172)	1,370	(3,146)
Total income	888	873	54	2,695	(2,409)
Direct expenses					
- staff	(172)	(202)	(150)	(626)	(604)
- other	(277)	(269)	(244)	(828)	(747)
Indirect expenses	(130)	(121)	(132)	(373)	(411)
	(579)	(592)	(526)	(1,827)	(1,762)
Insurance net claims	(144)	(215)	(126)	(492)	(440)
Impairment losses	(1,171)	(1,390)	(2,066)	(4,265)	(7,410)
Operating loss	(1,006)	(1,324)	(2,664)	(3,889)	(12,021)
Analysis of income by business					
Banking & portfolio	131	239	(271)	641	(1,375)
International businesses & portfolios	330	606	537	1,568	1,769
Markets	427	28	(212)	486	(2,803)
Total income	888	873	54	2,695	(2,409)

Key metrics

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009

Performance ratios										
Net interest margin	1.05	%	1.22	%	0.55	%	1.18	%	0.54	%
Cost:income ratio	65	%	68	%	974	%	68	%	(73	%)
Adjusted cost:income ratio	78	%	90	%	(731	%)	83	%	(62	%)

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Non-Core (continued)

	30 September 2010 £bn	30 June 2010 £bn	Change	31 December 2009 £bn	Change
Capital and balance sheet (1)					
Total third party assets (including derivatives) (2)	175.2	193.3	(9 %)	220.9	(21 %)
Loans and advances to customers (gross)	119.5	126.4	(5 %)	149.5	(20 %)
Customer deposits	7.3	7.4	(1 %)	12.6	(42 %)
Risk elements in lending	23.9	22.0	9 %	22.9	4 %
Risk-weighted assets (3)	166.9	175.0	(5 %)	171.3	(3 %)

Notes:
(1) Includes disposal groups.
(2) Derivatives were £21.0 billion at 30 September 2010 (30 June 2010 – £19.4 billion; 31 December – £19.9 billion).
(3) Includes Sempra: 30 September 2010 Third party assets (TPAs) £8.3 billion, RWAs £5.9 billion; (30 June 2010 TPAs £12.7 billion, RWAs £9.7 billion; 31 December 2009 TPAs £14.2 billion, RWAs £10.2 billion).

	Quarter ended			Nine months ended	
	30 September 2010 £m	30 June 2010 £m	30 September 2009 £m	30 September 2010 £m	30 September 2009 £m
Income/(loss) from trading activities					
Monoline exposures	191	(139)	(37)	52	(1,708)
Credit derivative product companies	(15)	(55)	(277)	(101)	(846)
Asset backed products (1)	160	97	148	202	(393)
Other credit exotics	(2)	47	(38)	56	(574)
Equities	(15)	(6)	(13)	(28)	(38)
Banking book hedges	(123)	147	(386)	(12)	(1,382)
Other (2)	23	(58)	24	(48)	561
	219	33	(579)	121	(4,380)
Impairment losses					
Banking & portfolio	204	256	1,347	1,157	3,320
International businesses & portfolios	980	1,124	1,234	3,055	3,592
Markets	(13)	10	(515)	53	498
Total impairment	1,171	1,390	2,066	4,265	7,410

Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) (3)					
Banking & portfolio	1.3%	1.8%	6.0%	2.4%	4.8%
International businesses & portfolios	6.9%	7.4%	6.9%	7.2%	6.7%
Markets	(0.5%)	3.6%	(126.8%)	8.8%	5.7%
	3.9%	4.4%	5.4%	4.7%	5.7%

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Non-Core (continued)

	30 September 2010 £bn	30 June 2010 £bn	31 December 2009 £bn
Gross customer loans and advances			
Banking & portfolio	64.4	67.8	82.0
International businesses & portfolios	54.8	58.2	65.6
Markets	0.3	0.4	1.9
	119.5	126.4	149.5
Risk-weighted assets			
Banking & portfolio	54.0	55.1	58.2
International businesses & portfolios	40.6	40.4	43.8
Markets	72.3	79.5	69.3
	166.9	175.0	171.3

Notes:

(1) Asset-backed products include super senior asset-backed structures and other asset-backed products.

(2) Includes profits in Sempra of £78 million (30 June 2010 – £125 million; 31 December 2009 – £161 million).

(3) Includes disposal groups.

Non-Core (continued)

Third party assets (excluding derivatives)

Quarter ended 30 September 2010

	30 June 2010 £bn	Run-off £bn	Disposals/ restructuring £bn	Drawings/ roll overs £bn	Impairments £bn	FX £bn	30 September 2010 £bn
Commercial real estate	44.1	2.9	(0.3)	(0.2)	(1.2)	1.2	46.5
Corporate	70.4	(2.8)	(2.4)	0.6	0.1	0.2	66.1
SME	4.7	(0.8)	-	-	-	-	3.9
Retail	16.8	(6.2)	-	-	(0.1)	(0.2)	10.3
Other	3.0	(0.2)	(0.3)	0.1	-	-	2.6
Markets	22.3	(1.4)	(4.4)	0.4	-	(0.4)	16.5
Total (excluding derivatives) (1)	161.3	(8.5)	(7.4)	0.9	(1.2)	0.8	145.9
Markets – Sempra	12.7	(0.5)	(3.3)	-	-	(0.6)	8.3
Total (2)	174.0	(9.0)	(10.7)	0.9	(1.2)	0.2	154.2

Quarter ended 30 June 2010

	31 March 2010 £bn	Run-off £bn	Disposals/ restructuring £bn	Drawings/ roll overs £bn	Impairments £bn	FX £bn	30 June 2010 £bn
Commercial real estate	49.5	(5.3)	(0.3)	2.8	(1.1)	(1.5)	44.1
Corporate	78.8	(2.6)	(4.5)	0.6	0.1	(2.0)	70.4
SME	4.0	0.9	-	-	(0.1)	(0.1)	4.7
Retail	19.8	(0.5)	(1.7)	-	(0.2)	(0.6)	16.8
Other	3.3	(0.2)	(0.1)	-	-	-	3.0
Markets	24.1	(0.6)	(1.4)	0.6	(0.1)	(0.3)	22.3
Total (excluding derivatives)	179.5	(8.3)	(8.0)	4.0	(1.4)	(4.5)	161.3
Markets – Sempra	14.0	(1.4)	-	-	-	0.1	12.7
Total	193.5	(9.7)	(8.0)	4.0	(1.4)	(4.4)	174.0

Nine months ended 30 September 2010

	31 December	Run-off	Disposals/ restructuring	Drawings/ roll overs	Impairments	FX	30 September 2010

	2009 £bn	£bn	£bn	£bn	£bn	£bn	£bn
Commercial real estate	51.3	(3.9)	(0.6)	2.8	(3.4)	0.3	46.5
Corporate	82.6	(10.0)	(8.1)	1.6	(0.2)	0.2	66.1
SME	3.9	0.1	-	-	(0.1)	-	3.9
Retail	19.9	(7.1)	(1.9)	0.1	(0.5)	(0.2)	10.3
Other	4.7	(2.0)	(0.4)	0.3	-	-	2.6
Markets	24.4	(3.2)	(6.1)	1.0	(0.1)	0.5	16.5
Total (excluding derivatives) (1)	186.8	(26.1)	(17.1)	5.8	(4.3)	0.8	145.9
Markets – Sempra	14.2	(3.1)	(3.3)	-	-	0.5	8.3
Total (2)	201.0	(29.2)	(20.4)	5.8	(4.3)	1.3	154.2

Note:

(1) Intra-group transfers during Q3 resulted in a net £2.2 billion reduction in TPAs. As a result of this transfer there was an increase of Commercial real estate assets totalling £5.4 billion, offset by reductions across other sectors, principally Retail.

(2) In addition, £9.4 billion of disposals have been signed as of 30 September 2010 but are pending closing (30 June 2010 – £1.9 billion; 31 December 2009 - £3.0 billion).

Non-Core (continued)

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Loan impairment losses by donating division and sector					
UK Retail					
Mortgages	1	-	1	4	4
Personal	4	-	11	6	42
Total UK Retail	5	-	12	10	46
UK Corporate					
Manufacturing and infrastructure	5	21	14	21	46
Property and construction	130	150	162	334	488
Transport	26	(3)	5	23	8
Banks and financials	(8)	2	1	18	102
Lombard	25	29	27	79	82
Invoice finance	(3)	-	2	(3)	2
Other	(2)	64	33	119	609
Total UK Corporate	173	263	244	591	1,337
Ulster Bank					
Mortgages	(1)	23	7	42	26
Commercial investment and development	201	147	20	458	47
Residential investment and development	394	384	406	1,129	749
Other	82	137	148	270	184
Other EMEA	13	13	27	46	86
Total Ulster Bank	689	704	608	1,945	1,092
US Retail & Commercial					
Auto and consumer	(2)	32	49	45	109
Cards	2	4	33	20	104
SBO/home equity	57	67	69	226	367
Residential mortgages	3	(10)	20	5	41
Commercial real estate	49	42	85	154	173
Commercial and other	7	6	39	15	75
Total US Retail & Commercial	116	141	295	465	869

Global Banking & Markets					
Manufacturing and infrastructure	(53)	(281)	309	(305)	1,320
Property and construction	147	501	141	1,120	730
Transport	8	-	5	9	173
Telecoms, media and technology	32	11	23	32	543
Banks and financials	5	11	270	177	523
Other	52	24	84	177	529
Total Global Banking & Markets	191	266	832	1,210	3,818
Other					
Wealth	7	16	50	51	213
Global Transaction Services	(10)	-	25	(7)	35
Central items	-	-	-	-	-
Total Other	(3)	16	75	44	248
Total impairment losses	1,171	1,390	2,066	4,265	7,410

Non-Core (continued)

	30 September 2010 £bn	30 June 2010 £bn	31 December 2009 £bn
Gross loans and advances to customers (excluding reverse repurchase agreements) by donating division and sector			
UK Retail			
Mortgages	1.7	1.8	1.9
Personal	0.5	0.5	0.7
Total UK Retail	2.2	2.3	2.6
UK Corporate			
Manufacturing and infrastructure	0.3	0.4	0.3
Property and construction	12.1	12.9	14.1
Lombard	1.9	2.4	2.9
Invoice finance	-	-	0.4
Other	14.2	14.7	17.2
Total UK Corporate	28.5	30.4	34.9
Ulster Bank			
Mortgages	-	5.6	6.0
Commercial investment and development	6.7	4.1	3.0
Residential investment and development	6.0	3.8	5.6
Other	2.0	1.3	1.1
Other EMEA	0.8	0.9	1.0
Total Ulster Bank	15.5	15.7	16.7
US Retail & Commercial			
Auto and consumer	2.7	3.0	3.2
Cards	0.1	0.2	0.5
SBO/home equity	3.3	3.6	3.7
Residential mortgages	0.8	0.9	0.8
Commercial real estate	1.7	1.9	1.9
Commercial and other	0.6	0.7	0.9
Total US Retail & Commercial	9.2	10.3	11.0
Global Banking & Markets			
Manufacturing and infrastructure	10.6	13.4	17.5
Property and construction	22.9	21.6	25.7

Transport	5.6	5.3	5.8
Telecoms, media and technology	1.1	2.0	3.2
Banks and financials	13.8	15.7	16.0
Other	10.5	9.4	13.5
Total Global Banking & Markets	64.5	67.4	81.7
Other			
Wealth	0.7	0.9	2.6
Global Transaction Services	0.5	0.6	0.8
RBS Insurance	0.2	0.2	0.2
Central items	(2.1)	(2.1)	(3.2)
Total Other	(0.7)	(0.4)	0.4
Gross loans and advances to customers (excluding reverse repurchase agreements)	119.2	125.7	147.3

Non-Core (continued)

Key points

Q3 2010 compared with Q2 2010

- Good progress was made in Non-Core's asset reduction programme, with third party assets (excluding derivatives) declining by £20 billion to £154 billion. This was due to the division's disposal programme (£11 billion), including the disposal of £4 billion of assets in the markets business, and portfolio run-off (£9 billion).

- RWAs decreased £8 billion from £175 billion to £167 billion. The largest drivers of the change were the partial disposal of Sempra JV business and other sales across the Non-Core division offset by intra-group transfers, and regulatory model changes.

- Non-Core operating loss was £1,006 million in the third quarter, compared with £1,324 million in Q2 2010, primarily due to improved results from trading activities and lower impairments.

- Income from trading activities totalled £227 million, compared with £25 million in the second quarter. This reflects disposal gains on super senior assets as well as valuation gains in relation to monolines as spreads tightened. These were offset by losses incurred across CDS portfolios also due to tightening spreads. Sempra Commodities reported revenues £43 million lower than the second quarter following the disposal of its metals, oil and European energy business lines to J.P. Morgan in July.

- Net interest income fell by £118 million, principally reflecting a reduction of 5% in the loan book. Other operating income totalled £87 million in Q3 2010 compared with £53 million in Q2 2010. Rental income of £166 million fell by £15 million compared to the second quarter due to run-off. Disposal losses in Q3 2010 totalled £304 million, balanced by some revaluations of equity positions totalling £146 million.

- Expenses declined by 2%, reflecting a number of business disposals.

- Impairment losses continued to trend down to £1,171 million. Underlying impairments continued to slow, and the division experienced a number of write-backs in its leveraged lending business, though at a lower level than Q2 2010.

Q3 2010 compared with Q3 2009

- Over the 12 months to 30 September 2010, third party assets (excluding derivatives) decreased by £48 billion, 24%, as a result of the division's disposal strategy, managed portfolio run-off and impairments.

- Operating losses decreased substantially from the £2,664 million loss recorded in Q3 2009, with significant improvements in both trading income and impairments.

- Impairments were £895 million lower than in Q3 2009. This reflected the steadily improving environment over the period. However, charges as a result of the continued decline in the UK and Irish commercial property sectors remain high.

Condensed consolidated income statement
for the period ended 30 September 2010

	Quarter ended			Nine months ended	
	30 September 2010 £m	30 June 2010 £m	30 September* 2009 £m	30 September 2010 £m	30 September* 2009 £m
Interest receivable	5,584	5,888	5,693	17,164	20,334
Interest payable	(2,173)	(2,212)	(2,573)	(6,535)	(10,365)
Net interest income	3,411	3,676	3,120	10,629	9,969
Fees and commissions receivable	2,037	2,053	1,919	6,141	6,385
Fees and commissions payable	(611)	(579)	(545)	(1,762)	(1,896)
Income from trading activities	277	2,110	1,088	4,153	3,052
Gain on redemption of own debt	-	553	-	553	3,790
Other operating income (excluding insurance premium income)	(317)	346	(77)	476	569
Insurance net premium income	1,289	1,278	1,301	3,856	3,958
Non-interest income	2,675	5,761	3,686	13,417	15,858
Total income	6,086	9,437	6,806	24,046	25,827
Staff costs	(2,423)	(2,365)	(2,363)	(7,477)	(7,499)
Premises and equipment	(611)	(547)	(631)	(1,693)	(1,909)
Other administrative expenses	(914)	(1,022)	(1,062)	(2,947)	(3,265)
Depreciation and amortisation	(603)	(519)	(534)	(1,604)	(1,566)
Write-down of goodwill and other intangible assets	-	-	-	-	(311)
Operating expenses	(4,551)	(4,453)	(4,590)	(13,721)	(14,550)
Profit before other operating charges and impairment losses	1,535	4,984	2,216	10,325	11,277
Insurance net claims	(1,142)	(1,323)	(1,145)	(3,601)	(3,036)
Impairment losses	(1,953)	(2,487)	(3,279)	(7,115)	(10,800)
Operating (loss)/profit before tax	(1,560)	1,174	(2,208)	(391)	(2,559)
Tax credit/(charge)	295	(825)	617	(637)	1,073
(Loss)/profit from continuing operations	(1,265)	349	(1,591)	(1,028)	(1,486)
Loss on distribution of ABN AMRO Bank NV to	-	(1,019)	-	(1,019)	-

the State of the Netherlands and Santander					
Other profits from discontinued operations, net of tax	18	-	-	331	30
Profit/(loss) from discontinued operations, net of tax	18	(1,019)	-	(688)	30
Loss for the period	(1,247)	(670)	(1,591)	(1,716)	(1,456)
Minority interests	101	946	36	703	(595)
Preference share and other dividends	-	(19)	(245)	(124)	(791)
(Loss)/profit attributable to ordinary and B shareholders	(1,146)	257	(1,800)	(1,137)	(2,842)
Basic (loss)/earnings per ordinary and B share from continuing operations	(1.1p)	0.8p	(3.2p)	(0.5p)	(5.2p)
Basic loss per ordinary and B share from discontinued operations	-	-	-	-	(0.1p)

* restated for the reclassification of the results attributable to other Consortium Members as discontinued operations.

Condensed consolidated statement of comprehensive income
for the period ended 30 September 2010

	Quarter ended			Nine months ended	
	30 September 2010	30 June 2010	30 September 2009	30 September 2010	30 September 2009
	£m	£m	£m	£m	£m
Loss for the period	(1,247)	(670)	(1,591)	(1,716)	(1,456)
Other comprehensive income					
Available-for-sale financial assets	235	93	3,079	743	1,419
Cash flow hedges	553	1,449	(90)	1,807	274
Currency translation	(647)	(91)	1,777	47	(2,504)
Tax on other comprehensive income	(256)	(331)	(857)	(702)	(379)
Other comprehensive (loss)/income for the period, net of tax	(115)	1,120	3,909	1,895	(1,190)
Total comprehensive (loss)/income for the period	(1,362)	450	2,318	179	(2,646)
Attributable to					
Minority interests	(117)	(457)	1,075	(249)	(743)
Preference shareholders	-	-	242	105	752
Paid-in equity holders	-	19	3	19	39
Ordinary and B shareholders	(1,245)	888	998	304	(2,694)
	(1,362)	450	2,318	179	(2,646)

Condensed consolidated balance sheet
at 30 September 2010

	30 September 2010 £m	30 June 2010 £m	31 December 2009 £m
Assets			
Cash and balances at central banks	61,416	29,591	52,261
Net loans and advances to banks	60,334	54,489	56,656
Reverse repurchase agreements and stock borrowing	48,407	47,663	35,097
Loans and advances to banks	108,741	102,152	91,753
Net loans and advances to customers	528,049	539,375	687,353
Reverse repurchase agreements and stock borrowing	44,503	39,396	41,040
Loans and advances to customers	572,552	578,771	728,393
Debt securities	226,410	236,260	267,254
Equity shares	21,755	17,326	19,528
Settlement balances	22,874	20,718	12,033
Derivatives	548,805	522,871	441,454
Intangible assets	14,369	14,482	17,847
Property, plant and equipment	17,398	17,608	19,397
Deferred taxation	5,909	5,839	7,039
Prepayments, accrued income and other assets	11,908	14,095	20,985
Assets of disposal groups	17,450	22,340	18,542
Total assets	1,629,587	1,582,053	1,696,486
Liabilities			
Bank deposits	80,304	96,710	104,138
Repurchase agreements and stock lending	41,465	44,165	38,006
Deposits by banks	121,769	140,875	142,144
Customer deposits	420,639	420,890	545,849
Repurchase agreements and stock lending	87,287	70,655	68,353
Customer accounts	507,926	491,545	614,202
Debt securities in issue	235,083	217,317	267,568
Settlement balances	20,628	19,730	10,413
Short positions	44,004	42,994	40,463
Derivatives	543,397	508,966	424,141
Accruals, deferred income and other liabilities	23,667	24,867	30,327
Retirement benefit liabilities	2,637	2,611	2,963
Deferred taxation	2,270	2,195	2,811
Insurance liabilities	6,782	6,521	10,281
Subordinated liabilities	27,890	27,523	37,652
Liabilities of disposal groups	16,154	17,615	18,890
Total liabilities	1,552,207	1,502,759	1,601,855

Equity			
Minority interests	1,780	2,492	16,895
Owners' equity*			
Called up share capital	15,030	15,029	14,630
Reserves	60,570	61,773	63,106
Total equity	77,380	79,294	94,631
Total liabilities and equity	1,629,587	1,582,053	1,696,486
* Owners' equity attributable to:			
Ordinary and B shareholders	70,856	72,058	69,890
Other equity owners	4,744	4,744	7,846
	75,600	76,802	77,736

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Condensed consolidated statement of changes in equity
for the period ended 30 September 2010

	Nine months ended 30 September 2010 £m	Six months ended 30 June 2010 £m	Year ended 31 December 2009 £m
Called-up share capital			
At beginning of period	14,630	14,630	9,898
Ordinary shares issued in respect of placing and open offers	-	-	4,227
B shares issued	-	-	510
Other shares issued during the period	402	401	-
Preference shares redeemed during the period	(2)	(2)	(5)
At end of period	15,030	15,029	14,630
Paid-in equity			
At beginning of period	565	565	1,073
Securities redeemed during the period	(132)	(132)	(308)
Transfer to retained earnings	(2)	(2)	(200)
At end of period	431	431	565
Share premium account			
At beginning of period	23,523	23,523	27,471
Ordinary shares issued in respect of placing and open offer, net of £95 million expenses	-	-	1,047
Other shares issued during the period	217	217	-
Preference shares redeemed during the period	-	-	(4,995)
Redemption of preference shares classified as debt	118	118	-
At end of period	23,858	23,858	23,523
Merger reserve			
At beginning of period	25,522	25,522	10,881
Issue of B shares, net of £399 million expenses	-	-	24,591
Transfer to retained earnings	(12,250)	(12,250)	(9,950)
At end of period	13,272	13,272	25,522
Available-for-sale reserves			
At beginning of period	(1,755)	(1,755)	(3,561)

Unrealised gains in the period	1,327	647	1,202
Realised (gains)/losses in the period	(535)	(127)	981
Taxation	(263)	(208)	(377)
Recycled to profit or loss on disposal of businesses, net of £6 million tax	(16)	(16)	-
At end of period	(1,242)	(1,459)	(1,755)
Cash flow hedging reserve			
At beginning of period	(252)	(252)	(876)
Amount recognised in equity during the period	329	(58)	380
Amount transferred from equity to earnings in the period	138	17	513
Taxation	(154)	-	(269)
Recycled to profit or loss on disposal of businesses, net of £20 million tax	58	58	-
At end of period	119	(235)	(252)

Condensed consolidated statement of changes in equity
for the period ended 30 September 2010 (continued)

	Nine months ended 30 September 2010