WEC ENERGY GROUP, INC.
Form 4
February 25, 2016

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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(Print or Type Responses)

1. Name and Address of Reporting Person *
LEVERETT ALLEN L

(Last) (First) (Middle)

231 WEST MICHIGAN STREET

(Street)

MILWAUKEE, WI 53203

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
WEC ENERGY GROUP, INC. [WEC]

3. Date of Earliest Transaction (Month/Day/Year)
02/23/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/23/2016		M		10,000	A	$ 21.1075	57,270	D	
Common Stock	02/23/2016		S		10,000	D	$ 57.3021 (1)	47,270	D	
Common Stock	02/25/2016		M		21,000	A	$ 21.1075	68,270	D	
Common Stock	02/25/2016		S		21,000	D	$ 57.882 (2)	47,270	D	
Common Stock								20,962	I	by Trust

Common Stock		2,883.083 (3)	I	ERSP

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to buy)	$ 21.1075	02/23/2016		M			10,000	01/02/2012	01/02/2019	Common Stock	10,000
Stock Option (right to buy)	$ 21.1075	02/25/2016		M			21,000	01/02/2012	01/02/2019	Common Stock	21,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LEVERETT ALLEN L 231 WEST MICHIGAN STREET MILWAUKEE, WI 53203	X		President	

Signatures

/s/ Joshua M. Erickson, as Attorney-in-Fact — 02/25/2016

**Signature of Reporting Person — Date

Explanation of Responses:

*	If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
**	Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
(1)	This price is a weighted average price. These shares were sold in multiple transactions at prices ranging from $57.15 to $57.43, inclusive. The reporting person undertakes to provide WEC Energy Group, Inc ("WEC"), any security holder of WEC, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within such range.
(2)	This price is a weighted average price. These shares were sold in multiple transactions at prices ranging from $57.64 to $58.04, inclusive. The reporting person undertakes to provide WEC, any security holder of WEC, or the staff of the Securities and Exchange Commission, upon request, full information regarding the number of shares sold at each separate price within such range.
(3)	Includes shares acquired under WEC Energy Group, Inc.'s Employee Retirement Savings Plan (ERSP) in transactions exempt from Section 16(b) pursuant to Rule 16b-3(c) and exempt from reporting pursuant to Rule 16a-3(f)(1)(i)(B). The number of shares in the ERSP attributable to any one participant varies with the price of the Common Stock. The information in this report is based on a plan statement dated as of January 31, 2016.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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Return on equity (1)

27.1%

7.8%

9.5%

11.1%

15.4%

3.1%

nm

nm

nm

(4.8%)

Return on equity - adjusted (1,2)

28.3%

9.9%

10.4%

11.8%

15.1%

8.0%

nm

nm

nm

4.6%

Cost income ratio

56%

90%

Explanation of Responses:

	56%
	68%
	42%
	81%
	nm
	53%
	nm
	88%
Cost income ratio - adjusted (2)	
	54%
	80%
	53%
	66%
	43%
	65%
	99%
	47%
	nm
	58%

Explanation of Responses:

Quarter ended 30 June 2016

Income statement

Total income - statutory

1,340

135

846

166

95

477

(325)

206

60

Explanation of Responses:

3,000

Own credit adjustments

-

-

-

-

-

(73)

(76)

-

(45)

(194)

Loss on redemption of own debt

-

-

-

-

-

-

-

Explanation of Responses:

-

130

130

Strategic disposals

-

-

-

-

-

-

45

-

(246)

(201)

Total income - adjusted

1,340

135

846

166

95

Explanation of Responses:

	404
	(356)
	206
	(101)
	2,735
Operating expenses - statutory	
	(1,292)
	(202)
	(546)
	(125)
	(35)
	(368)
	(220)
	(124)
	(597)
	(3,509)
Restructuring costs - direct	
	38
	18
	-
	-

Explanation of Responses:

1

10

5

25

295

392

- indirect

51

1

41

4

1

11

16

-

(125)

-

Litigation and conduct costs

421

92

Explanation of Responses:

	8
	2
	-
	38
	16
	-
	707
	1,284
Operating expenses - adjusted	
	(782)
	(91)
	(497)
	(119)
	(33)
	(309)
	(183)
	(99)
	280
	(1,833)
Impairment (loss)/releases	
	(24)

Explanation of Responses:

14

(89)

-

(9)

-

(67)

(11)

-

(186)

Operating profit/(loss) - adjusted

534

58

260

47

53

95

(606)

96

179

716

Additional information

Return on equity (1)

(0.4%)

(8.2%)

4.9%

8.6%

15.0%

4.3%

nm

nm

nm

(11.0%)

Return on equity - adjusted (1,2)

24.2%

9.0%

6.6%

9.9%

15.7%

3.5%

nm

Explanation of Responses:

nm

nm

3.2%

Cost income ratio

96%

150%

65%

75%

37%

77%

nm

60%

nm

117%

Cost income ratio - adjusted (2)

58%

67%

59%

72%

35%

Explanation of Responses:

76%
nm
48%
nm
67%

For the notes to this table refer to page 15.

Segmental income statement reconciliations

	PBB		CPB						Central items & other	Total RBS
	UK PBB	Ulster Bank RoI	Commercial Banking	Private Banking	RBS International	CIB	Capital Resolution	Williams & Glyn		
Quarter ended 30 September 2015*	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement										
Total income - statutory	1,313	164	800	160	87	406	89	211	(47)	3,183
Own credit adjustments	-	-	-	-	-	(78)	(38)	-	(20)	(136)
Total income - adjusted	1,313	164	800	160	87	328	51	211	(67)	3,047
Operating expenses - statutory	(762)	(115)	(408)	(118)	(38)	(515)	(937)	(91)	(292)	(3,276)
Restructuring costs - direct	5	3	1	(2)	-	3	190	-	647	847
- indirect	23	2	(2)	1	2	148	300	-	(474)	-
Litigation and conduct costs	-	-	-	-	-	6	101	-	22	129
Operating expenses - adjusted	(734)	(110)	(409)	(119)	(36)	(358)	(346)	(91)	(97)	(2,300)
Impairment (losses)/releases	(2)	54	(16)	(4)	1	-	50	(5)	1	79
Operating profit/(loss) - adjusted	577	108	375	37	52	(30)	(245)	115	(163)	826
Additional information										
Return on equity (1)	27.2%	16.7%	12.3%	7.4%	18.0%	(6.4%)	nm	nm	nm	9.0%
Return on equity - adjusted (1,2)	28.7%	17.5%	12.3%	7.1%	18.8%	(2.7%)	nm	nm	nm	16.3%
Cost income ratio	58%	70%	51%	74%	44%	127%	nm	43%	nm	103%
Cost income ratio - adjusted (2)	56%	67%	51%	74%	41%	109%	nm	43%	nm	75%
*Restated - refer to page 38 for further details.										

Notes:

Explanation of Responses:

(1) RBS's CET 1 target is 13% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 11% (Commercial Banking and Ulster Bank RoI), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect capital deductions (RWAes). RBS Return on equity is calculated using profit for the period attributable to ordinary shareholders.

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

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Analysis of results

	Nine months ended		Quarter ended		
	30 September 2016	30 September 2015	**30 September 2016**	30 June 2016	30 September 2015
Net interest income	**£m**	£m	**£m**	£m	£m
Net interest income					
RBS	**6,500**	6,605	**2,167**	2,177	2,187
- UK Personal & Business Banking	**3,194**	3,122	**1,085**	1,090	1,055
- Ulster Bank RoI	**304**	280	**106**	93	90
- Commercial Banking	**1,601**	1,485	**534**	531	504
- Private Banking	**338**	328	**112**	113	109
- RBS International	**226**	225	**75**	76	73
- Corporate & Institutional Banking	**75**	59	**32**	24	29
- Capital Resolution	**195**	359	**27**	82	78
- Williams & Glyn	**488**	493	**164**	162	167
- Central items & other	**79**	254	**32**	6	82
Average interest-earning assets (IEA)					
RBS	**398,833**	415,352	**397,345**	396,008	413,670
- UK Personal & Business Banking	**140,696**	129,359	**145,649**	140,591	131,406
- Ulster Bank RoI	**24,835**	23,244	**26,026**	24,288	23,456
- Commercial Banking	**119,496**	104,686	**123,817**	119,768	105,905
- Private Banking	**16,621**	15,770	**16,978**	16,622	15,878
- RBS International	**22,073**	20,432	**23,332**	21,798	20,244
- Corporate & Institutional Banking	**11,817**	18,696	**11,960**	11,923	18,686
- Capital Resolution	**27,407**	67,659	**22,352**	29,157	51,786
- Williams & Glyn	**24,044**	22,810	**24,597**	24,172	23,020
- Central items & other	**11,844**	12,696	**2,634**	7,689	23,289
Yields, spreads and margins of the banking business					
Gross yield on interest-earning assets					
of the banking business (1)	**2.82%**	2.92%	**2.78%**	2.87%	2.84%
Cost of interest-bearing liabilities of banking business	**(1.01%)**	(1.18%)	**(0.94%)**	(1.02%)	(1.11%)

Interest spread of banking business (2)	**1.81%**	1.74%		**1.84%**	1.85%	1.73%
Benefit from interest-free funds	**0.37%**	0.39%		**0.33%**	0.36%	0.37%
Net interest margin (3)						
RBS	**2.18%**	2.13%		**2.17%**	2.21%	2.10%
- UK Personal & Business Banking (4)	**3.03%**	3.23%		**2.96%**	3.12%	3.19%
- Ulster Bank RoI (4)	**1.64%**	1.61%		**1.62%**	1.54%	1.52%
- Commercial Banking (4)	**1.79%**	1.90%		**1.72%**	1.78%	1.89%
- Private Banking (4)	**2.72%**	2.78%		**2.62%**	2.73%	2.72%
- RBS International (4)	**1.37%**	1.47%		**1.28%**	1.40%	1.43%
- Corporate & Institutional Banking	**0.85%**	0.42%		**1.06%**	0.81%	0.62%
- Capital Resolution	**0.95%**	0.71%		**0.48%**	1.13%	0.60%
- Williams & Glyn	**2.71%**	2.89%		**2.65%**	2.70%	2.88%

Third party customer rates (5)						
Third party customer asset rate						
- UK Personal & Business Banking	**3.90%**	4.18%		**3.79%**	3.96%	4.15%
- Ulster Bank RoI (6)	**2.19%**	2.29%		**2.17%**	2.07%	2.26%
- Commercial Banking	**2.81%**	2.96%		**2.74%**	2.82%	2.93%
- Private Banking	**2.95%**	3.18%		**2.86%**	2.97%	3.12%
- RBS International	**3.08%**	3.10%		**2.95%**	3.02%	3.11%
Third party customer funding rate						
- UK Personal & Business Banking	**(0.50%)**	(0.68%)		**(0.44%)**	(0.46%)	(0.65%)
- Ulster Bank RoI (6)	**(0.53%)**	(0.92%)		**(0.46%)**	(0.53%)	(0.82%)
- Commercial Banking	**(0.35%)**	(0.38%)		**(0.32%)**	(0.36%)	(0.36%)
- Private Banking	**(0.20%)**	(0.26%)		**(0.18%)**	(0.20%)	(0.25%)
- RBS International	**(0.15%)**	(0.33%)		**(0.10%)**	(0.13%)	(0.25%)

Refer to the following page for footnotes.

Analysis of results

Notes:

(1) Gross yield is the interest earned on average interest-earning assets as a percentage of average interest-earning assets.
(2) Interest spread is the difference between the gross yield and interest paid on average interest-bearing liabilities as a percentage of average interest-bearing liabilities.
(3) Net interest margin is net interest income as a percentage of average interest-earning assets.
(4) PBB NIM was 2.82% (nine months ended 2015 - 2.98%; Q3 2016 - 2.76%; Q2 2016 - 2.89%; Q3 2015 - 2.93%). CPB NIM was 1.83% (nine months ended 2015 - 1.93%; Q3 2016 - 1.75%; Q2 2016 - 1.83%; Q3 2015 - 1.92%).
(5) Net interest margin includes Treasury allocations and interest on intercompany borrowings, which are excluded from third party customer rates.
(6) Ulster Bank Ireland DAC manages its funding and liquidity requirements locally. Its liquid asset portfolios and non-customer related funding sources are included within its net interest margin, but excluded from its third party asset and liability rates.

Key points

- Net interest income of £2,167 million decreased by £20 million, or 1%, compared with Q3 2015 principally driven by a £51 million reduction in Capital Resolution in line with the planned shrinkage of the balance sheet. Across our PBB and CPB franchises, net interest income increased by £81 million, or 4%, reflecting increased lending.
- NIM was 2.17% for Q3 2016, 7 basis points higher than Q3 2015 as the benefit associated with reductions in the low yielding ‘non-core’ assets has been partially offset by modest asset margin pressure and mix impacts across PBB and CPB.
- NIM decreased by 4 basis points compared with Q2 2016 reflecting asset and liability margin pressure across PBB and CPB and a release of previously suspended credit card interest in Q2 2016.
- NIM across the combined PBB and CPB franchises was 2.27% in Q3 2016 compared with 2.45% in Q3 2015 and 2.37% in Q2 2016.
- UK PBB, NIM decreased by 23 basis points to 2.96% reflecting the change in mix of our asset base towards mortgage lending from unsecured lending, mortgage customers switching from standard variable rate (SVR) and lower returns on current account structural hedges. SVR mortgages represented 12% of the mortgage book compared with 15% a year earlier. Compared with Q2 2016, UK PBB NIM reduced by 16 basis points reflecting a £22 million reduction in suspended interest releases, 6 basis points, and asset and liability margin pressure.
- Commercial Banking NIM decreased by 17 basis points to 1.72%, compared with Q3 2015, principally reflecting asset margin pressure.
- Structural hedges of £122 billion as at 30 September 2016 generated a benefit of £0.9 billion through net interest income for the year to date. Around 72% of these hedges are part of a five year rolling hedge programme that will progressively roll-off over the coming years.

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Analysis of results

The following table reconciles adjusted operating expenses (a non-GAAP financial measure) to operating expenses reported on a statutory basis.

	Nine months ended			Quarter ended		
	30 September	30 September		**30 September**	30 June	30 September
	2016	2015*		**2016**	2016	2015*
Operating expenses	**£m**	£m		**£m**	£m	£m
Staff costs						
- adjusted basis (1)	**(3,457)**	(3,824)		**(1,128)**	(1,127)	(1,281)
- restructuring costs	**(525)**	(625)		**(159)**	(245)	(281)
Statutory basis	**(3,982)**	(4,449)		**(1,287)**	(1,372)	(1,562)
Premises and equipment						
- adjusted basis (1)	**(951)**	(1,061)		**(321)**	(315)	(352)
- restructuring costs	**(55)**	(319)		**(33)**	(13)	(283)
Statutory basis	**(1,006)**	(1,380)		**(354)**	(328)	(635)
Other administrative expenses						
- adjusted basis (1)	**(1,018)**	(1,338)		**(393)**	(179)	(477)
- litigation and conduct costs	**(1,740)**	(1,444)		**(425)**	(1,284)	(129)
- restructuring costs	**(476)**	(314)		**(277)**	(101)	(124)
Statutory basis	**(3,234)**	(3,096)		**(1,095)**	(1,564)	(730)
Restructuring costs (2)						
- adjusted basis	**(1,099)**	(2,317)		**(469)**	(392)	(847)
- staff costs	**525**	625		**159**	245	281
- premises and equipment	**55**	319		**33**	13	283
- other administrative expenses	**476**	314		**277**	101	124
- depreciation and amortisation	**2**	386		**-**	2	92
- write down of other intangible assets	**41**	673		**-**	31	67

Statutory basis	**-**	-		**-**	-	-
Litigation and conduct costs (2)						
- adjusted basis	**(1,740)**	(1,444)		**(425)**	(1,284)	(129)
- other administrative expenses	**1,740**	1,444		**425**	1,284	129
Statutory basis	**-**	-		**-**	-	-
Depreciation and amortisation						
- adjusted basis (1)	**(527)**	(608)		**(175)**	(174)	(190)
- restructuring costs	**(2)**	(386)		**-**	(2)	(92)
Statutory basis	**(529)**	(994)		**(175)**	(176)	(282)
Write down of other intangible assets						
- adjusted basis (1)	**(48)**	-		**-**	(38)	-
- write down of other intangible assets	**48**	-		**-**	38	-
Statutory basis	**-**	-		**-**	-	-
Write-down of goodwill and other intangible assets						
- write-down of other intangible assets	**(48)**	-		**-**	(38)	-
- restructuring costs	**(41)**	(673)		**-**	(31)	(67)
Statutory basis	**(89)**	(673)		**-**	(69)	(67)
Operating expenses - adjusted basis	**(6,001)**	(6,831)		**(2,017)**	(1,833)	(2,300)
Operating expenses - statutory basis	**(8,840)**	(10,592)		**(2,911)**	(3,509)	(3,276)
* Restated - Refer to page 38 for further details						

Notes:

(1) Adjusted basis is calculated as operating expenses before restructuring costs and litigation and conduct costs.

(2) Items reallocated to other expense lines, not reconciling items.

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Analysis of results

Key points

- Operating expenses of £2,911 million were £365 million, or 11%, lower than Q3 2015 reflecting a £378 million reduction in restructuring costs and a £283 million reduction in adjusted operating expenses, partially offset by a £296 million increase in litigation and conduct expenses.
- Adjusted operating expenses reduced by £283 million, or 12%, compared with Q3 2015 to £2,017 million. Against our cost reduction target of £800 million, adjusted expenses reduced by £695(1) million for the year to date.
- Staff costs of £1,287 million were down £275 million, or 18%, compared with Q3 2015, reflecting a 9,900 reduction in FTEs.
- Restructuring costs of £469 million compared with £847 million in Q3 2015. Williams & Glyn restructuring costs of £301 million include £127 million of termination costs associated with the decision to discontinue the programme to create a cloned banking system.
- Litigation and conduct costs of £425 million include an additional charge in respect of the recent settlement with the National Credit Union Administration Board to resolve two outstanding lawsuits in the United States relating to residential mortgage backed securities.

Note:

(1) Operating expenses excluding restructuring costs £1,099 million (2015 - £2,317 million), litigation and conduct costs £1,740 million (2015 - £1,444 million), write down of other intangible assets of £48 million (2015 – nil), the operating costs of Williams and Glyn £296 million (2015 - £252 million) and the VAT recovery £227 million.

Analysis of results

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

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

Note:

(1) Includes disposal groups and excludes reverse repos.

Key points

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

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

- Commercial Banking reported an impairment loss of £20 million for Q3 2016 compared with £16 million in Q3 2015 and £89 million in Q2 2016. Q2 2016 included a single name charge taken in respect of the oil and gas portfolio.
- Ulster Bank RoI reported a net impairment release of £39 million (€48 million) in Q3 2016 compared with £54 million (€75 million) in Q3 2015. The Q3 2016 impairment release included a write back associated with the sale of a portfolio of loans partially offset by additional provisions in respect of mortgages. On completion in Q4 2016, the portfolio sale is expected to reduce gross customer loans in Ulster Bank RoI by £1.5 billion(1) (€1.8 billion) and reduce REIL as a percentage of gross customer loans by around 6 percentage points.
- REIL increased by £836 million in the quarter to £12,625 million, principally relating to the shipping portfolio along with the implementation of a revised mortgage methodology in Ulster Bank RoI and foreign exchange movements. REIL represented 3.8% of gross customer loans compared with 3.5% at 30 June 2016 and 3.9% at 31 December 2015. Provision coverage was 49% compared with 55% at 30 June 2016 and 59% at 31 December 2015.

Note:

(1) The value shown has been converted using a spot exchange rate as at September 2016 of €1.158:£1.

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Analysis of results

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

Notes:

(1) Current exposure (CE) and potential exposure (PE) are both net of impairment provisions and credit valuation adjustments and after the effect of risk transfer. For a full description of what is included and excluded from current and potential exposure refer to page 16 of Appendix 1 of the Interim Form 6-K.

(2) Exposure at default (EAD) reflects an estimate of the extent to which a bank will be exposed under a specific facility on the default of a customer or counterparty.

Uncommitted undrawn facilities are excluded from current exposure but included within EAD; therefore EAD can exceed current exposure.

Key points

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

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

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

Analysis of results

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

Market risk	**17,800**	20,900	21,200				
Operational risk	**25,700**	25,700	31,600				
Total RWAs	**235,200**	245,200	242,600				
Leverage (3)							
Derivatives	**283,000**	326,000	262,500				
Loans and advances	**346,500**	348,500	327,000				
Reverse repos	**46,000**	45,800	39,900				
Other assets	**176,900**	181,300	186,000				
Total assets	**852,400**	901,600	815,400				
Derivatives							
- netting and variation margin	**(281,700)**	(328,400)	(258,600)				
- potential future exposures	**64,100**	75,500	75,600				
Securities financing transactions gross up	**2,200**	3,200	5,100				
Undrawn commitments	**62,100**	63,200	63,500				
Regulatory deductions and other							
adjustments	**4,100**	5,600	1,500				
Leverage exposure	**703,200**	720,700	702,500				
Tier 1 capital	**39,211**	37,651	39,605				
Leverage ratio %	**5.6**	5.2	5.6				
Average leverage exposure (4)	**717,056**	717,167					
Average Tier 1 capital (4)	**38,919**	38,561					
Average leverage ratio % (4)	**5.4**	5.4					

Notes:

(1) CRR as implemented by the PRA in the UK, with effect from 1 January 2014. All regulatory adjustments and deductions to CET1 have been applied in full for both bases with the exception of unrealised gains on available-for-sale securities which have been included from 2015 under the PRA transitional basis.
(2) Tangible equity is equity attributable to ordinary shareholders less intangible assets.
(3) Based on end-point CRR Tier 1 capital and leverage exposure under the CRR Delegated Act.
(4) Based on averages of the last four quarter end positions.

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Explanation of Responses:

Analysis of results

Key points

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

Segment performance

	Nine months ended 30 September 2016									
	PBB		CPB						Central	
		Ulster	Commercial	Private	RBS		Capital	Williams	items &	Total
	UK PBB	Bank RoI	Banking	Banking	International	CIB	Resolution	& Glyn (1)	other (2)	RBS
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement										
Net interest income	3,194	304	1,601	338	226	75	195	488	79	6,500
Other non-interest income	757	132	947	158	52	1,132	(325)	132	(442)	2,543
Total income - adjusted (3)	3,951	436	2,548	496	278	1,207	(130)	620	(363)	9,043
Own credit adjustments	-	3	-	-	-	82	142	-	67	294
Loss on redemption of own debt	-	-	-	-	-	-	-	-	(127)	(127)
Strategic disposals	-	-	-	-	-	-	(81)	-	245	164
Total income	3,951	439	2,548	496	278	1,289	(69)	620	(178)	9,374
Direct expenses - staff costs	(529)	(150)	(392)	(115)	(33)	(192)	(79)	(190)	(1,777)	(3,457)
- other costs	(221)	(32)	(166)	(32)	(13)	(28)	(81)	(46)	(1,925)	(2,544)
Indirect expenses	(1,478)	(130)	(822)	(218)	(62)	(762)	(428)	(60)	3,960	-
Operating expenses - adjusted (4)	(2,228)	(312)	(1,380)	(365)	(108)	(982)	(588)	(296)	258	(6,001)
Restructuring costs - direct	(50)	(32)	(13)	(1)	(1)	(16)	(35)	(57)	(894)	(1,099)
- indirect	(86)	(4)	(49)	(22)	(2)	(50)	(35)	-	248	-
Litigation and conduct costs	(420)	(95)	(16)	(2)	1	(62)	(257)	-	(889)	(1,740)
Operating expenses	(2,784)	(443)	(1,458)	(390)	(110)	(1,110)	(915)	(353)	(1,277)	(8,840)
Profit/(loss) before impairment (losses)/releases	1,167	(4)	1,090	106	168	179	(984)	267	(1,455)	534
Impairment (losses)/releases	(67)	66	(123)	(5)	(11)	-	(383)	(31)	1	(553)
Operating profit/(loss)	1,100	62	967	101	157	179	(1,367)	236	(1,454)	(19)
Operating profit/(loss) - adjusted (3,4)	1,656	190	1,045	126	159	225	(1,101)	293	(104)	2,489

Additional information										
Return on equity (5)	**17.0%**	**3.1%**	**8.5%**	**7.0%**	**15.4%**	**1.6%**	**nm**	**nm**	**nm**	**(8.5%)**
Return on equity - adjusted (3,4,5)	**26.4%**	**9.5%**	**9.4%**	**8.9%**	**15.6%**	**2.4%**	**nm**	**nm**	**nm**	**(0.6%)**
Cost:income ratio	**70%**	**101%**	**57%**	**79%**	**40%**	**86%**	**nm**	**57%**	**nm**	**94%**
Cost:income ratio - adjusted (3,4)	**56%**	**72%**	**54%**	**74%**	**39%**	**81%**	**nm**	**48%**	**71%**	**66%**
Total assets (£bn)	**155.4**	**25.3**	**152.6**	**18.2**	**26.9**	**249.7**	**176.7**	**25.7**	**21.9**	**852.4**
Funded assets (£bn) (6)	**155.4**	**25.2**	**152.6**	**18.1**	**26.9**	**112.5**	**34.9**	**25.7**	**18.0**	**569.3**
Net loans and advances to customers (£bn)	**129.6**	**19.5**	**99.8**	**11.8**	**8.7**	**19.9**	**16.7**	**20.6**	**0.1**	**326.7**
Risk elements in lending (£bn)	**2.1**	**4.8**	**2.1**	**0.1**	**0.1**	**-**	**2.9**	**0.4**	**0.1**	**12.6**
Impairment provisions (£bn)	**(1.4)**	**(2.3)**	**(1.0)**	**-**	**-**	**-**	**(1.2)**	**(0.2)**	**-**	**(6.1)**
Customer deposits (£bn)	**143.7**	**15.1**	**98.1**	**25.3**	**25.5**	**9.7**	**16.8**	**24.0**	**0.6**	**358.8**
Risk-weighted assets (RWAs) (£bn)	**31.9**	**21.4**	**77.6**	**8.2**	**9.6**	**36.6**	**38.6**	**9.7**	**1.6**	**235.2**
RWA equivalent (£bn) (5)	**35.4**	**22.8**	**82.3**	**8.2**	**9.6**	**37.2**	**39.8**	**10.2**	**1.9**	**247.4**
Employee numbers (FTEs - thousands)	**18.7**	**3.2**	**5.8**	**1.8**	**0.8**	**1.3**	**0.7**	**5.0**	**45.2**	**82.5**
For the notes to this table refer to page 25. nm = not meaningful										

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Segment performance

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

Impairment (losses)/releases													
Operating profit/(loss)	**567**	**54**		**355**	**50**	**54**		**90**	**(454)**	**84**	**(545)**	**255**	
Operating profit/(loss) - adjusted (3,4)	**591**	**68**		**382**	**53**	**53**		**184**	**(118)**	**96**	**24**	**1,333**	
Additional information													
Return on equity (5)	**27.1%**	**7.8%**		**9.5%**	**11.1%**	**15.4%**		**3.1%**	**nm**	**nm**	**nm**	**(4.8%)**	
Return on equity - adjusted (3,4,5)	**28.3%**	**9.9%**		**10.4%**	**11.8%**	**15.1%**		**8.0%**	**nm**	**nm**	**nm**	**4.6%**	
Cost:income ratio	**56%**	**90%**		**56%**	**68%**	**42%**		**81%**	**nm**	**53%**	**nm**	**88%**	
Cost:income ratio - adjusted (3,4)	**54%**	**80%**		**53%**	**66%**	**43%**		**65%**	**99%**	**47%**	**nm**	**58%**	
Total assets (£bn)	**155.4**	**25.3**		**152.6**	**18.2**	**26.9**		**249.7**	**176.7**	**25.7**	**21.9**	**852.4**	
Funded assets (£bn) (6)	**155.4**	**25.2**		**152.6**	**18.1**	**26.9**		**112.5**	**34.9**	**25.7**	**18.0**	**569.3**	
Net loans and advances to customers (£bn)	**129.6**	**19.5**		**99.8**	**11.8**	**8.7**		**19.9**	**16.7**	**20.6**	**0.1**	**326.7**	
Risk elements in lending (£bn)	**2.1**	**4.8**		**2.1**	**0.1**	**0.1**		**-**	**2.9**	**0.4**	**0.1**	**12.6**	
Impairment provisions (£bn)	**(1.4)**	**(2.3)**		**(1.0)**	**-**	**-**		**-**	**(1.2)**	**(0.2)**	**-**	**(6.1)**	
Customer deposits (£bn)	**143.7**	**15.1**		**98.1**	**25.3**	**25.5**		**9.7**	**16.8**	**24.0**	**0.6**	**358.8**	
Risk-weighted assets (RWAs) (£bn)	**31.9**	**21.4**		**77.6**	**8.2**	**9.6**		**36.6**	**38.6**	**9.7**	**1.6**	**235.2**	
RWA equivalent (£bn) (5)	**35.4**	**22.8**		**82.3**	**8.2**	**9.6**		**37.2**	**39.8**	**10.2**	**1.9**	**247.4**	
Employee numbers (FTEs - thousands)	**18.7**	**3.2**		**5.8**	**1.8**	**0.8**		**1.3**	**0.7**	**5.0**	**45.2**	**82.5**	

Notes:

(1) Williams & Glyn refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses, along with certain small and medium enterprises and corporate activities across the UK.
(2) Central items include unallocated transactions which principally comprise volatile items under IFRS.
(3) Excluding own credit adjustments, (loss)/gain on redemption of own debt and strategic disposals.
(4) Excluding restructuring costs and litigation and conduct costs.
(5) RBS's CET 1 target is 13% but for the purposes of computing segmental return on equity (ROE), to better reflect the differential drivers of capital usage, segmental operating profit after tax and adjusted for preference dividends is divided by notional equity allocated at different rates of 11% (Commercial Banking and Ulster Bank RoI), 12% (RBS International) and 15% for all other segments, of the monthly average of segmental risk-weighted assets incorporating the effect capital deductions (RWAes). RBS Return on equity is calculated using profit for the period attributable to ordinary shareholders.

(6) Funded assets exclude derivative assets.

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Explanation of Responses:

Segment performance

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

Financing	**183**	260		**78**	55	32
Other	**(89)**	(55)		**(28)**	(31)	20
Total excluding own credit adjustments	**1,207**	1,057		**526**	404	308
Own credit adjustments	**82**	186		**(55)**	73	78
Businesses transferred to Commercial Banking	**-**	98		**-**	-	20
Total	**1,289**	1,341		**471**	477	406
Capital Resolution						
APAC portfolio (1)	**(3)**	68		**(5)**	1	17
Americas portfolio	**11**	52		**1**	3	5
EMEA portfolio (2)	**27**	62		**8**	9	15
Legacy loan portfolio	**(8)**	155		**31**	(25)	22
Shipping	**37**	66		**6**	15	21
Markets	**(177)**	212		**212**	(360)	58
Global Transaction Services	**107**	277		**24**	35	48
Other	**42**	(84)		**11**	23	(46)
Total excluding disposals and own credit						
adjustments	**36**	808		**288**	(299)	140
Disposal losses	**(247)**	(187)		**(143)**	(102)	(89)
Own credit adjustments	**142**	180		**(42)**	76	38
Total	**(69)**	801		**103**	(325)	89
Williams & Glyn (3)						
Retail	**351**	355		**120**	116	119
Commercial	**269**	270		**89**	90	92
Total	**620**	625		**209**	206	211
Central items	**(178)**	77		**(62)**	60	(47)
Total RBS	**9,374**	10,439		**3,310**	3,000	3,183

Notes:

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

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Segment performance

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

Explanation of Responses:

Corporate & Institutional Banking	**-**	(5)	**-**	-	-
Capital Resolution	**383**	(369)	**120**	67	(50)
Williams & Glyn (2)					
Retail	**21**	15	**11**	5	3
Commercial	**10**	(20)	**3**	6	2
Total	**31**	(5)	**14**	11	5
Central items	**(1)**	47	**(1)**	-	(1)
Total RBS	**553**	(400)	**144**	186	(79)
			30 September	30 June	31 December
			2016	2016	2015
Analysis of Capital Resolution RWAs by portfolio			**£m**	£m	£m
APAC portfolio (3)			**0.1**	0.2	0.5
Americas portfolio			**0.3**	0.3	1.0
EMEA portfolio (4)			**1.2**	1.1	1.2
Legacy loan portfolio			**2.0**	2.2	3.7
Shipping			**3.5**	4.0	4.5
Markets			**17.1**	19.2	20.7
Global Transaction Services			**1.8**	2.5	3.6
Saudi Hollandi Bank			**7.9**	7.9	6.9
Other			**1.9**	2.1	2.9
Total credit and market risk RWAs			**35.8**	39.5	45.0
Operational risk			**2.8**	2.8	4.0
Total RWAs			**38.6**	42.3	49.0

Notes:

(1) Includes a single name charge taken in respect of the oil and gas portfolio.
(2) Williams & Glyn refers to the business formerly intended to be divested as a separate legal entity and comprises RBS England and Wales branch-based businesses, along with certain small and medium enterprises and corporate activities across the UK.
(3) Asia-Pacific portfolio.
(4) European, the Middle East and Africa portfolio.

Segment Performance

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

Other	**-**	-	0.4
Total	**8.7**	8.5	7.4
Capital Resolution	**17.9**	21.0	25.9
Williams & Glyn (2)			
Retail	**12.2**	12.1	11.6
Commercial	**8.6**	8.5	8.7
Total	**20.8**	20.6	20.3
Central items	**0.1**	0.5	2.0
Balance sheet			
Corporate & Institutional Banking			
Reverse repos	**42.7**	43.1	38.6
Loans and advances to customer (gross)	**19.9**	21.6	16.1
Loans and advances to banks (gross) (3)	**5.9**	6.3	5.7
Securities	**26.4**	30.1	23.7
Cash and eligible bills	**6.4**	10.3	14.3
Other	**11.2**	14.2	4.9
Total funded assets	**112.5**	125.6	103.3

Notes:

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

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

(3) Excludes disposal groups.

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Segment performance

UK Personal & Business Banking

Operating profit was £567 million compared with £549 million in Q3 2015 with 2% income growth and a 3% reduction in operating expenses partially offset by a modestly higher impairment charge. Compared with Q2 2016, operating profit improved £543 million, principally due to reduced litigation and conduct costs. Adjusted operating profit improved by £57 million to £591 million principally due to a £42 million FSCS levy charge included in the prior quarter. Return on equity of 27% was in line with Q3 2015. Adjusted return on equity of 28% compared with 29% in Q3 2015.

UK PBB continued to deliver support for both personal and business customers with net loans and advances of £129.6 billion up £13.3 billion, or 11%, compared with Q3 2015, primarily due to mortgage growth. Gross new mortgage lending in the quarter of £7.9 billion was 12% higher with market share of new mortgages at approximately 12% supporting a growth in stock share to 8.7%. The Reward proposition continues to show positive momentum and now has more than one million customer accounts with improved levels of customer engagement. In addition, we continue to make better use of digital channels, with over 4.3 million customers regularly using our mobile app.

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

Operating expenses reduced by £20 million, or 3% compared with Q3 2015. Adjusted operating expenses reduced by £16 million, or 2%, compared with Q3 2015 with a £43 million, or 16%, reduction in direct costs, primarily due to an 18% reduction in FTEs driving lower staff costs, partially offset by increased technology investment in the business. Compared with Q2 2016 operating expenses reduced by £550 million, principally due to reduced litigation and conduct costs. Adjusted operating expenses reduced by £64 million compared with Q2 2016 principally reflecting a £42 million FSCS levy charge in Q2 2016 and a £12 million reduction in staff costs as FTEs reduced a further 1,300 in the quarter.

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

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

Explanation of Responses:

Segment performance

Ulster Bank RoI

Operating profit of £54 million (€69 million) was £49 million (€74 million) lower than Q3 2015 primarily reflecting a lower net impairment release and income gains in Q3 2015. Operating profit of £54 million (€69 million) was £107 million (€138 million) higher than Q2 2016 primarily as a result of a reduction in litigation and conduct costs. Adjusted operating profit of £68 million (€81 million) was £10 million (€8 million) higher than Q2 2016 as a £25 million (€31 million) increase in net impairment releases was partially offset by £15 million (€19 million) accrual releases in Q2 2016.

Ulster Bank RoI built upon its strong H1 2016 performance in mortgage lending, adding a further £0.3 billion (€0.3 billion) of gross new lending in the quarter, up 77% (51%) compared with Q3 2015. The low yielding tracker mortgage portfolio increased £1.0 billion to £9.6 billion but in euro terms declined by a further €0.3 billion to €11.1 billion.

Total income of £146 million (€171 million) was £18 million (€57 million) lower than Q3 2015 due to reduced income on free funds and income gains in Q3 2015, including a £12 million (€17 million) profit on the sale of a buy-to-let mortgage portfolio, as well as a £24 million (€33 million) gain realised on the closure of a foreign exchange exposure. Partially offsetting, income benefits from the weakening of sterling against the Euro.

Operating expenses increased £16 million, or 14%, but reduced by €10 million in euro terms, or 6%, to £131 million (€150 million) compared with Q3 2015. Adjusted operating expenses increased by £7 million, or 6%, but reduced by €15 million in euro terms, or 10%, compared with Q3 2015 to £117 million (€138 million). Compared with Q2 2016 adjusted operating expenses increased by £26 million (€22 million) primarily due to accrual releases of £15 million (€19 million) in Q2 2016.

The Q3 2016 impairment release of £39 million (€48 million) included a net impairment write back associated with the sale of a portfolio of loans, partially offset by additional provisions in respect of mortgages.

REILs were £4.8 billion (€5.6 billion) in Q3 2016, increasing £0.5 billion (€0.4 billion) on Q2 2016 primarily driven by a widening of the definition of non-performing loans which are considered to be impaired to include multiple forbearance arrangements and probationary mortgages. The amendment to the definition does not have a material impact on provisions. It is expected that the sale of a portfolio of loans will materially reduce Ulster Bank RoI REIL when complete in Q4 2016.

RWAs increased 9% to £21.4 billion compared with Q3 2015 due to the strengthening of the euro but decreased 7% to €24.7 billion in euro terms as credit metrics continue to benefit from the improving economic environment. RWAs on the tracker mortgage portfolio increased £0.6 billion, or 8%, compared with Q3 2015 to £8.3 billion but reduced by €1.1 billion, or 10%, in euro terms compared with Q3 2015 to €9.6 billion.

Explanation of Responses:

Segment performance

Commercial Banking

Operating profit of £355 million in Q3 2016 compared with £376 million in Q3 2015. Adjusted operating profit of £382 million was £7 million higher than Q3 2015 and was £122 million higher than Q2 2016, principally reflecting a single name impairment charge taken in respect of the oil and gas portfolio in Q2 2016. Return on equity of 9.5% compared with 12.3% in Q3 2015. Adjusted return on equity of 10.4% compared with 12.3% in Q3 2015.

Total income increased by £49 million or 6% to £849 million compared with Q3 2015 largely reflecting increased asset and liability volumes and £42 million of business transfers(1) . Net interest margin fell by 17 basis points from Q3 2015 to 1.72% driven by asset margin pressure in a competitive market and low rate environment.

Operating expenses increased by £66 million compared with Q3 2015 as a result of higher restructuring costs and £25 million of business transfers(1), but reduced by £72 million compared to Q2 2016 reflecting cost efficiencies and a £25 million intangible asset write down in Q2 2016.

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

Net loans and advances increased by £10.7 billion from Q3 2015, principally reflecting increased borrowing across mid and large corporate customers and £4.2 billion of business transfers(1). Net loans and advances continued to grow in the quarter, up £0.6 billion, but at a slower rate than in H1 2016.

RWAs of £77.6 billion increased by £13.4 billion compared to Q3 2015, reflecting asset growth and £6.5 billion of business transfers(1) partially offset by reduced RWA intensity.

Private Banking

Operating profit of £50 million was £12 million higher than Q3 2015 and was £9 million higher than Q2 2016. Return on equity of 11.1% compared with 7.4% in Q3 2015. Adjusted return on equity of 11.8% compared with 7.1% in Q3 2015.

Total income of £165 million increased by £5 million, 3%, compared with Q3 2015 as the benefit of increased asset volumes has been partially offset by reduced net interest margin, down 10 basis points to 2.62% reflecting the lower interest rate environment.

Operating expenses were 5% lower than Q3 2015 at £112 million, principally reflecting management actions to reduce operational costs and a £13 million VAT recovery. Adjusted operating expenses were 8% lower than Q3 2015 at £109 million.

Net loans and advances increased 6% to £11.8 billion, due to increased mortgage lending, and customer deposits grew by 11% to £25.3 billion compared with Q3 2015. Assets under management(2) increased by £3.1 billion to £16.6 billion reflecting market and underlying growth. In addition, investment cash balances were included in assets under management for the first time in Q3 2016, excluding this, growth was £1.7 billion.

Notes:

(1) The business transfers included: total income of £42 million (Q2 2016 - £53 million; Q3 2015 - nil); operating expenses of £25 million (Q2 2016 - £22 million; Q3 2015 - nil); impairments of £7 million (Q2 2016 £7 million; Q3 2015 - nil) net loans and advances to customers of £4.2 billion (30 June 2016 - £5.2 billion; 30 September 2015 - nil); and RWAs of £6.5 billion (30 June 2016 - £8.5 billion; 30 September 2015 - nil).

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

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Segment performance

RBS International

Operating profit of £54 million was 8% higher than Q3 2015 driven by increased income. Return on equity of 15.4% compared with 18.0% in Q3 2015. Adjusted return on equity of 15.1% compared with 18.8% in Q3 2015.
Total income increased 7% compared with Q3 2015 to £93 million driven by increased asset volumes partially offset by lower asset margins.
Net loans and advances to customers increased by £1.7 billion to £8.7 billion compared with Q3 2015 principally reflecting balance draw-downs in the funds sector lending portfolio and foreign exchange movements.
Customer deposits increased by £3.2 billion to £25.5 billion reflecting the transfer in of the Luxembourg branch from Capital Resolution in Q2 2016 and foreign exchange movements.

Corporate & Institutional Banking (CIB)

An operating profit of £90 million compared with an operating loss of £109 million in Q3 2015, with the improvement principally reflecting an increase in total income. Adjusted operating profit of £184 million compared with an adjusted operating loss of £30 million in Q3 2015.
Total income, which includes own credit adjustments, increased by £65 million, or 16%, to £471 million compared with £406 million in Q3 2015. Adjusted income, excluding a £20 million movement associated with the transfer of portfolios to Commercial Banking(1), increased by £218 million to £526 million. The increase was primarily driven by an increase in Rates, reflecting sustained customer activity and favourable market conditions following the EU referendum and central bank actions.
Operating expenses reduced by £134 million, or 26%, to £381 million compared with £515 million in Q3 2015 principally reflecting lower restructuring costs. Adjusted operating expenses fell by £16 million, or 4%, to £342 million as the business reshaping and FTE reductions were partially offset by the impact of investment spend that was previously capitalised.
RWAs increased by £3.7 billion compared with Q3 2015 to £36.6 billion, adjusting for the impact of transfers to Commercial Banking(1), principally due to model updates and the impact of market volatility throughout 2016.

Note:

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

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Segment performance

Capital Resolution

- RWAs reduced by £3.7 billion in the quarter to £38.6 billion reflecting disposal activity, partially offset by an increase due to the weakening of sterling.
- Total assets reduced £31.3 billion in Q3 2016 to £176.7 billion. Funded assets (which exclude derivatives) reduced by £9.8 billion in Q3 2016 to £34.9 billion with the most significant reductions across Markets and GTS.
- An operating loss of £454 million in Q3 2016 compared with an operating loss of £798 million in Q3 2015 and a loss of £612 million in Q2 2016.
- Total income of £103 million increased by £428 million compared with Q2 2016 primarily due to a £160 million partial reversal of the £220 million additional funding valuation adjustment made in Q2 2016 following the EU referendum.
- Operating expenses increased from £220 million to £437 million in Q3 2016 due to a higher level of litigation and conduct costs. Adjusted operating expenses of £173 million were 50% lower than Q3 2015 principally reflecting a reduction in FTE and associated cost efficiencies.
- A net impairment loss of £120 million in the quarter, compared with £67 million in Q2 2016, and included a charge of £190 million in respect of the shipping portfolio. An impairment release of £50 million was reported in Q3 2015.
- RWAs have fallen by £21.1 billion to £38.6 billion from Q3 2015, primarily due to run-off and loan portfolio disposals. Total assets reduced £58.2 billion to £176.7 billion for the same period. Funded assets (which exclude derivatives) have reduced by £31.1 billion to £34.9 billion for the same period.

Williams & Glyn

- Operating profit reduced by £31 million to £84 million compared with Q3 2015, whilst adjusted operating profit reduced by £19 million to £96 million. Operating profit increased £13 million compared with Q2 2016 reflecting lowering restructuring costs. Adjusted operating profit was in line with Q2 2016.
- Total income was broadly stable compared with Q3 2015 at £209 million as the growth in the balance sheet has been more than offset by net interest margin reduction. Net interest margin of 2.65% was 23 basis points lower than Q3 2015 and was 5 basis points lower than Q2 2016.
- Operating expenses increased by £20 million, or 22%, to £111 million compared with Q3 2015. Adjusted operating expenses increased by £8 million, or 9%, to £99 million compared with Q3 2015, reflecting previous activity undertaken to create a standalone entity. Compared with Q2 2016, operating expenses decreased £13 million reflecting lowering restructuring costs, adjusted operating expenses were flat.
- A net impairment loss of £14 million was reported in Q3 2016 compared with a loss of £5 million in Q3 2015.
- Net loans and advances increased by £0.6 billion, or 3%, to £20.6 billion compared with Q3 2015. Gross mortgage lending increased by £0.7 billion, or 7%, to £10.9 billion and commercial lending was £0.3 billion, or 3%, lower at £8.6 billion.

Central items & other

Central items not allocated represented a charge of £545 million in Q3 2016, an increase of £207 million compared with Q3 2015. Treasury funding costs were a charge of £177 million (compared with a charge of £117 million in Q3 2015) driven by a £150 million IFRS volatility charge. Restructuring costs in the quarter included £289 million relating to Williams & Glyn (Q3 2015 - £190 million). Partially offsetting this a gain of £97 million was recognised arising from a partial recycling of the accumulated foreign exchange reserve triggered by a capital reduction in a foreign subsidiary.

Selected statutory financial statements

Condensed consolidated income statement for the period ended 30 September 2016 (unaudited)

	Nine months ended			Quarter ended		
	30 September 2016	30 September 2015*		**30 September 2016**	30 June 2016	30 September 2015*
	£m	£m		**£m**	£m	£m
Interest receivable	**8,432**	9,070		**2,776**	2,827	2,963
Interest payable	**(1,932)**	(2,465)		**(609)**	(650)	(776)
Net interest income	**6,500**	6,605		**2,167**	2,177	2,187
Fees and commissions receivable	**2,519**	2,838		**843**	810	880
Fees and commissions payable	**(592)**	(558)		**(200)**	(180)	(195)
Income from trading activities	**384**	1,045		**401**	(55)	170
(Loss)/gain on redemption of own debt	**(127)**	-		**3**	(130)	-
Other operating income	**690**	509		**96**	378	141
Non-interest income	**2,874**	3,834		**1,143**	823	996
Total income	**9,374**	10,439		**3,310**	3,000	3,183
Staff costs	**(3,982)**	(4,449)		**(1,287)**	(1,372)	(1,562)
Premises and equipment	**(1,006)**	(1,380)		**(354)**	(328)	(635)
Other administrative expenses	**(3,234)**	(3,096)		**(1,095)**	(1,564)	(730)
Depreciation and amortisation	**(529)**	(994)		**(175)**	(176)	(282)
Write down of other intangible assets	**(89)**	(673)		**-**	(69)	(67)
Operating expenses	**(8,840)**	(10,592)		**(2,911)**	(3,509)	(3,276)
Profit/(loss) before impairment (losses)/releases	**534**	(153)		**399**	(509)	(93)
Impairment (losses)/releases	**(553)**	400		**(144)**	(186)	79
Operating (loss)/profit before tax	**(19)**	247		**255**	(695)	(14)
Tax (charge)/credit	**(922)**	(284)		**(582)**	(260)	3

Loss from continuing operations	**(941)**	(37)	**(327)**	(955)	(11)
Profit from discontinued operations, net of tax	**-**	1,451	**-**	-	1,093
(Loss)/profit for the period	**(941)**	1,414	**(327)**	(955)	1,082
					.
Attributable to:					
Non-controlling interests	**37**	389	**7**	8	45
Preference share and other dividends	**343**	264	**135**	114	97
Dividend access share	**1,193**	-	**-**	-	-
Ordinary shareholders	**(2,514)**	761	**(469)**	(1,077)	940
(Loss)/earnings per ordinary share (EPS) (1)					
Basic EPS from continuing and discontinued operations	**(21.5p)**	6.6p	**(3.9p)**	(9.3p)	8.1p
Basic EPS from continuing operations	**(21.5p)**	(3.2p)	**(3.9p)**	(9.3p)	(1.0p)

*Restated - refer to page 38 for further details

Note:

(1) There was no dilutive impact in any period.

Selected statutory financial statements

Condensed consolidated statement of comprehensive income for the period ended 30 September 2016 (unaudited)

	Nine months ended			Quarter ended		
	30 September	30 September		**30 September**	30 June	30 September
	2016	2015*		**2016**	2016	2015*
	£m	£m		**£m**	£m	£m
(Loss)/profit for the period	**(941)**	1,414		**(327)**	(955)	1,082
Items that do not qualify for reclassification						
(Loss)/gain on remeasurement of retirement benefit schemes	**(1,047)**	20		**(52)**	(466)	3
Tax	**285**	(4)		**12**	130	(1)
	(762)	16		**(40)**	(336)	2
Items that do qualify for reclassification						
Available-for-sale financial assets	**(162)**	(95)		**(67)**	(87)	(50)
Cash flow hedges	**1,515**	(302)		**(66)**	635	408
Currency translation	**1,276**	(1,177)		**205**	489	(604)
Tax	**(297)**	106		**63**	(122)	(38)
	2,332	(1,468)		**135**	915	(284)
Other comprehensive income/(loss) after tax	**1,570**	(1,452)		**95**	579	(282)
Total comprehensive income/(loss) for the period	**629**	(38)		**(232)**	(376)	800
Total comprehensive income/(loss) is attributable to:						
Non-controlling interests	**157**	357		**32**	53	58
Preference shareholders	**192**	223		**79**	57	80
Paid-in equity holders	**151**	41		**56**	57	17
Dividend access share	**1,193**	-		**-**	-	-
Ordinary shareholders	**(1,064)**	(659)		**(399)**	(543)	645
	629	(38)		**(232)**	(376)	800

*Restated - refer to page 38 for further details

Explanation of Responses:

Selected statutory financial statements

Condensed consolidated balance sheet as at 30 September 2016 (unaudited)

	30 September 2016	30 June 2016	31 December 2015
	£m	£m	£m
Assets			
Cash and balances at central banks	**69,254**	65,307	79,404
Net loans and advances to banks	**19,741**	21,763	18,361
Reverse repurchase agreements and stock borrowing	**12,251**	14,458	12,285
Loans and advances to banks	**31,992**	36,221	30,646
Net loans and advances to customers	**326,736**	326,503	306,334
Reverse repurchase agreements and stock borrowing	**33,704**	31,320	27,558
Loans and advances to customers	**360,440**	357,823	333,892
Debt securities	**79,784**	84,058	82,097
Equity shares	**728**	749	1,361
Settlement balances	**10,298**	13,405	4,116
Derivatives	**283,049**	326,023	262,514
Intangible assets	**6,506**	6,525	6,537
Property, plant and equipment	**4,490**	4,589	4,482
Deferred tax	**1,684**	2,217	2,631
Prepayments, accrued income and other assets	**4,140**	4,311	4,242
Assets of disposal groups	**13**	396	3,486
Total assets	**852,378**	901,624	815,408
Liabilities			
Bank deposits	**32,172**	31,377	28,030
Repurchase agreements and stock lending	**6,557**	11,611	10,266
Deposits by banks	**38,729**	42,988	38,296
Customer deposits	**358,844**	355,719	343,186
Repurchase agreements and stock lending	**29,851**	29,270	27,112
Customer accounts	**388,695**	384,989	370,298
Debt securities in issue	**28,357**	27,148	31,150
Settlement balances	**10,719**	11,262	3,390
Short positions	**19,882**	21,793	20,809
Derivatives	**275,364**	322,390	254,705

Provisions, accruals and other liabilities	**15,954**	15,627	15,115
Retirement benefit liabilities	**526**	511	3,789
Deferred tax	**647**	824	882
Subordinated liabilities	**19,162**	20,113	19,847
Liabilities of disposal groups	**15**	252	2,980
Total liabilities	**798,050**	847,897	761,261
Equity			
Non-controlling interests	**853**	820	716
Owners' equity*			
Called up share capital	**11,792**	11,756	11,625
Reserves	**41,683**	41,151	41,806
Total equity	**54,328**	53,727	54,147
Total liabilities and equity	**852,378**	901,624	815,408
*Owners' equity attributable to:			
Ordinary shareholders	**46,328**	47,066	47,480
Other equity owners	**7,147**	5,841	5,951
	53,475	52,907	53,431

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Selected statutory financial statements

Condensed consolidated statement of changes in equity for the period ended 30 September 2016 (unaudited)

	Share capital and statutory reserves	Paid-in equity	Retained earnings	Other reserves*	Total owners' equity	Non controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2016	41,485	2,646	(4,020)	13,320	53,431	716	54,147
(Loss)/profit attributable to ordinary			(978)		(978)	37	(941)
shareholders and other equity owners							
Other comprehensive income							
- amount recognised in equity			(1,047)	3,748	2,701	120	2,821
- amount transferred from equity to profit or loss				(1,198)	(1,198)		(1,198)
- recycled to profit or loss on							
disposal of businesses (1)				(41)	(41)		(41)
- tax			285	(297)	(12)		(12)
Dividend access share dividend			(1,193)		(1,193)		(1,193)
Preference share and other dividends paid			(343)		(343)		(343)
Shares and securities issued during the period (2)	405	2,046	(10)		2,441		2,441
Redemption of preference shares (3)			(1,160)		(1,160)		(1,160)
Redemption of paid-in equity (4)		(110)	(21)		(131)		(131)
Share-based payments - gross			(13)		(13)		(13)
	(29)				(29)		(29)

Movement in own shares held							
Equity withdrawn						(20)	(20)
At 30 September 2016	**41,861**	**4,582**	**(8,500)**	**15,532**	**53,475**	**853**	**54,328**
							30 September
							2016
Total equity is attributable to:							**£m**
Non-controlling interests							**853**
Preference shareholders							**2,565**
Paid-in equity holders							**4,582**
Ordinary shareholders							**46,328**
							54,328
***Other reserves consist of:**							
Merger reserve							**10,881**
Available-for-sale reserve							**188**
Cash flow hedging reserve							**1,565**
Foreign exchange reserve							**2,898**
							15,532

Notes:

(1) No tax impact.
(2) AT1 capital notes totalling £2.0 billion issued in August 2016.
(3) In September 2016, non-cumulative US dollar preference shares were redeemed at their original issue price of US$1.5 billon. The nominal value of £0.3 million was transferred from share capital to capital redemption reserve and ordinary owners' equity was reduced by £0.4 billion in respect of the movement in exchange rates since issue.
(4) Paid-in equity reclassified to liabilities as a result of the call of RBS Capital Trust C in May 2016 (redeemed in July 2016).

Notes

1. Basis of preparation

The consolidated financial statements should be read in conjunction with RBS's 2015 Annual Report on Form 20-F which was prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the IFRS Interpretations Committee of the IASB as adopted by the European Union (EU) (together IFRS).

Accounting policies

RBS's principal accounting policies are set out on pages 270 to 279 of the 2015 Annual Report on Form 20-F. Amendments to IFRSs effective for 2016 have not had a material effect on RBS's Q3 2016 results.

Pensions

In Q4 2015, RBS changed its accounting policy for the recognition of surpluses in its defined benefit pension schemes: in particular, the policy for determining whether or not it has an unconditional right to a refund of surpluses in its employee pension funds. Where RBS has a right to a refund, this is not deemed unconditional if pension fund trustees can unilaterally enhance benefits for plan members. The amended policy was applied retrospectively and prior periods restated. For further details, refer to pages 270 to 271 of RBS's 2015 Annual Report on Form 20-F.

Critical accounting policies and key sources of estimation uncertainty

The judgements and assumptions that are considered to be the most important to the portrayal of RBS's financial condition are those relating to pensions, goodwill, provisions for liabilities, deferred tax, loan impairment provisions and fair value of financial instruments. These critical accounting policies and judgements are described on pages 279 to 282 of RBS's 2015 Annual Report on Form 20-F.

Going concern

Having reviewed RBS's forecasts, projections and other relevant evidence, the directors have a reasonable expectation that RBS will continue in operational existence for the foreseeable future. Accordingly, the results for the period ended 30 September 2016 have been prepared on a going concern basis.

2. Pensions

In June 2016, the triennial funding valuation of the Main Scheme of The Royal Bank of Scotland Group Pension Fund was agreed which showed that at 31 December 2015 the value of liabilities exceeded the value of assets. In March 2016, to mitigate this anticipated deficit, RBS made a cash payment of £4.2 billion. The next triennial valuation is due to occur at the end of 2018 with agreement on any additional contributions by the end of March 2020.

As at 30 September 2016, the Main Scheme had an unrecognised surplus under IAS19 valuation principles. The surplus is unrecognised because the trustee’s power to enhance member benefits could consume that surplus meaning that RBS does not control its ability to realise an asset. The existence of the asset, albeit unrecognised, limits RBS’s exposure to changes in actuarial assumptions and investment performance.

Notes

3. Provisions for liabilities and charges

			Regulatory and legal actions				
		Interest					
	Payment	rate	Other	Foreign	Litigation		
	protection	hedging	customer	exchange	and other	Property	
	insurance	products	redress (1)	investigations	regulatory	and other	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2016	996	149	672	306	3,985	1,258	7,366
Transfer from accruals and other liabilities	-	-	-	-	-	19	19
Transfer	-	-	21	(35)	85	(71)	-
Currency translation and other movements	-	-	-	10	126	28	164
Charge to income statement	-	-	11	-	34	79	124
Releases to income statement	-	-	(8)	-	(1)	(19)	(28)
Provisions utilised	(85)	(41)	(63)	-	(24)	(69)	(282)
At 31 March 2016	911	108	633	281	4,205	1,225	7,363
Transfer from accruals and other liabilities	-	-	35	-	5	14	54
Transfer	50	-	(50)	-	-	-	-
Currency translation and other movements	-	-	8	23	336	20	387
Charge to income statement	400	-	117	-	779	233	1,529
Releases to income statement	-	-	(5)	-	(12)	(95)	(112)
Provisions utilised	(114)	(30)	(50)	-	(141)	(146)	(481)
At 30 June 2016	1,247	78	688	304	5,172	1,251	8,740
Transfer from accruals and other liabilities	-	-	-	-	17	-	17
Currency translation and other movements	-	-	-	5	94	19	118
Charge to income statement	-	-	16	-	469	191	676
Releases to income statement	-	-	(12)	-	(48)	(8)	(68)

Provisions utilised	**(102)**	**(10)**	**(69)**	**-**	**(105)**	**(176)**	**(462)**
At 30 September 2016	**1,145**	**68**	**623**	**309**	**5,599**	**1,277**	**9,021**

Note:

(1) Closing provision predominantly relates to investment advice, packaged accounts (including costs) and tracker mortgages.

There are uncertainties as to the eventual cost of redress in relation to certain of the provisions contained in the table above. Assumptions relating to these are inherently uncertain and the ultimate financial impact may be different from the amount provided. RBS will continue to monitor the position closely and refresh the underlying assumptions.

4. Litigation, investigations and reviews

RBS's 2016 interim results on Form 6-K issued on 8 August 2016 included comprehensive disclosures about RBS's litigation, investigations and reviews in Note 15. Set out below are the material developments in these matters since the 2016 interim results were published. RBS generally does not disclose information about the establishment or existence of a provision for a particular matter where disclosure of the information can be expected to prejudice seriously RBS's position in the matter.

Litigation

Other securitisation and securities related litigation in the US

On 27 September 2016, RBS Securities Inc. (RBSSI) settled the two mortgage-backed securities (MBS) litigations that the National Credit Union Administration Board has been litigating on behalf of US Central Federal Credit Union and Western Corporate Federal Credit Union. The settlement amount of US$1.1 billion was substantially covered by provisions existing at 30 June 2016.

Notes

4. Litigation, investigations and reviews (continued)

RBS continues to litigate various other MBS-related civil claims identified in its 2016 interim results, including those of the Federal Housing Finance Agency, and to respond to investigations by the civil and criminal divisions of the U.S. Department of Justice and various other members of the RMBS Working Group of the Financial Fraud Enforcement Task Force (including several state attorneys general). MBS litigation and investigations may require provisions in future periods that in aggregate could be materially in excess of existing provisions.

London Interbank Offered Rate (LIBOR)

As previously disclosed, certain members of the Group have been named as defendants in a number of class actions and individual claims filed in the US with respect to the setting of LIBOR and certain other benchmark interest rates. On 16 August 2016, a class action complaint was filed in the United States District Court for the Southern District of New York against certain Group companies (including RBSG plc and The Royal Bank of Scotland N.V.) and a number of other financial institutions. The complaint alleges that the defendants conspired to manipulate the Australian Bank Bill Swap Reference Rate (BBSW) and asserts claims under the U.S. antitrust laws, the Commodity Exchange Act, RICO (Racketeer Influenced and Corrupt Organizations Act), and the common law. RBS anticipates making a motion to dismiss the complaint.

FX antitrust litigation

On 26 September 2016, a class action complaint was filed in the United States District Court for the Southern District of New York asserting claims on behalf of “indirect purchasers” of FX instruments. The complaint defines “indirect purchasers” as persons who were indirectly affected by FX instruments that others entered into directly with defendant banks or on exchanges. It is alleged that certain RBS companies and other defendant banks caused damages to the “indirect purchasers” by conspiring to restrain trade in the FX spot market. The complaint seeks damages and other relief under federal, California, and New York antitrust laws. RBS anticipates making a motion to dismiss the complaint.

Investigations and reviews

Connecticut Department of Banking

As previously disclosed, in June 2016, RBSSI, a U.S. broker-dealer, reached an agreement in principle to resolve investigations by the office of the Attorney General of Connecticut on behalf of the Connecticut Department of Banking, concerning RBSSI's underwriting and issuance of mortgage-backed securities and the potential consequences to RBSSI of The Royal Bank of Scotland plc's (RBS plc's) May 2015 FX-related guilty plea. The agreement became final on 3 October 2016 through the publication by the Department of Banking of two agreed consent orders without RBSSI admitting or denying the Department of Banking's allegations. As required by the RMBS consent order, in addition to making certain undertakings, RBSSI has paid US$120 million to the State of Connecticut to resolve the investigation. The amount was covered by a provision that had previously been established. Pursuant to the FX consent order, RBSSI agreed, among other things, to certify to the Department of Banking its compliance with various obligations undertaken in connection with RBS plc's FX-related guilty plea and FX-related resolutions with the Commodity Futures Trading Commission and Board of Governors of the Federal Reserve System.

FCA review of RBS's treatment of SMEs

The FCA published an update on 4 October 2016 confirming that it had received the final Skilled Person's report and that there were a number of steps for the FCA to complete before being in a position to share its final findings. RBS has been given the opportunity to review that report.

Notes

4. Litigation, investigations and reviews (continued)

UK retail banking

On 9 August 2016, the Competition & Markets Authority (CMA) published its final report on retail banking. The CMA concluded that there are a number of competition concerns in the provision of personal current accounts (PCAs), business current accounts and SME lending, particularly around low levels of customers searching and switching, resulting in banks not being put under enough competitive pressure, and new products and new banks not attracting customers quickly enough.

The final report set out remedies to address these concerns. These include remedies to make it easier for customers to compare products, ensure customers benefit from technological advantages around open banking, improve the current account switching service and provide PCA overdraft customers with greater control over their charges, along with additional measures targeted at SME customers.

The CMA has also been reviewing the undertakings given by certain banks following the Competition Commission's 2002 investigation into SME banking (SME Undertakings). On 9 August 2016, the CMA announced its final decision, which is that the SME Undertakings should be revoked, with the exception of the prohibition on the ability of certain named banks, including RBS, to bundle (i.e. sell together) business current accounts and SME lending.

At this stage there remains uncertainty around the financial impact of the proposed remedies and it is not practicable to estimate the potential impact on RBS, which may be material.

FCA wholesale sector competition review

On 18 October 2016, the FCA published its final report following its market study into investment and corporate banking. It found that whilst many clients feel well served by primary capital market services there were some areas where improvements could be made to encourage competition, particularly for smaller clients. It set out a package of remedies, including prohibiting the use of restrictive contractual clauses and ending league table misrepresentation by asking league table providers to review their recognition criteria. The FCA is to undertake further consultation with regards to the prohibition on restrictive contractual clauses. Subject to this consultation, the FCA expects to publish the final rules regarding these restrictive contractual clauses in early 2017.

Enforcement proceedings and investigations in relation to Coutts & Co Ltd

As previously disclosed, the Swiss Financial Market Supervisory Authority (FINMA) is taking enforcement proceedings against Coutts & Co Ltd (Coutts), a member of RBS incorporated in Switzerland, with regard to certain client accounts held with Coutts relating to allegations in connection with the Malaysian sovereign wealth fund 1MDB. The proceedings are at an advanced stage. Coutts is also cooperating with investigations, one of which is at an advanced stage and may conclude in the near term, and enquiries from authorities in other jurisdictions in relation to the same subject matter. The outcomes of such proceedings, investigations and enquiries are uncertain but may include financial penalties and/or regulatory sanctions.

5. Post balance sheet events

Other than matters disclosed, there have been no further significant events between 30 September 2016 and the date of approval of this announcement.

Additional information

Other financial data

The following table shows RBS's issued and fully paid share capital, owners' equity and indebtedness on a consolidated basis in accordance with IFRS as at 30 September 2016.

	As at 30 September 2016 £m
Share capital - allotted, called up and fully paid: Ordinary shares of £1	**11,792**
Retained income and other reserves	**41,683**
Owners' equity	**53,475**
RBS indebtedness	
Subordinated liabilities	**19,162**
Debt securities in issue	**28,357**
Total indebtedness	**47,519**
Total capitalisation and indebtedness	**100,994**

Under IFRS, certain preference shares are classified as debt and are included in subordinated liabilities in the table above.

The information contained in the table above has not changed materially since 30 September 2016.

Additional information

Other financial data (continued)

	Nine months ended 30 September	Year ended 31 December				
	2016 (1)	2015	2014	2013	2012	2011
Return on average total assets (2)	**(0.4%)**	(0.2%)	(0.3%)	(0.7%)	(0.4%)	(0.1%)
Return on average ordinary shareholders' equity(3)	**(7.3%)**	(4.0%)	(6.5%)	(14.7%)	(8.9%)	(3.1%)
Average owners' equity as a percentage of average total assets	**6.2%**	6.0%	5.8%	5.5%	5.2%	4.9%
Ratio of earnings to combined fixed charges and preference share dividends (4,5)						
- including interest on deposits	**0.85**	0.17	1.52	(0.51)	0.13	0.78
- excluding interest on deposits	**0.66**	(1.17)	2.61	(5.12)	(3.73)	(0.86)
Ratio of earnings to fixed charges only (4,5)						
- including interest on deposits	**0.99**	0.19	1.67	(0.55)	0.13	0.78
- excluding interest on deposits	**0.97**	(1.60)	3.58	(6.95)	(4.80)	(0.86)

Notes:

(1) Based on unaudited numbers.
(2) Represents loss attributable to ordinary shareholders as a percentage of average total assets.
(3) Represents loss attributable to equity owners expressed as a percentage of average ordinary shareholders' equity.
(4) For this purpose, earnings consist of income before tax and non-controlling interests, plus fixed charges less the unremitted income of associated undertakings (share of profits less dividends received). Fixed charges consist of total interest expense, including or excluding interest on deposits and debt securities in issue, as appropriate, and the proportion of rental expense deemed representative of the interest factor (one third of total rental expenses).
(5) The earnings for the nine months ended 30 September 2016 and years ended 31 December 2015, 2013, 2012, and 2011, were inadequate to cover total fixed charges and preference share dividends.

The coverage deficiency for total fixed charges and preference share dividends for the nine months ended 30 September 2016 and for the years ended 31 December 2015, 2013, 2012 and 2011 was £362 million, £3,088 million, £9,247 million, £6,353 million and £1,860 million, respectively. The coverage deficiency for fixed charges for the nine month ended 30 September 2016 and years ended 31 December 2015, 2013, 2012 and 2011 was £19 million, £2,703 million, £8,849 million, £6,052 million and £1,860 million, respectively.

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SIGNATURE

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

The Royal Bank of Scotland Group plc

Registrant

/s/ Katie Murray

Katie Murray

Director of Finance

9 November 2016