ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
May 07, 2010

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Report of Foreign Private Issuer

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

For May 7, 2010

Commission File Number: 001-10306

The Royal Bank of Scotland Group plc

RBS, Gogarburn, PO Box 1000
Edinburgh EH12 1HQ

(Address of principal executive offices)

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

Form 20-F X Form 40-F ___

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

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

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

Yes ___ No X

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

The following information was issued as a Company announcement in London, England and is furnished pursuant to General Instruction B to the General Instructions to Form 6-K:

Highlights

The Royal Bank of Scotland Group reports a first quarter operating profit(1) of £713 million, compared with a loss of £1,353 million in the fourth quarter of 2009

Core business operating profit of £2,272 million

First quarter operating performance benefited from rising NIM, favourable credit trends and strong seasonal performance in Global Banking & Markets

Continued good progress against the key metrics in our five year strategy

Key points

- First quarter net attributable loss improved to £248 million from a loss of £765 million in the fourth quarter of 2009.

- First quarter operating profit(1) improved to £713 million compared with a loss of £1,353 million in the fourth quarter. After restructuring and other non-operating costs, and £500 million related to the Asset Protection Scheme, the Group recorded a loss before tax of £ 21 million compared with a profit of £134 million in the fourth quarter of 2009.

- Operating profit before impairment losses, adjusted for fair value of own debt, improved to £3,557 million from £1,476 million in the fourth quarter of 2009.

- Core bank operating profit improved to £2,272 million, compared with £1,183 million in the fourth quarter, led by seasonally strong trading results in Global Banking & Markets (GBM).

- Net interest margin was 1.92%, up 9 basis points on the fourth quarter, led by increases in GBM and Non-Core.

- Total Group impairments fell from £3,099 million in the fourth quarter of 2009 to £2,675 million in the first quarter of 2010, reflecting continued underlying improvement in the global economy.

- Risk-weighted assets increased by 5% to £461 billion, principally as a result of the roll-off of ABN AMRO capital relief trades, as previously guided, along with the weakening of sterling.

· Core Tier 1 capital ratio of 10.6% compared with 11.0% at 31 December 2009.

· Deposit growth of £11 billion and the Non-Core run-off helped drive an improvement in the Group loan to deposit ratio to 131% from 135% in the fourth quarter of 2009. Core loan to deposit ratio improved further to 102%.

· Continued good progress has been made against published key metrics in our Strategic Plan implementation.

· Customer franchises remain strong: exemplified by UK Retail, which now serves over 12.8 million current account customers and continued to grow its mortgage market share.

Note:

(1) Profit/(loss) before tax, purchased intangibles amortisation, integration and restructuring costs, strategic disposals, bonus tax, Asset Protection Scheme credit default swap, gains on pensions curtailment, write-down of goodwill and other intangible assets and RFS Holdings minority interest. Statutory operating loss before tax of £5 million.

Key financial data

	Quarter ended		
	31 March 2010 £m	31 December 2009 £m	31 March 2009 £m
Core			
Total income (1)	**8,020**	7,432	10,446
Operating expenses (2)	**(3,774)**	(3,788)	(3,968)
Insurance net claims	**(1,003)**	(1,173)	(789)
Operating profit before impairment losses	**3,243**	2,471	5,689
Impairment losses	**(971)**	(1,288)	(1,030)
Core operating profit (3)	**2,272**	1,183	4,659
Non-Core operating loss (3)	**(1,559)**	(2,536)	(4,480)
Group operating profit/(loss) (3)	**713**	(1,353)	179
Group operating (loss)/profit before tax (4)	**(21)**	134	(44)
Loss attributable to ordinary and B shareholders	**(248)**	(765)	(902)

	31 March 2010	31 December 2009	Change
Capital and balance sheet			
Total assets	**£1,582.9bn**	£1,522.5bn	4%
Funded balance sheet (5)	**£1,120.6bn**	£1,084.3bn	3%
Loan:deposit ratio (Group - net of provisions)	**131%**	135%	(400bp)
Core Tier 1 ratio	**10.6%**	11.0%	(40bp)
Net tangible equity per ordinary and B share	**51.5p**	51.3p	-

Notes:

(1) Excluding changes in the fair value of Asset Protection Scheme credit default swap and strategic disposals.
(2) Excluding purchased intangibles amortisation, integration and restructuring costs, bonus tax, gains on pensions curtailment and write-down of goodwill and other intangible assets.
(3) Operating profit/(loss) before tax, purchased intangibles amortisation, integration and restructuring costs, strategic disposals, bonus tax, Asset Protection Scheme credit default swap - fair value changes, gains on pensions curtailment and write-down of goodwill and other intangible assets.
(4) Excluding write-down of goodwill and other intangible assets.
(5) Funded balance sheet is defined as total assets less derivatives.

Comment

Stephen Hester, Group Chief Executive, commented:

"Last year we began implementing one of the most significant corporate restructurings ever undertaken. We said the Plan would take five years to implement. We set out transparently where the milestones would be along the way. And we explained how, if implemented properly, the Plan would turn RBS from a problem into an opportunity for all our constituencies.

Today we show that we remain on track for the delivery of the Plan - we are doing what we said we would do. We have made good progress but there is still significant work to be done. I welcome the market's recognition of our progress to date, but the challenges we still face are real and should not be underestimated.

The year has begun for RBS broadly as we had expected. Economic recovery is benefiting our customers and thereby ourselves. However, we remain conscious of the economic imbalances still to be tackled globally and of the risk of specific events (such as those affecting Greece), with the associated danger of contagion. Certain sectors, like real estate, also face a longer term work-out and there are ongoing losses for banks to absorb. At present, global recovery is helping impairments fall a little faster than we expected, though lumpy events may well interrupt that trend. Our medium-term targets already factor in a normalisation of credit conditions.

RBS's Retail and Commercial businesses are beginning to recover and should drive our growth over the next few years. While we have taken decisive management actions to improve these businesses, the pace of recovery will also be affected by the rate at which credit conditions change and when interest rates return to more normal levels, giving some relief to liability margins.

Global Banking & Markets, our investment bank, is on track with a seasonally strong first quarter, though significantly below the unusual conditions of a year previously. GBM was radically restructured 15 months ago and is the area with greatest people retention challenges, so we are pleased with progress in this important Division.

RBS's risk profile continues to recover. We made huge balance sheet, capital and liquidity improvements in 2009 and these are now being extended through steady progress, in-line with targets, in Non-Core run-off and disposals. We are substantially improving the internal fabric and machinery of risk management. While not likely to be called upon, we also retain the valuable fallback protection of the Asset Protection Scheme and related contingent capital.

We aspire to be focused and purposeful in pursuit of RBS's three principal goals:

o to serve Customers well;

o to restore the Bank to undoubted standalone strength; and

o to rebuild sustainable value for all Shareholders and in so doing to enable the UK Government to sell its shareholding profitably over time.

Comment (continued)

The first of these goals anchors all our efforts. We have renewed our focus on our Customers and how we serve them, and are investing in our businesses to improve service further. Our Customer franchises are solid and responding to these efforts though it will take time to raise customer service to the levels we aspire to.

We have already made significant progress in restoring the Bank to standalone strength through improvements in our risk profile and management culture. The job of rebuilding sustainable Shareholder value will take longer, and quarterly progress may not always be smooth. Volatility - of markets, of internal and external sentiment and outlook - is a fact of life. We will continue to try to steer a measured and determined course, rebuilding a reputation for delivery and with it the support of our people which is needed to bring about that delivery. Along the way, we are determined to support those who have supported us: to deliver for Customers, for the Communities we serve and for our Shareholders both public and private.

As covered more fully in my 2009 year-end statement, the regulatory landscape remains an area of focus, with a wide range of outcomes still under debate. The impact on economies as a whole, on banks in general and on RBS specifically is still uncertain. RBS welcomes and embraces change and reform and is actively participating to help governments and regulators calibrate measures, understand their consequences and consider timing. Shareholders and all our stakeholders need to be cautious as these issues, along with new taxes and other measures, are debated and progressed.

So, as 2010 unfolds we remain optimistic for RBS and the prospects of achieving the Plans laid out and our vision to restore RBS to an admired and high performing institution. Progress to date should give encouragement, but there is no complacency within RBS as we continue the work across our businesses."

Highlights

First quarter pro forma results summary

Current trading

Operating performance in the first quarter of 2010 improved, with The Royal Bank of Scotland Group ('RBS' or the 'Group') recording a quarterly operating profit. Total income rose to £8,954 million, up 19% from the fourth quarter of 2009, while expenses fell 1% to £4,430 million and insurance claims were 14% lower at £1,136 million. Impairments fell 14% to £2,675 million, leaving a Group operating profit of £713 million, compared with a loss of £1,353 million in the fourth quarter. Cost savings programmes remain on track.

After integration and restructuring costs and other items, including a £500 million charge related to the Asset Protection Scheme, RBS reported a pre-tax loss of £21 million. Net of tax, goodwill and intangible write-downs, minority interests and preference share dividends, the loss attributable to ordinary shareholders was £248 million, compared with a loss of £765 million in the fourth quarter of 2009.

In the Core bank, operating profit was £2,272 million, 92% higher than in the fourth quarter of 2009. The result was driven by a seasonally strong trading performance in Global Banking & Markets, where income rose 35%, benefiting from market conditions that, although less buoyant than the exceptional environment experienced in the first quarter of 2009, were still favourable; credit markets performance was particularly good.

In the Core retail and commercial businesses, income continued to be affected by generally low business volumes and by depressed liability margins, offsetting the repricing of new business asset margins. Adjusted for the number of days in the quarter, core retail and commercial net interest margin was stable. Customer franchises remained resilient, with good progress particularly in UK mortgages and current accounts.

Core return on equity in the quarter was 15%, in line with the longer term targets and driven by seasonally strong GBM results. However, significant quarterly movement in returns is to be anticipated, and future capital and other regulatory requirements could materially affect future returns.

Non-Core operating losses were substantially lower at £1,559 million, with income rising to £934 million.

Good progress has been made on restructuring and divestments. The divestments of a UK retail and business banking operation and of the Group's card payment acquiring business are currently on track.

Legal separation of ABN AMRO Bank NV took place on 1 April 2010. As a result RBS will no longer consolidate the interests in ABN AMRO of its consortium partners, the Dutch state and Banco Santander, in its results from the second quarter of 2010 onwards.

Highlights (continued)

First quarter pro forma results summary (continued)

Efficiency

Group operating expenses fell by 1%, driven principally by Business Services, where costs declined by £129 million with reductions in property, technology and operations costs. The Group cost:income ratio, adjusted for insurance claims, improved to 57% from 72% in the fourth quarter of 2009.

The Group's programme to reduce costs is already well advanced and we are beginning to see the necessary efficiency benefits of this. Over £2 billion in annualised cost savings have so far been achieved, compared with a commitment to deliver at least £2.5 billion in cost reductions by 2011.

Regrettably, but inevitably, this has resulted in job losses and while the most substantial reductions have been completed there are more to come. The Group will continue to work hard alongside staff and their representatives to minimise the human impact of this.

Impairments

Impairment losses declined in the first quarter to £2,675 million compared with £3,099 million in the fourth quarter of 2009. On an annualised basis impairments represented 1.8% of loans and advances, compared with 2.1% in Q4 2009, and provision coverage increased to 45% of risk elements in lending and potential problem loans, compared with 42% in the fourth quarter of 2009. Impairment trends were favourable, particularly in the Core UK retail and US retail and commercial businesses, providing support for the view that impairments are likely to have peaked in 2009.

Non-Core impairments fell by 6% to £1,704 million. Improving credit trends continued in several segments of the division's portfolio, although the overall impairment level remains elevated and volatility in impairment charges remains likely.

Balance sheet management

Third party assets increased by 3% during the first quarter to £1,121 billion, with around half of the increase accounted for by exchange rate movements, as the weakness of sterling increased the value of foreign currency-denominated assets. The increase also reflected seasonal movements in GBM assets, which rose after falling sharply in the fourth quarter but remain within the division's targeted range, and a modest increase in retail and commercial lending, offset by Non-Core run-off.

The Group has continued to improve its funding profile, with successful deposit-gathering initiatives particularly in UK Corporate and Global Transaction Services driving a reduction in the Group's loan to deposit ratio to 131%, with the Core bank loan to deposit ratio at 102%. Wholesale unsecured funding of less than one year's duration totalled £222 billion at 31 March 2010 (including £94 billion of deposits from banks), compared with £249 billion at the end of 2009, including £110 billion of deposits from banks. The continuing run-off of the Non-Core portfolio is expected to significantly reduce future wholesale funding requirements.

Highlights (continued)

First quarter pro forma results summary (continued)

Balance sheet management (continued)

Liquidity reserves totalled £165 billion, down £6 billion from 31 December 2009 but still above the Group's long term target band, including a central government bond portfolio of £59 billion.

Capital

Risk-weighted assets increased by £23 billion to £461 billion, more rapidly than nominal assets, primarily reflecting the roll-off of capital relief trades in the old ABN AMRO portfolios in line with guidance provided earlier this year. This increase in RWAs drove a reduction in the Group's Core Tier 1 ratio to 10.6% at 31 March 2010, compared with 11.0% at 31 December 2009. The recently completed exchange and tender offers are expected to increase the Core Tier 1 ratio by approximately 30 basis points.

Tangible net asset value per share increased by 0.2p to 51.5p reflecting other comprehensive income of £986 million during the quarter, primarily currency gains and available-for-sale valuation adjustments, offset partially by the narrow loss during the period.

Good progress has been made on restructuring and divestments. The divestments of a UK retail and business banking operation and of the Group's card payment acquiring business are currently on track.

Customers

The Group's customer franchises have remained resilient. RBS has sustained its position in its core retail and corporate markets, with customer numbers steady or growing across most of the Group's major businesses.

UK Retail maintained good growth in the current account market and now serves over 12.8 million current account customers. Progress has also continued in the mortgage market, with the division achieving a 10.6% market share of new lending in the first quarter, compared with a 7% share of the mortgage stock. Net mortgage lending in the first quarter totalled £2.0 billion.

Good progress in the current account market was also achieved by other divisions, with Ulster Bank adding 9,000 current account customers during the quarter and the US retail and commercial division expanding its consumer checking account base by 44,000 since the first quarter of 2009.

The Group has kept up its efforts to make credit available to UK businesses. Over £10 billion of new facilities were extended to businesses and corporates during the first quarter, with activity picking up in March after a seasonal lull in January and February.

Highlights (continued)

First quarter pro forma results summary (continued)

Outlook

The economic outlook has stabilised and continues to improve steadily. However, substantial risks remain from the unwinding of structural imbalances globally and the impact of the withdrawal of fiscal and monetary support. The timing and make-up of regulatory and fiscal responses to the crisis also remains uncertain. However, the Group currently remains on track to deliver its five year plan.

Operating performance in the second quarter is expected to reflect GBM income returning to more normal levels from the seasonally strong first quarter performance, but steady progress in Core retail and commercial divisions.

Group net interest margin is expected to gradually improve over the remainder of 2010, with the recovery from the unsustainably low margins experienced in 2009 driven by the Core retail and commercial divisions. Impairment trends have turned more favourable in a number of areas, but levels of impairment are likely to remain high and there may be volatility in impairment losses, particularly in the Non-Core portfolio.

Contacts

For analyst enquiries:

Richard O'Connor	Head of Investor Relations	+44 (0) 20 7672 1758

For media enquiries:

Group Media Centre		+44 (0) 131 523 4205

Analysts' conference call

The Royal Bank of Scotland Group (RBS) will be hosting a conference call and live audio webcast following the release of the results for the quarter ended 31 March 2010. The details are as follows:

Date:	Friday 7 May 2010
Time:	08.15am UK Time
Webcast:	www.rbs.com/ir
Dial in details:	International - +44 (0) 1452 568 172
	UK Free Call - 0800 694 8082
	US Toll Free - 1 866 966 8024

Background slides, which will not be formally presented to, will be available on the Group's website www.rbs.com/ir ahead of the conference call.

First Quarter 2010 Results

Contents

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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', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'will', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on such expressions.

In particular, this document includes forward-looking statements relating, but not limited to: the Group's restructuring plans, capitalisation, portfolios, capital ratios, liquidity, risk weighted assets, return on equity, 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 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: 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 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 full nationalisation of the Group or other resolution procedures under the Banking Act 2009; 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; inflation; deflation; unanticipated turbulence in interest rates, foreign currency exchange rates, credit spreads, bond prices, commodity prices and equity prices; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; a change of UK Government or changes to UK Government policy; changes in the Group's credit ratings; the Group's participation in the Asset Protection Scheme (APS) and the effect of such Scheme on the Group's financial and capital position; the conversion of the B Shares in accordance with their terms; the ability to access the contingent capital arrangements with HM Treasury; limitations on, or additional requirements imposed on, the Group's activities as a result of HM Treasury's investment in the Group; the Group's ability to attract or retain senior management or other key employees; changes in competition and pricing environments; the financial stability of other financial institutions, and the Group's counterparties and borrowers; the value and effectiveness of any credit protection purchased by the Group; the extent of future write-downs and impairment charges caused by depressed asset valuations; the ability to achieve revenue benefits and cost savings from the integration of certain of RBS Holdings N.V.'s businesses and assets; general operational risks; the inability to hedge certain risks economically; the ability to access sufficient funding to meet liquidity needs; 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 approval; the adequacy of loss reserves; acquisitions or restructurings; technological changes; changes in consumer spending and saving habits; and the success of the Group in managing the risks involved in the foregoing.

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

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

Presentation of information

Acquisition of ABN AMRO

On 17 October 2007, RFS Holdings B.V. ("RFS Holdings"), which at the time was owned by The Royal Bank of Scotland Group plc (RBSG), Fortis N.V., Fortis S.A./N.V., Fortis Bank Nederland (Holding) N.V. ("Fortis") and Banco Santander, S.A. ("Santander"), completed the acquisition of ABN AMRO Holding N.V. (renamed RBS Holdings N.V. on 1 April 2010).

RFS Holdings, which is now jointly owned by RBSG, the Dutch State (following its acquisition of Fortis) and Santander (the "Consortium Members"), has substantially completed the process of implementing an orderly separation of the business units of RBS Holdings N.V. As part of this reorganisation, on 6 February 2010, the businesses of RBS Holdings N.V. acquired by the Dutch State were legally demerged from the RBS Holdings N.V. businesses acquired by the Group and were transferred into a newly established holding company, ABN AMRO Bank N.V. (save for certain assets and liabilities acquired by the Dutch State that were not part of the legal separation and which will be transferred to the Dutch State as soon as possible).

Legal separation of ABN AMRO Bank N.V. occurred on 1 April 2010, with the shares in that entity being transferred by RBS Holdings N.V. to a holding company called ABN AMRO Group N.V., which is owned by the Dutch State. Certain assets within RBS Holdings N.V. continue to be shared by the Consortium Members. RBS Holdings N.V. is a fully operational bank within the Group and is independently rated and licensed and regulated by the Dutch Central Bank.

Pro forma results

Pro forma results have been prepared to include only those business units of ABN AMRO that will be retained by RBS. The business and strategic update, divisional performance and discussion of risk and capital management in this announcement focus on the pro forma results. The basis of preparation of the pro forma results is detailed on page 68.

Statutory results

RFS Holdings is jointly owned by the Consortium Members. It is controlled by RBS and is therefore fully consolidated in its financial statements. Consequently, the statutory results of the Group include the results of ABN

AMRO. The interests of Fortis, and its successor the State of the Netherlands, and Santander in RFS Holdings are included in minority interests. From 1 April 2010, RBS will cease to consolidate the Consortium Members' interests in ABN AMRO.

Results summary - pro forma

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Core			
Total income (1)	**8,020**	7,432	10,446
Operating expenses (2)	**(3,774)**	(3,788)	(3,968)
Insurance net claims	**(1,003)**	(1,173)	(789)
Operating profit before impairment losses (3)	**3,243**	2,471	5,689
Impairment losses	**(971)**	(1,288)	(1,030)
Operating profit (3)	**2,272**	1,183	4,659
Non-Core			
Total income (1)	**934**	108	(1,776)
Operating expenses (2)	**(656)**	(685)	(699)
Insurance net claims	**(133)**	(148)	(177)
Operating profit/(loss) before impairment losses (3)	**145**	(725)	(2,652)
Impairment losses	**(1,704)**	(1,811)	(1,828)
Operating loss (3)	**(1,559)**	(2,536)	(4,480)
Total*			
Total income (1)	**8,954**	7,540	8,670
Operating expenses (2)	**(4,430)**	(4,473)	(4,667)
Insurance net claims	**(1,136)**	(1,321)	(966)
Operating profit before impairment losses (3)	**3,388**	1,746	3,037
Impairment losses	**(2,675)**	(3,099)	(2,858)
Operating profit/(loss) (3)	**713**	(1,353)	179
Integration and restructuring costs	**(168)**	(228)	(379)
Asset Protection Scheme credit default swap - fair value changes	**(500)**	-	-
Gains on pensions curtailment	**-**	2,148	-
Other	**(66)**	(433)	156
Operating (loss)/profit before tax (4)	**(21)**	134	(44)
* Includes fair value of own debt impact	**(169)**	270	1,031

For definitions of the notes see page 16.

Results summary - pro forma

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Performance ratios			
Core			
- Net interest margin	**2.11%**	2.06%	2.21%
- Cost:income ratio (5)	**47%**	51%	38%
- Adjusted cost:income ratio (6)	**54%**	61%	41%
Non-Core			
- Net interest margin	**1.25%**	1.17%	0.61%
- Cost:income ratio (5)	**70%**	634%	(39%)
- Adjusted cost:income ratio (6)	**82%**	(1,713%)	(36%)
Group			
- Net interest margin	**1.92%**	1.83%	1.78%
- Cost:income ratio (5)	**49%**	59%	54%
- Adjusted cost:income ratio (6)	**57%**	72%	61%
Continuing operations:			
Basic loss per ordinary and B share (7)	**(0.2p)**	(1.2p)	(2.2p)

	31 March	31 December
	2010	2009
Capital and balance sheet		
Total assets	**£1,582.9bn**	£1,522.5bn
Funded balance sheet (8)	**£1,120.6bn**	£1,084.3bn
Loan:deposit ratio (Core - net of provisions)	**102%**	104%
Loan:deposit ratio (Group - net of provisions)	**131%**	135%
Risk-weighted assets - gross	**£585.5bn**	£565.8bn
Benefit of Asset Protection Scheme	**(£124.8bn)**	(£127.6bn)
Risk-weighted assets	**£460.7bn**	£438.2bn
Total equity	**£81.0bn**	£80.0bn
Core Tier 1 ratio*	**10.6%**	11.0%
Tier 1 ratio	**13.7%**	14.4%
Tier 1 leverage ratio (9)	**17.6x**	17.0x
Tangible equity leverage ratio (10)	**5.1%**	5.2%
Net tangible equity per share	**51.5p**	51.3p

* Benefit of APS in Core Tier 1 ratio is 1.4% at 31 March 2010 and 1.6% at 31 December 2009.

For definitions of the notes see page 16.

Results summary - statutory

Highlights

Income of £8,523 million for Q1 2010.

Pre-tax loss of £5 million for Q1 2010.

Core Tier 1 ratio 9.5%.

	Quarter ended		
	31 March	31 December	31 March
	2010	2009*	2009*
	£m	£m	£m
Total income	**8,523**	7,199	8,921
Operating expenses	**(4,717)**	(2,867)	(5,142)
Operating profit before impairment losses	**2,670**	3,011	2,813
Impairment losses	**(2,675)**	(3,099)	(2,858)
Operating loss before tax	**(5)**	(88)	(45)
Loss attributable to ordinary and B shareholders	**(248)**	(765)	(902)

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

Business and strategic update

Customer franchises

The Group's customer franchises remained resilient. RBS sustained its position in its core retail and corporate markets, with customer numbers steady or growing across most of the Group's major businesses.

UK Retail maintained good growth in the current account market and now serves over 12.8 million current account customers. Almost 1 million savings accounts have been added since the first quarter of 2009. The division continues to make progress towards a more convenient operating model, with over 4 million active users of online banking and a record share of new sales achieved through direct channels.

UK Retail added 4,000 mortgage accounts during the first quarter, taking mortgage account numbers to 849,000, 10% up on 31 March 2009. RBS accounted for 10.6% of new mortgage lending in the quarter, compared with a 7% share of the mortgage stock.

UK Corporate and Commercial customer numbers held stable, with modest growth in business and commercial customers. The division serves over 1.1 million SMEs.

GBM maintained its market position in core franchise areas, with top tier market rankings in foreign exchange, options, rates, equities and debt capital markets.

Ulster Bank increased consumer, SME and corporate customer numbers during the quarter, with consumer accounts up 3%, compared with the first quarter of 2009. Current account numbers increased by 9,000 in the quarter, buoyed by a strong campaign focused on switching customers from competitors withdrawing from the Irish market.

US Retail and Commercial's consumer and commercial customer bases held steady in its core New England and Mid-Atlantic regions, with some erosion of customer numbers in the Midwest. Over 44,000 consumer checking accounts and 12,000 small business checking accounts have been added since the first quarter of 2009.

RBS Insurance saw a small decline in own-brand motor policy numbers during the first quarter, following increased pricing introduced during the period, offset by good growth in the international and commercial business. Compared with the first quarter of 2009, Churchill's motor policy numbers grew by 11% and its home policies by 27%, while Direct Line, which is not available on price comparison websites, held motor policy numbers stable and grew home policies by 2%.

Business and strategic update (continued)

Restructuring and divestments

The Group has made progress on its restructuring and divestment programme during the first quarter.

Agreement to sell RBS Sempra Commodities' metals, oil and European energy businesses to J.P.Morgan Chase for $1.7 billion was announced in February, and a sales process is under way for the remaining business lines. The sale of RBS Asset Management's investment strategies business to Aberdeen Asset Management was completed, and parts of the Non-Core Latin American businesses have also been successfully disposed of. The sale of RBS Factoring GmbH to GE Capital was agreed in March and is expected to complete by the third quarter.

The divestment of a retail, business and corporate banking operation, whose principal components are the RBS branch network in England and Wales together with NatWest's Scottish branches, is currently on track, as is the disposal of Global Merchant Services, the Group's card payment acquiring business.

Business and strategic update (continued)

UK Lending

In February 2009, the Group agreed with the UK Government to a number of measures aimed at improving the availability of credit to UK homeowners and businesses. During the 12 month period commencing 1 March 2009:

- Net mortgage lending exceeded the original target of £9 billion by £3.7 billion.
- Whilst gross business lending remained relatively strong (£41 billion of new facilities were extended to businesses during the 12 months), net business lending fell by £6.2 billion, reflecting subdued demand, accelerating repayments, continued strong competition and buoyant capital markets.

In March 2010, the Group reached new agreements on lending availability for the period March 2010 to February 2011:

- Residential lending: to make available an additional £8 billion of net mortgage lending.
- Business lending: to make available £50 billion in gross new facilities, whether drawn or undrawn, for business customers.

In the first quarter of 2010, net mortgage lending increased by £2.0 billion, compared with an increase of £3.2 billion in the fourth quarter of 2009. The slower rate of growth was reflective of the competitive mortgage environment. In addition, many completions were brought forward to December 2009 to take advantage of the temporary increase in stamp duty thresholds, and this had a corresponding adverse effect in the early part of 2010.

However, notwithstanding the lower mortgage lending growth, activity levels improved during the quarter with over 54,000 applications, 22% higher than in the fourth quarter of 2009.

Gross new facilities totalling £10.4 billion were extended to UK businesses, slightly lower than the corresponding figure of £11.1 billion during the fourth quarter of 2009. However, activity levels picked up after a seasonal lull in

January and February, with over £4.3 billion of new facilities provided in March 2010.

Summary consolidated income statement

for the period ended 31 March 2010 - pro forma

In the income statements set out below, amortisation of purchased intangible assets, integration and restructuring costs, strategic disposals, bonus tax, Asset Protection Scheme credit default swap - fair value changes, gains on pensions curtailment and write-down of goodwill and other intangible assets are shown separately. In the statutory condensed consolidated income statement on page 123, these items are included in income and operating expenses as appropriate.

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Core*			
Net interest income	**3,035**	2,935	3,216
Non-interest income (excluding insurance net premium income)	**3,864**	3,360	6,118
Insurance net premium income	**1,121**	1,137	1,112
Non-interest income	**4,985**	4,497	7,230
Total income (1)	**8,020**	7,432	10,446
Operating expenses (2)	**(3,774)**	(3,788)	(3,968)
Profit before other operating charges	**4,246**	3,644	6,478
Insurance net claims	**(1,003)**	(1,173)	(789)
Operating profit before impairment losses	**3,243**	2,471	5,689
Impairment losses	**(971)**	(1,288)	(1,030)
Operating profit (3)	**2,272**	1,183	4,659
* Includes fair value of own debt impact	**(169)**	270	1,031
Non-Core			
Net interest income	**499**	511	322
Non-interest income (excluding insurance net premium income)	**267**	(574)	(2,342)
Insurance net premium income	**168**	171	244
Non-interest income	**435**	(403)	(2,098)

Total income (1)	**934**	108	(1,776)
Operating expenses (2)	**(656)**	(685)	(699)
Profit/(loss) before other operating charges	**278**	(577)	(2,475)
Insurance net claims	**(133)**	(148)	(177)
Operating profit/(loss) before impairment losses	**145**	(725)	(2,652)
Impairment losses	**(1,704)**	(1,811)	(1,828)
Operating loss (3)	**(1,559)**	(2,536)	(4,480)

For definitions of the notes see page 16.

Summary consolidated income statement

for the period ended 31 March 2010 - pro forma (continued)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Total			
Net interest income	**3,534**	3,446	3,538
Non-interest income (excluding insurance net premium income)	**4,131**	2,786	3,776
Insurance net premium income	**1,289**	1,308	1,356
Non-interest income	**5,420**	4,094	5,132
Total income (1)	**8,954**	7,540	8,670
Operating expenses (2)	**(4,430)**	(4,473)	(4,667)
Profit before other operating charges	**4,524**	3,067	4,003
Insurance net claims	**(1,136)**	(1,321)	(966)
Operating profit before impairment losses (3)	**3,388**	1,746	3,037
Impairment losses	**(2,675)**	(3,099)	(2,858)
Operating profit/(loss) (3)	**713**	(1,353)	179
Amortisation of purchased intangible assets	**(65)**	(59)	(85)
Integration and restructuring costs	**(168)**	(228)	(379)
Strategic disposals	**53**	(166)	241
Bonus tax	**(54)**	(208)	-
Asset Protection Scheme credit default swap - fair value changes	**(500)**	-	-
Gains on pensions curtailment	**-**	2,148	-
Operating (loss)/profit before tax (4)	**(21)**	134	(44)
Tax charge	**(106)**	(649)	(228)
Loss from continuing operations	**(127)**	(515)	(272)
Loss from discontinued operations, net of tax	**(4)**	(7)	(45)
Loss for the period	**(131)**	(522)	(317)
Minority interests	**(12)**	(47)	(471)
Preference share and other dividends	**(105)**	(144)	(114)
Loss attributable to ordinary and B shareholders before	**(248)**	(713)	(902)

write-down of goodwill and other intangible assets			
Write-down of goodwill and other intangible assets, net of tax	**-**	(52)	-
Loss attributable to ordinary and B shareholders	**(248)**	(765)	(902)

For definitions of the notes see page 16.

Condensed consolidated statement of comprehensive income

for the period ended 31 March 2010 - pro forma

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Loss for the period	**(131)**	(574)	(317)
Other comprehensive income			
Available-for-sale financial assets	**381**	619	(2,952)
Cash flow hedges	**(1)**	217	244
Currency translation	**766**	(230)	(185)
Actuarial losses on defined benefit plans	**-**	(3,756)	-
Tax on other comprehensive income	**(160)**	844	562
Other comprehensive income/(loss) for the period, net of tax	**986**	(2,306)	(2,331)
Total comprehensive income/(loss) for the period	**855**	(2,880)	(2,648)
Attributable to:			
Minority interests	**89**	29	134
Preference shareholders	**(105)**	126	114
Paid-in equity holders	**-**	18	-
Ordinary and B shareholders	**871**	(3,053)	(2,896)
	855	(2,880)	(2,648)

Summary consolidated balance sheet

at 31 March 2010 - pro forma

	31 March	31 December
	2010	2009
	£m	£m

Loans and advances to banks (1)	**56,508**	48,777
Loans and advances to customers (1)	**553,872**	554,654
Reverse repurchase agreements and stock borrowing	**95,925**	76,137
Debt securities and equity shares	**273,170**	265,055
Other assets	**141,151**	139,659
Funded assets	**1,120,626**	1,084,282
Derivatives	**462,272**	438,199
Total assets	**1,582,898**	1,522,481
Owners' equity	**78,676**	77,736
Minority interests	**2,305**	2,227
Subordinated liabilities	**31,936**	31,538
Deposits by banks (2)	**100,168**	115,642
Customer accounts (2)	**425,102**	414,251
Repurchase agreements and stock lending	**129,227**	106,359
Derivatives, settlement balances and short positions	**514,855**	472,409
Other liabilities	**300,629**	302,319
Total liabilities and equity	**1,582,898**	1,522,481

Notes:

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

Key metrics - pro forma

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Performance ratios			
Core			
- Net interest margin	**2.11%**	2.06%	2.21%
- Cost:income ratio (5)	**47%**	51%	38%
- Adjusted cost:income ratio (6)	**54%**	61%	41%

Non-Core			
- Net interest margin	**1.25%**	1.17%	0.61%
- Cost:income ratio (5)	**70%**	634%	(39%)
- Adjusted cost:income ratio (6)	**82%**	(1,713%)	(36%)
Group			
- Net interest margin	**1.92%**	1.83%	1.78%
- Cost:income ratio (5)	**49%**	59%	54%
- Adjusted Group cost:income ratio (6)	**57%**	72%	61%
Continuing operations:			
Basic loss per ordinary and B share (7)	**(0.2p)**	(1.2p)	(2.2p)

For definitions of the notes see page 16.

Key metrics - pro forma (continued)

	31 March 2010	31 December 2009
Capital and balance sheet		
Funded balance sheet (8)	**£1,120.6bn**	£1,084.3bn
Total assets	**£1,582.9bn**	£1,522.5bn
Risk-weighted assets - gross	**£585.5bn**	£565.8bn
Benefit of Asset Protection Scheme	**(£124.8bn)**	(£127.6bn)
Risk-weighted assets	**£460.7bn**	£438.2bn
Core Tier 1 ratio*	**10.6%**	11.0%
Tier 1 ratio	**13.7%**	14.4%
Risk elements in lending (REIL)	**£36.5bn**	£35.0bn
Risk elements in lending as a % of loans and advances	**6.3%**	6.1%
Provision balance as % of REIL/PPL	**45%**	42%
Loan:deposit ratio (Core - net of provisions)	**102%**	104%
Loan:deposit ratio (Group - net of provisions)	**131%**	135%
Tier 1 leverage ratio (9)	**17.6x**	17.0x
Tangible equity leverage ratio (10)	**5.1%**	5.2%
Net tangible equity per share	**51.5p**	51.3p

* Benefit of APS in Core Tier 1 ratio is 1.4% at 31 March 2010 and 1.6% at 31 December 2009.

Notes:

(1) Excluding strategic disposals and Asset Protection Scheme credit default swap - fair value changes.

(2) Excluding purchased intangibles amortisation, write-down of goodwill and other intangible assets, integration and restructuring costs, bonus tax and gains on pensions curtailment.

(3) Operating profit before tax, purchased intangibles amortisation, integration and restructuring costs, strategic disposals, bonus tax, Asset Protection Scheme credit default swap - fair value changes, gains on pensions curtailment and write-down of goodwill and other intangible assets.

(4) Excluding write-down of goodwill and other intangible assets.

(5) The cost:income ratio for Core operations and Group is based on total income and operating expenses as defined in (1) and (2) above.

(6) The adjusted cost:income ratio is based on total income and operating expenses as defined in (1) and (2) above and after netting insurance claims against income.

(7)

(Loss)/profit from continuing operations attributable to ordinary and B shareholders divided by weighted average number of ordinary and B shares in issue.

(8) Funded balance sheet is defined as total assets less derivatives.

(9) The Tier 1 leverage ratio is based on total tangible assets (after netting derivatives) divided by Tier 1 capital.

(10) The tangible equity leverage ratio is based on total tangible equity divided by total tangible assets (after netting derivatives).

Results summary

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Net interest income	**£m**	£m	£m
Net interest income (1)	**3,447**	3,340	3,470
Net interest margin			
- Group	**1.92%**	1.83%	1.78%
- Global Banking & Markets	**1.11%**	0.89%	2.02%
- Rest of Core Group	**2.43%**	2.46%	2.29%
- Non-Core	**1.25%**	1.17%	0.61%
Selected average balances			
Loans and advances to banks	**47,254**	51,076	43,906
Loans and advances to customers	**529,914**	543,373	618,547
Debt securities	**140,732**	136,315	118,928
Interest earning assets	**717,900**	730,764	781,381
Deposits by banks	**86,048**	121,887	154,823
Customer accounts	**340,872**	339,180	370,835
Subordinated liabilities	**32,629**	33,002	38,655
Interest bearing liabilities	**627,192**	647,690	688,114
Non-interest bearing deposits	**43,946**	37,164	36,538
Selected average yields (%)			
Loans and advances to banks	**1.19**	1.20	2.07
Loans and advances to customers	**3.48**	3.53	3.86
Debt securities	**2.43**	3.05	4.44
Interest earning assets	**3.13**	3.28	3.85
Deposits by banks	**1.38**	1.66	2.72
Customer accounts	**1.03**	1.12	1.50
Subordinated liabilities	**2.46**	3.62	4.43
Interest bearing liabilities	**1.38**	1.63	2.35
Non-interest bearing deposits as a percentage of interest earning assets	**6.12**	5.09	4.68

Note:

(1) Refer to notes on page 60.

Key points

Q1 2010 compared with Q4 2009

Group net interest margin (NIM) widened by 9 basis points, largely reflecting improved money market income in GBM and the benefit of capital raising in December 2009.

Adjusting for the number of days in the quarter, net interest margin in the Core retail and commercial banking divisions remained stable in the first quarter. There has been some further widening of new business asset margins, which have largely been offset by changes in the mix of assets with a greater proportion of lower yielding secured lending, as well as by continued pressure on liability margins as higher yielding hedges roll off.

Q1 2010 compared with Q1 2009

Compared with the first quarter of 2009, Core retail and commercial NIM widened by 27 basis points, as assets were progressively repriced over the course of the year to offset the effect of tighter liability margins, with Group NIM increasing by 14 basis points.

Results summary(continued)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Non-interest income	**£m**	£m	£m
Net fees and commissions	**1,479**	1,459	1,585
Income from trading activities	**2,266**	711	1,660
Other operating income	**386**	616	531
Non-interest income (excluding insurance premiums)*	**4,131**	2,786	3,776
Insurance net premium income	**1,289**	1,308	1,356
Total non-interest income	**5,420**	4,094	5,132
* Includes fair value of own debt			
Income/(loss) from trading activities	**41**	(79)	290
Other operating income	**(210)**	349	741
Fair value of own debt	**(169)**	270	1,031

Key points

Q1 2010 compared with Q4 2009

The strong increase in non-interest income was driven largely by buoyant income from trading activities, with a good performance from GBM trading businesses and significantly reduced losses in Non-Core, both reflective of favourable market conditions. Non-Core non-interest income was £435 million, compared with losses of £403 million in Q4 2009.

Net fees and commissions increased modestly, with growth in GBM offsetting lower fee income in most retail and commercial businesses, reflecting generally low activity volumes, together with the adverse impact of repricing overdraft fees, which took effect in Q4 2009 in the UK retail businesses.

Q1 2010 compared with Q1 2009

Non-interest income was 6% higher than in the first quarter of 2009, during which GBM trading results benefited from exceptional market conditions while Non-Core recorded significant losses on monolines, credit default swaps and asset-backed securities.

Results summary (continued)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Operating expenses	**£m**	£m	£m
Staff costs	**2,553**	2,246	2,510
Premises and equipment	**528**	618	644
Other	**935**	1,075	1,046
Administrative expenses	**4,016**	3,939	4,200
Depreciation and amortisation	**414**	534	467
Operating expenses	**4,430**	4,473	4,667
General insurance	**1,107**	1,304	970
Bancassurance	**29**	17	(4)
Insurance net claims	**1,136**	1,321	966
Staff costs as a percentage of total income	**29%**	30%	29%

Key points

Q1 2010 compared with Q4 2009

Group operating expenses fell by 1%, driven principally by Business Services, where costs declined by £129 million with reductions in property, technology and operations costs.

Staff costs increased by 14%, largely as a result of incentive compensation accruals in line with stronger business performance in GBM. The compensation ratio in GBM was 32%.

Other costs benefited from a one-off VAT recovery of £80 million included in Central items.

Insurance claims were lower than in Q4 2009, when reserves for bodily injury claims were built up significantly, but remained relatively high as a result of severe winter weather in the UK.

Q1 2010 compared with Q1 2009

Group operating expenses were £237 million, or 5%, lower than in the fourth quarter of 2009, with a small increase of 2% in staff costs more than offset by reduced premises and equipment and other expenses.

Insurance net claims were up £170 million, or 18% reflecting higher bodily injury claims and adverse winter weather.

Results summary (continued)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Impairment losses	**£m**	£m	£m
Division			
UK Retail	**387**	451	354
UK Corporate	**186**	190	100
Wealth	**4**	10	6
Global Banking & Markets	**32**	130	269
Global Transaction Services	**-**	4	9
Ulster Bank	**218**	348	67
US Retail & Commercial	**143**	153	223
RBS Insurance	**-**	-	5
Central items	**1**	2	(3)
Core	**971**	1,288	1,030
Non-Core	**1,704**	1,811	1,828
	2,675	3,099	2,858
Asset category			
Loans and advances	**2,602**	3,032	2,276
Securities	**73**	67	582
	2,675	3,099	2,858
Loan impairment charge as % of gross loans and advances excluding reverse repurchase agreements	**1.8%**	2.1%	1.3%

Key points

Q1 2010 compared with Q4 2009

Impairment losses declined in the first quarter, led by improving trends in UK Retail. Loan performance in Ulster continued to deteriorate, though impairments were lower than in Q4 2009, which included a significant charge in respect of latent losses.

UK Corporate impairments held steady, while US Retail & Commercial is beginning to trend favourably. GBM recorded only a small loss in the absence of any large single name impairments.

Non-Core impairments continued the improving trend that began to emerge towards the end of 2009, though loss rates, in proportion to the division's diminishing portfolio, remain high.

Q1 2010 compared with Q1 2009

Reduced impairment losses in GBM were partly offset by higher levels of impairment in the Core retail and commercial businesses, particularly in UK Corporate and Ulster.

Results summary (continued)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Credit and other market losses (1)	**£m**	£m	£m
Monoline exposures	**-**	734	1,645
CDPCs	**32**	111	198
Asset-backed products (2)	**55**	(102)	376
Other credit exotics	**(11)**	(30)	537
Equities	**7**	13	8
Banking book hedges	**36**	262	158
Other (3)	**140**	91	(83)
	259	1,079	2,839

Notes:

(1) Included in 'Income from trading activities' on page 18.
(2) Includes super senior asset-backed structures and other asset-backed products.
(3) Reflects other net market losses in Non-Core.

Key points

Q1 2010 compared with Q4 2009

Credit and other market losses were significantly lower, down £820 million, 76%, predominantly in Non-Core, reflecting continuing improvement in underlying asset prices.

In Q1 2010, no losses were recorded on monoline exposures. Exposures to monolines were virtually unchanged. Higher prices for underlying assets were offset by the effect of foreign exchange movements. The CVA was also stable with moves in credit spreads and recovery rates largely offsetting each other.

The exposures to CDPCs have also remained stable. A small reduction in CVA was more than offset by realised losses arising from trade commutations. During the latter part of 2008 and in 2009, the Group put in place hedges to cap its exposure to certain CDPCs. As the exposure to these CDPCs decreased, losses were incurred on these hedges. These losses were the main contributor to the Q4 2009 losses on CDPCs.

Losses on asset-backed products primarily reflect movements in asset prices.

Rally in underlying prices as well as roll off of capital relief trades have resulted in lower losses on banking book hedges in Q1 2010 compared with Q4 2009.

Q1 2010 compared with Q1 2009

Credit and other market losses were significantly lower, down £2,580 million, 91%. Losses fell markedly across a range of asset classes including monolines, CDPCs, asset-backed and other exotic credit products as market parameters stabilised compared with Q1 2009, when asset-backed prices were still falling and monoline spreads rising.

Results summary (continued)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Other non-operating items	**£m**	£m	£m
Amortisation of purchased intangible assets	**(65)**	(59)	(85)
Integration and restructuring costs	**(168)**	(228)	(379)
Strategic disposals	**53**	(166)	241
Bonus tax	**(54)**	(208)	-
Asset Protection Scheme credit default swap - fair value changes	**(500)**	-	-
Gains on pensions curtailment	**-**	2,148	-
	(734)	1,487	(223)

Key Points

Q1 2010 compared with Q4 2009

Integration costs have continued to decline as the process of integrating ABN AMRO is well advanced.

A £53 million gain on strategic disposals largely relates to the disposal of a segment of the Group's Asset Management business.

The Asset Protection Scheme is structured as a credit derivative, with movements in the fair value of the contract (including £1.4 billion in fees paid in 2009) amounting to £500 million charged against profit or loss in the first quarter, driven by the tightening of credit spreads across the portfolio of covered assets.

Q1 2010 compared with Q1 2009

Integration and restructuring costs declined compared with Q1 2009, when ABN AMRO integration activity was more substantial. A gain of £241 million was recorded in Q1 2009 on the sale of the Group's stake in Bank of China.

Results summary (continued)

Capital resources and ratios	**31 March 2010**	31 December 2009
Core Tier 1 capital	**£48.7bn**	£48.2bn
Tier 1 capital	**£63.0bn**	£62.9bn
Total capital	**£72.1bn**	£71.3bn
Risk-weighted assets - Gross	**£585.5bn**	£565.8bn
Benefit of Asset Protection Scheme	**(£124.8bn)**	(£127.6bn)
Risk-weighted assets	**£460.7bn**	£438.2bn
Core Tier 1 ratio*	**10.6%**	11.0%
Tier 1 ratio	**13.7%**	14.4%
Total capital ratio	**15.7%**	16.3%

* Benefit of APS in Core Tier 1 ratio is 1.4% at 31 March 2010 and 1.6% at 31 December 2009.

Key points

Q1 2010 compared with Q4 2009

The Group's strong capital base includes the benefit of the issuance of B shares to the UK Government in December 2009.

Risk-weighted assets (gross) increased by 3% to £585 billion, principally as a result of the roll-off of ABN AMRO capital relief trades, as previously guided, along with the weakening of sterling. The reduction in the Core Tier 1 ratio is primarily driven by the increase in RWAs.

The Asset Protection Scheme provided £125 billion of RWA relief at 31 March 2010, £3 billion lower than at 31 December 2009. This decrease was due to a reduction in the pool size and improvements in risk parameters partially offset by exchange rate movements.

The recently completed liability management initiative will add approximately 30 bps to the Core Tier 1 ratio.

Results summary (continued)

Balance sheet	31 March 2010 £bn	31 December 2009 £bn
Funded balance sheet	**1,120.6**	1,084.3
Total assets	**1,582.9**	1,522.5
Loans and advances to customers (excluding reverse repurchase agreements and stock borrowing)	**553.9**	554.7
Customer accounts (excluding repurchase agreements and stock lending)	**425.1**	414.3
Loan:deposit ratio (Core - net of provisions)	**102%**	104%
Loan:deposit ratio (Group - net of provisions)	**131%**	135%

Key points

Third party assets increased by £36 billion, with around half of the movement accounted for by exchange rate movements.

Modest loan growth resumed in the Core bank, particularly in UK Corporate and UK Retail, but this has been outpaced by growth in customer deposits. Core deposits grew by £14 billion, or 3%, with strong inflows in UK Corporate and GTS.

The loan to deposit ratio in the Core bank fell to 102% from 104% at 31 December 2009.

Non-Core loans and advances declined by £7 billion in the quarter.

A further analysis of the Group's funding and liquidity positions is included on pages 102 to 104.

Divisional performance

The operating profit/(loss) of each division before amortisation of purchased intangible assets, integration and restructuring costs, strategic disposals, bonus tax, Asset Protection Scheme credit default swap - fair value changes, gains on pensions curtailments and write-down of goodwill and other intangible assets is shown below.

	Quarter ended		
	31 March 2010 £m	31 December 2009 £m	31 March 2009 £m
Operating profit/(loss) before impairment losses by division			
UK Retail	**527**	579	371
UK Corporate	**504**	530	421
Wealth	**66**	99	100
Global Banking & Markets	**1,498**	1,001	3,737
Global Transaction Services	**233**	228	240
Ulster Bank	**81**	73	71
US Retail & Commercial	**183**	134	182
RBS Insurance	**(50)**	(170)	81
Central items	**201**	(3)	486
Core	**3,243**	2,471	5,689
Non-Core	**145**	(725)	(2,652)
Group operating profit before impairment losses	**3,388**	1,746	3,037
Included in the above are movements in fair value of own debt:			
Global Banking & Markets	**(32)**	106	647
Central items	**(137)**	164	384
	(169)	270	1,031
Impairment losses by division			
UK Retail	**387**	451	354
UK Corporate	**186**	190	100
Wealth	**4**	10	6
Global Banking & Markets	**32**	130	269
Global Transaction Services	**-**	4	9
Ulster Bank	**218**	348	67
US Retail & Commercial	**143**	153	223
RBS Insurance	**-**	-	5

Central items	**1**	2	(3)
Core	**971**	1,288	1,030
Non-Core	**1,704**	1,811	1,828
Group impairment losses	**2,675**	3,099	2,858

Key points

· Operating profit before impairment losses, adjusted for the movement in fair value of own debt was £3,557 million compared with £1,476 million in Q4 2009. A strong performance from GBM and a positive contribution from Non-Core (operating profit of £145 million versus a loss of £725 million) were the main contributors to the improvement.

· Compared with Q1 2009 operating profit before impairment losses, adjusted for fair value of own debt was up £1,551 million or 77%. An improvement of £2,797 million in Non-Core more than offset a reduction in GBM which benefited from very favourable market conditions in Q1 2009.

Divisional performance (continued)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Operating profit/(loss) by division			
UK Retail	**140**	128	17
UK Corporate	**318**	340	321
Wealth	**62**	89	94
Global Banking & Markets	**1,466**	871	3,468
Global Transaction Services	**233**	224	231
Ulster Bank	**(137)**	(275)	4
US Retail & Commercial	**40**	(19)	(41)
RBS Insurance	**(50)**	(170)	76
Central items	**200**	(5)	489
Core	**2,272**	1,183	4,659
Non-Core	**(1,559)**	(2,536)	(4,480)
Group operating profit/(loss)	**713**	(1,353)	179

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	%	%	%
Net interest margin by division			
UK Retail	**3.66**	3.74	3.46
UK Corporate	**2.38**	2.47	1.88
Wealth	**3.38**	3.94	4.47
Global Banking & Markets	**1.11**	0.89	2.02
Global Transaction Services	**7.97**	9.81	8.29
Ulster Bank	**1.77**	1.83	1.87
US Retail & Commercial	**2.69**	2.45	2.33
Non-Core	**1.25**	1.17	0.61

Group	**1.92**	1.83	1.78

	31 March	31 December
	2010	2009
	£bn	£bn
Risk-weighted assets by division		
UK Retail	**49.8**	51.3
UK Corporate	**91.3**	90.2
Wealth	**11.7**	11.2
Global Banking & Markets	**141.8**	123.7
Global Transaction Services	**20.4**	19.1
Ulster Bank	**32.8**	29.9
US Retail & Commercial	**63.8**	59.7
Other	**9.6**	9.4
Core	**421.2**	394.5
Non-Core	**164.3**	171.3
	585.5	565.8
Benefit of Asset Protection Scheme	**(124.8)**	(127.6)
Total	**460.7**	438.2

UK Retail

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Income statement			
Net interest income	**933**	939	797

Net fees and commissions - banking	**259**	283	337
Other non-interest income (net of insurance claims)	**56**	60	53
Non-interest income	**315**	343	390
Total income	**1,248**	1,282	1,187
Direct expenses			
- staff	**(198)**	(211)	(214)
- other	**(105)**	(105)	(115)
Indirect expenses	**(418)**	(387)	(487)
	(721)	(703)	(816)
Operating profit before impairment losses	**527**	579	371
Impairment losses	**(387)**	(451)	(354)
Operating profit	**140**	128	17
Analysis of income by product			
Personal advances	**234**	273	305
Personal deposits	**277**	279	397
Mortgages	**422**	415	207
Bancassurance	**59**	56	52
Cards	**229**	228	204
Other	**27**	31	22
Total income	**1,248**	1,282	1,187
Analysis of impairment by sector			
Mortgages	**48**	35	22
Personal	**233**	282	195
Cards	**106**	134	137
Total impairment	**387**	451	354
Loan impairment charge as % of gross customer loans and advances by sector			
Mortgages	**0.2%**	0.2%	0.1%
Personal	**7.1%**	8.3%	5.2%
Cards	**7.1%**	8.6%	9.1%
	1.5%	1.8%	1.5%

UK Retail (continued)

Key metrics

	Quarter ended		
	31 March 2010	31 December 2009	31 March 2009
Performance ratios			
Return on equity (1)	**10.6%**	9.3%	1.2%
Net interest margin	**3.66%**	3.74%	3.46%
Cost:income ratio	**56%**	54%	69%

	31 March 2010 £bn	31 December 2009 £bn
Capital and balance sheet		
Loans and advances to customers - gross		
- mortgages	**84.8**	83.2
- personal	**13.2**	13.6
- cards	**6.0**	6.2
Customer deposits (excluding bancassurance)	**89.4**	87.2
Assets under management - excluding deposits	**5.3**	5.3
Risk elements in lending	**4.7**	4.6
Loan:deposit ratio (excluding repos)	**113%**	115%
Risk-weighted assets	**49.8**	51.3

Note:

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

Key points

Q1 2010 compared with Q4 2009

- Operating profit of £140 million in Q1 2010 was £12 million higher than in the previous quarter. Impairment losses fell £64 million to £387 million, but this was partly offset by lower income and increased costs.

- UK Retail's focus in 2010 continues to be the growth of profitable mortgage lending, which will help achieve the Group's lending commitments, whilst at the same time building customer deposits to fund the balance sheet growth and reduce the Group's reliance on wholesale funding.

  o Mortgage balances were up 2%, with continued good retention of existing customers and new business sourced predominantly from the existing customer base. Gross lending was lower, due to the impact of seasonality and the removal of stamp duty relief, but market share of new mortgage lending, at 10.6%, remained above the 7% share of stock.

  o Unsecured lending fell 3% in the quarter, as repayments continued to exceed sales volumes, which remained subdued in line with a continued focus on lower risk secured lending.

  o Deposit growth remained strong, with growth in both savings and current account balances. The strength in savings balance growth in the first quarter enabled the division to reduce its customer funding gap by £1.2 billion.

UK Retail (continued)

Key points (continued)

Q1 2010 compared with Q4 2009 (continued)

- Net interest income fell by 1%, reflecting the fewer number of days, with underlying net interest income up 1%. Lending product margins continued to widen, although the total asset margin was stable as the mix continued to shift to lower margin secured lending. Deposit margins were stable as savings margins widened slightly, mitigating the impact of low interest rates on current account balances.

- Non-interest income fell by 8% from the prior quarter, reflecting a full quarter's impact of the repricing of overdraft administration fees, which commenced in Q4 2009. Other fees remained stable, with the current economic climate making growth challenging.

- Adjusting for the benefit of lower Financial Services Compensation Scheme ('FSCS') levy accruals in Q4 2009, underlying costs fell by 2% as the benefits of process re-engineering and technology investment continued, with headcount down 2% in the quarter.

- RBS continues to progress towards a more convenient, lower cost operating model, with significant process re-engineering within the branch network and operational centres, leading to an increased level of automated transactions.

- Impairment losses peaked in Q4 2009, reducing by 14% in Q1 2010. Impairments are expected to continue on a downward trend during 2010 although they will remain sensitive to the external economic environment.

  o Mortgage impairments were £48 million on a total book of £85 billion, compared with a charge of £35 million in Q4 2009. The increase in the quarter is due to higher arrears volumes together with increased provision for lower cash recoveries. Arrears rates were stable and remained below the Council of Mortgage Lenders industry average. Unsecured impairment charges amounted to £339 million in the quarter, on a book of £19 billion. This compares with a charge of £416 million in Q4 2009. Industry benchmarks for cards arrears remain stable, with RBS continuing to perform better than the market.

- Risk-weighted assets reduced in the quarter as the impacts of mortgage volume growth and a retiring cards securitisation were more than offset by lower unsecured balances and improving portfolio credit metrics.

Q1 2010 compared with Q1 2009

- Net interest margin was 20 basis points higher than in Q1 2009, with widening asset margins across all products and an increasing number of customers choosing to remain on standard variable rate mortgages. Liability margins came under pressure during 2009, with savings margin sacrificed to support balance growth.

- Savings balances were up 12% on Q1 2009, significantly outperforming the market which remains intensely competitive. Personal current account balances were up 10% over the same period, with a 3% growth in accounts.

- Costs were down by 12% over the year, with process re-engineering helping to lower staff costs.

UK Corporate

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Income statement			
Net interest income	**610**	626	499
Net fees and commissions	**224**	222	194
Other non-interest income	**105**	100	117
Non-interest income	**329**	322	311
Total income	**939**	948	810
Direct expenses			
- staff	**(205)**	(212)	(185)
- other	**(100)**	(77)	(74)
Indirect expenses	**(130)**	(129)	(130)
	(435)	(418)	(389)
Operating profit before impairment losses	**504**	530	421
Impairment losses	**(186)**	(190)	(100)
Operating profit	**318**	340	321
Analysis of income by business*			
Corporate and commercial lending	**630**	589	476
Asset and invoice finance	**134**	140	109
Corporate deposits	**176**	191	290
Other	**(1)**	28	(65)
Total income	**939**	948	810
Analysis of impairment by sector			
Banks and financial institutions	**2**	6	2
Hotels and restaurants	**16**	40	15
Housebuilding and construction	**14**	(13)	6
Manufacturing	**6**	28	4
Other	**37**	12	19

Private sector education, health, social work, recreational and community services	**8**	23	8
Property	**66**	30	11
Wholesale and retail trade, repairs	**18**	23	14
Asset and invoice finance	**19**	41	21
Total impairment	**186**	190	100

* Revised to reflect a change in allocation between 'Corporate and commercial lending' and 'Asset and invoice finance'.

UK Corporate (continued)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009*	2009*
Loan impairment charge as % of gross customer loans and advances (excluding reverse repurchase agreements) by sector			
Banks and financial institutions	**0.1%**	0.4%	0.2%
Hotels and restaurants	**1.0%**	2.5%	0.9%
Housebuilding and construction	**1.2%**	(1.1%)	0.5%
Manufacturing	**0.4%**	2.0%	0.3%
Other	**0.5%**	0.2%	0.2%
Private sector education, health, social work, recreational and community services	**0.4%**	1.5%	0.5%
Property	**0.8%**	0.4%	0.1%
Wholesale and retail trade, repairs	**0.7%**	0.9%	0.5%
Asset and invoice finance	**0.9%**	1.9%	1.0%
	0.7%	0.7%	0.3%

Key metrics

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Performance ratios			
Return on equity (1)	**11.6%**	12.4%	12.7%
Net interest margin	**2.38%**	2.47%	1.88%
Cost:income ratio	**46%**	44%	48%

	31 March	31 December
	2010	2009*
	£bn	£bn
Capital and balance sheet		
Total third party assets	**117.4**	114.9
Loans and advances to customers - gross		
- Banks and financial institutions	**6.5**	6.3
- Hotels and restaurants	**6.4**	6.4
- Housebuilding and construction	**4.7**	4.6
- Manufacturing	**5.8**	5.7
- Other	**30.0**	29.9
- Private sector education, health, social work, recreational and community services	**8.2**	6.2
- Property	**33.8**	34.2
- Wholesale and retail trade, repairs	**10.1**	9.8
- Asset and invoice finance	**8.8**	8.5
Customer deposits	**91.4**	87.8
Risk elements in lending	**2.5**	2.3
Loan:deposit ratio (excluding repos)	**124%**	126%
Risk-weighted assets	**91.3**	90.2

* Revised to reflect reallocations of the category 'Other' and other minor changes.

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

Q1 2010 compared with Q4 2009

· Operating profit of £318 million was 6% lower as a result of increased expenses from a £29 million Office of Fair Trading (OFT) penalty arising from a breach of competition law, with income and impairments broadly stable.

· Net interest income declined by 3% with increased asset income offset by reduced deposit income. Loans and advances to customers increased by 2%, with some early signs of recovery in lending activity and new business asset margins still relatively strong. Customer deposits grew by 4%, with initiatives aimed at increasing customer deposits continuing through the quarter, but deposit margins remained tight. Net interest margin narrowed by 9 basis points, mainly as a result of the lower number of days in the quarter.

· Non-interest income increased by 2%, with strong cross sales of GBM products partially offset by reduced operating lease activity.

· Staff costs were £7 million lower, but other expenses increased as a result of a £29 million OFT penalty arising from a breach of competition law.

· Impairments remained broadly in line with the previous quarter, though the financial condition of many clients remains delicate.

· Risk-weighted assets grew by 1%, broadly in line with loan growth.

Q1 2010 compared with Q1 2009

· Operating profit was 1% lower than Q1 2009, with strong income performance offset by higher impairments and direct expenses.

· Net interest income increased by £111 million and margins increased by 50 basis points reflecting repricing of the loan portfolio and lower funding costs offset by adverse deposit floor impacts. Specific campaigns aimed at generating deposit growth continued to yield benefits, with deposits up 10% and the loan to deposit ratio improving to 124% compared with 139% in Q1 2009.

· Strong fee and commission income from refinancing contributed to a 6% increase in non-interest income.

· Apart from the OFT penalty and changes to compensation structures, expenses were in line with Q1 2009.

- Impairments were £86 million higher, as both specific provisions and charges taken to reflect potential losses in the portfolio not yet specifically identified increased over the course of the year.

- Risk-weighted assets increased by 6%, largely due to increased risk weightings (mainly in the first half of 2009) reflecting the economic cycle.

Wealth

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Income statement			
Net interest income	**143**	161	158
Net fees and commissions	**95**	91	90
Other non-interest income	**17**	22	21
Non-interest income	**112**	113	111
Total income	**255**	274	269
Direct expenses			
- staff	**(99)**	(107)	(90)
- other	**(30)**	(37)	(33)
Indirect expenses	**(60)**	(31)	(46)
	(189)	(175)	(169)
Operating profit before impairment losses	**66**	99	100
Impairment losses	**(4)**	(10)	(6)
Operating profit	**62**	89	94
Analysis of income			
Private Banking	**204**	223	219
Investments	**51**	51	50
Total income	**255**	274	269

Key metrics

Quarter ended

	31 March 2010	31 December 2009	31 March 2009
Performance ratios			
Net interest margin	**3.38%**	3.94%	4.47%
Cost:income ratio	**74%**	64%	63%

	31 March 2010 £bn	31 December 2009 £bn
Capital and balance sheet		
Loans and advances to customers - gross		
- mortgages	**6.8**	6.5
- personal	**6.2**	4.9
- other	**1.5**	2.3
Customer deposits	**36.4**	35.7
Assets under management - excluding deposits	**31.7**	30.7
Risk elements in lending	**0.2**	0.2
Loan:deposit ratio (excluding repos)	**40%**	38%
Risk-weighted assets	**11.7**	11.2

Wealth (continued)

Key points

Q1 2010 compared with Q4 2009

· Operating profit fell 30% to £62 million reflecting lower income and an increase in indirect expenses.

· Net interest income was down £18 million due to lower spreads on the deposit base and changes to Group Treasury cost allocations.

· Competition in the deposit market remains intense. However, balances grew by 2%, particularly in the UK businesses, driven by the introduction of new notice products and an expanding client base.

· Loans and advances grew robustly in response to strong client demand, increasing 6%. Growing volumes and widening lending margins provided some offset to margin pressures within the deposit book. Overall net interest margin tightened significantly.

· Assets under management benefited from continuing strong equity markets, with balances growing 3%. Some accounts have, however, been lost in the International businesses where competition for private bankers has resulted in client attrition.

· Total expenses increased 8% compared with Q4 2009, when expenses benefited from lower FSCS levy accruals.

Q1 2010 compared with Q1 2009

· Operating profit decreased by 34% reflecting significant margin pressure, particularly on the deposit book. Net interest income fell 9%, with a marked reduction in net interest margin partly offset by growth in client deposit and loan balances.

· Client deposits grew 4% with increases most evident in the UK as new products attracted funds. Assets under management increased modestly.

· Lending margins widened and loans and advances grew by 18%, reflecting the strong client demand evident during 2009.

· Expenses rose 12% reflecting changes to compensation approach, partially offset by lower headcount.

Global Banking & Markets

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Income statement			
Net interest income from banking activities	**379**	324	812
Net fees and commissions receivable	**345**	286	297
Income from trading activities	**1,995**	1,522	4,081
Other operating income (net of related funding costs)	**73**	(63)	(98)
Non-interest income	**2,413**	1,745	4,280
Total income	**2,792**	2,069	5,092
Direct expenses			
- staff	**(891)**	(641)	(888)
- other	**(229)**	(247)	(274)
Indirect expenses	**(174)**	(180)	(193)
	(1,294)	(1,068)	(1,355)
Operating profit before impairment losses	**1,498**	1,001	3,737
Impairment losses	**(32)**	(130)	(269)
Operating profit	**1,466**	871	3,468
Analysis of income by product			
Rates - money markets	**88**	108	853
Rates - flow	**699**	615	1,297
Currencies & Commodities	**295**	175	539
Equities	**314**	457	371
Credit markets	**959**	232	858
Portfolio management and origination	**469**	376	527
Fair value of own debt	**(32)**	106	647
Total income	**2,792**	2,069	5,092
Analysis of impairment by sector			
Manufacturing and infrastructure	**(7)**	19	16

Property and construction	**8**	(1)	46
Banks and financial institutions	**16**	68	4
Other	**15**	44	203
Total impairment	**32**	130	269
Loan impairment charge as % of gross customer loans and advances			
(excluding reverse repurchase agreements)	**0.1%**	0.6%	0.7%

Global Banking & Markets (continued)

Key metrics

	Quarter ended		
	31 March 2010	31 December 2009	31 March 2009
Performance ratios			
Return on equity (1)	**28.4%**	18.7%	68.8%
Net interest margin	**1.11%**	0.89%	2.02%
Cost:income ratio	**46%**	52%	27%

	31 March 2010 £bn	31 December 2009 £bn
Capital and balance sheet		
Loans and advances (including banks)	**133.5**	127.8
Reverse repos	**93.1**	73.3
Securities	**116.6**	106.0
Cash and eligible bills	**61.9**	74.0
Other	**38.6**	31.1
Total third party assets (excluding derivatives mark to market)	**443.7**	412.2
Net derivative assets (after netting)	**66.9**	68.0
Customer deposits (excluding repos)	**47.0**	46.9
Risk elements in lending	**1.2**	1.8
Loan:deposit ratio (excluding repos)	**195%**	194%
Risk-weighted assets	**141.8**	123.7

Note:

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

Key points

Q1 2010 compared with Q4 2009

Operating profit grew by 68% in the quarter, with solid performances throughout the core franchises and a low impairment charge.

Income was 44% higher, excluding fair value of own debt, with notable increases in credit markets and currencies. The credit markets businesses achieved a particularly strong performance in the first quarter of 2010, benefiting from a buoyant market and strong customer demand, particularly in the US mortgage trading business. Aggregate fixed income and currencies revenues were up 81% to £2,041 million.

Currencies and rates flow income reflected good levels of market volatility and customer activity. Equities revenue fell compared with Q4 2009, which had benefited from strong issuance in equity-linked retail notes and a recovery on Lehman-related provisions.

Global Banking & Markets (continued)

Key points (continued)

Q1 2010 compared with Q4 2009 (continued)

Portfolio management and origination benefited from stronger debt capital market activity after a slow start. Margins remained firm albeit gross revenues reflected smaller portfolio balances.

Total expenses increased 21% as a result of incentive compensation accruals and the impact of adverse exchange rate movements, partly offset by restructuring and efficiency benefits. The compensation ratio for the quarter was 32%.

Impairments were low, reflecting the absence of any large single name provisions.

Total third party assets, excluding derivatives, were up 8% from the end of December, or 5% at constant exchange rates, reflecting seasonal movements including increased settlement balances. Assets remain within the division's targeted range.

The increase in risk-weighted assets was mostly driven by the roll-off of capital relief trades (£16 billion) and the adverse impact of exchange rate movements.

Q1 2010 compared with Q1 2009

Operating profit benefited from favourable market conditions, though less buoyant than the exceptional environment experienced in the first quarter of 2009 following the market dislocation at the end of 2008. Revenue levels in the rates flow and money markets businesses were more normal than in Q1 2009 (during which short-term interest rates fell rapidly) and bid/offer spreads, volumes and volatility all reduced to reasonable and expected levels.

The Group's credit spreads tightened materially over the 12 months to 31 March 2010 resulting in a slight increase in the carrying value of own debt, compared with a £647 million gain on own debt in the first quarter of 2009 when spreads had widened significantly.

Total expenses decreased 5%, reflecting lower performance-related costs and continued restructuring and efficiency benefits.

Global Transaction Services

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Income statement			
Net interest income	**217**	233	220
Non-interest income	**390**	404	385
Total income	**607**	637	605
Direct expenses			
- staff	**(104)**	(102)	(95)
- other	**(33)**	(51)	(35)
Indirect expenses	**(237)**	(256)	(235)
	(374)	(409)	(365)
Operating profit before impairment losses	**233**	228	240
Impairment losses	**-**	(4)	(9)
Operating profit	**233**	224	231
Analysis of income by product			
Domestic cash management	**194**	197	202
International cash management	**185**	203	169
Trade finance	**71**	67	75
Merchant acquiring	**115**	134	129
Commercial cards	**42**	36	30
Total income	**607**	637	605

Key metrics

	Quarter ended	
	31 March	31 March

	2010	31 December 2009	2009
Performance ratios			
Net interest margin	**7.97%**	9.81%	8.29%
Cost:income ratio	**62%**	64%	60%

	31 March 2010 £bn	31 December 2009 £bn
Capital and balance sheet		
Total third party assets	**25.6**	18.4
Loans and advances	**14.3**	12.7
Customer deposits	**64.6**	61.8
Risk elements in lending	**0.2**	0.2
Loan:deposit ratio (excluding repos)	**22%**	21%
Risk-weighted assets	**20.4**	19.1

Global Transaction Services (continued)

Key points

Q1 2010 compared with Q4 2009

- Operating profit increased 4%, benefiting from foreign exchange movements. A decrease in income was offset by reductions in expenses and impairments.

- Income decreased by 5%, reflecting margin compression in trade finance and cash management as well as seasonal variations caused by lower spending than in the Christmas period.

- Expenses decreased 9%, or 5% at constant foreign exchange rates. Allowing for expenses related to a number of large projects and staff compensation adjustments in Q4 2009, expenses still decreased.

- There were no impairment losses in the quarter.

- Customer deposit balances at £64.6 billion were up £2.8 billion, with growth in the international business, whilst the US business remained flat.

- Third party assets increased by £7.2 billion, driven in part by the addition of securities supporting yen clearing activities, as well as by some customer loan growth.

Q1 2010 compared with Q1 2009

- Operating profit increased by 1% or 5% at constant foreign exchange rates. Income increased by 2% in constant currency terms, with increased international payments activity but declining deposit margins.

- Customer deposit balances increased 11% driven by higher deposits in the international cash management business.

Ulster Bank

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Income statement			
Net interest income	**188**	194	202
Net fees and commissions	**35**	98	46
Other non-interest income	**18**	(7)	11
Non-interest income	**53**	91	57
Total income	**241**	285	259
Direct expenses			
- staff	**(66)**	(76)	(89)
- other	**(18)**	(18)	(22)
Indirect expenses	**(76)**	(118)	(77)
	(160)	(212)	(188)
Operating profit before impairment losses	**81**	73	71
Impairment losses	**(218)**	(348)	(67)
Operating (loss)/profit	**(137)**	(275)	4
Analysis of income by business			
Corporate	**145**	146	162
Retail	**112**	114	93
Other	**(16)**	25	4
Total income	**241**	285	259
Analysis of impairment by sector			
Mortgages	**33**	20	14
Corporate			
- Property	**82**	233	12
- Other	**91**	83	28
Other	**12**	12	13

Total impairment	**218**	348	67
Loan impairment charge as % of gross customer loans and advances			
(excluding reverse repurchase agreements) by sector			
Mortgages	**0.8%**	0.5%	0.3%
Corporate			
- Property	**3.3%**	9.2%	0.5%
- Other	**3.5%**	3.0%	0.9%
Other	**2.0%**	2.0%	2.6%
	2.3%	3.5%	0.6%

Ulster Bank (continued)

Key metrics

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Performance ratios			
Return on equity (1)	**(18.1%)**	(39.8%)	0.7%
Net interest margin	**1.77%**	1.83%	1.87%
Cost:income ratio	**66%**	74%	73%

	31 March	31 December
	2010	2009
	£bn	£bn
Capital and balance sheet		
Loans and advances to customers - gross		
- mortgages	**16.1**	16.2
- corporate		
- property	**9.9**	10.1
- other	**10.4**	11.0
- other	**2.4**	2.4
Customer deposits	**23.7**	21.9
Risk elements in lending		
- mortgages	**0.7**	0.6
- corporate		
- property	**1.0**	0.7
- other	**1.1**	0.8
- other	**0.2**	0.2
Loan:deposit ratio (excluding repos)	**159%**	177%
Risk-weighted assets	**32.8**	29.9

Note:

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

Key points

Q1 2010 compared with Q4 2009

· Operating loss for the quarter was £137 million, an improvement of £138 million compared with the previous quarter. The key driver was a lower impairment charge of £218 million, compared with £348 million in Q4 2009, described further below.

· Net interest income declined by 2% in constant currency terms. Actions to improve lending margins were more than offset by higher funding costs in both the wholesale and deposit markets. Net interest margin for the quarter tightened by 6 basis points, reflecting the higher term funding costs and an increase in the stock of liquid assets.

· Non-interest income fell by 40% at constant exchange rates due to a non-recurring gain in the Q4 2009 results. Adjusting for this gain, non-interest income was in line with the previous quarter.

Ulster Bank (continued)

Key points (continued)

Q1 2010 compared with Q4 2009 (continued)

- Focus continued on building the core retail and commercial deposit base to reduce reliance on the wholesale funding market, increasing customer deposits by 8% at constant exchange rates despite strong competition.

- Loans to customers fell by 2% at constant exchange rates as repayments continued to exceed new business lending. Mortgage lending continued to target first time buyers through innovative products such as Momentum, Co-Ownership and Secure Step.

- Total expenses declined by 22% at constant exchange rates, driven by a continued focus on the management of direct costs across the business and the ongoing impact of the restructuring programme which commenced in 2009, as well as by the non-recurrence of a Q4 2009 provision relating to own property. Ulster Bank successfully completed the merger of its First Active and Ulster Bank businesses in February 2010, which increases efficiency and creates a single brand presence across the island of Ireland.

- Impairment losses were £130 million lower, primarily as a result of a latent provision charge in Q4 2009 not recurring. Underlying economic conditions remained challenging with continued deterioration in loan performance across the retail and corporate portfolios. Mortgage impairments continued to rise as the impact of budgetary cuts and higher unemployment increased pressure on customers' ability to repay. The Irish property market remains subdued, with continued uncertainty around the impact on property valuations of the Irish Government's National Asset Management Agency.

- The business continues to develop new product lines and entered the car insurance market during the quarter.

Q1 2010 compared with Q1 2009

- Income fell, reflecting lower activity levels across all business lines and tighter margins as well as the reduction of overdraft fees in Northern Ireland in the second half of 2009. Expenses have been cut sharply to offset this, with staff costs down 24% at constant exchange rates.

- Although loans and advances to customers at 31 March 2010 were 5% lower than a year earlier at constant exchange rates, risk-weighted assets increased by 29%, reflecting deteriorating portfolio metrics.

US Retail & Commercial (£ Sterling)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Income statement			
Net interest income	**468**	423	494
Net fees and commissions	**177**	148	198
Other non-interest income	**75**	73	52
Non-interest income	**252**	221	250
Total income	**720**	644	744
Direct expenses			
- staff	**(215)**	(200)	(218)
- other	**(134)**	(130)	(143)
Indirect expenses	**(188)**	(180)	(201)
	(537)	(510)	(562)
Operating profit before impairment losses	**183**	134	182
Impairment losses	**(143)**	(153)	(223)
Operating profit/(loss)	**40**	(19)	(41)
Analysis of income by product			
Mortgages and home equity	**115**	115	142
Personal lending and cards	**114**	115	107
Retail deposits	**226**	195	231
Commercial lending	**142**	134	141
Commercial deposits	**81**	108	104
Other	**42**	(23)	19
Total income	**720**	644	744
Average exchange rate - US$/£	**1.560**	1.633	1.436
Analysis of impairment by sector			
Residential mortgages	**19**	8	23
Home equity	**6**	13	29

Corporate & Commercial	**49**	92	108
Other consumer	**56**	40	63
Securities impairment losses	**13**	-	-
Total impairment	**143**	153	223
Loan impairment charge as % of gross customer loans and advances			
(excluding reverse repurchase agreements) by sector			
Residential mortgages	**1.1%**	0.5%	1.0%
Home equity	**0.1%**	0.3%	0.6%
Corporate and Commercial	**1.0%**	1.9%	1.8%
Other consumer	**2.8%**	2.1%	2.6%
	1.0%	1.3%	1.4%

US Retail & Commercial (£ Sterling) (continued)

Key metrics

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Performance ratios			
Return on equity (1)	**2.3%**	(1.2%)	(2.4%)
Net interest margin	**2.69%**	2.45%	2.33%
Cost:income ratio	**74%**	79%	75%

	31 March	31 December
	2010	2009
	£bn	£bn
Capital and balance sheet		
Total assets	**78.2**	74.8
Loans and advances to customers (gross):		
- residential mortgages	**6.7**	6.5
- home equity	**16.2**	15.4
- corporate and commercial	**20.5**	19.5
- other consumer	**8.0**	7.5
Customer deposits (excluding repos)	**62.5**	60.1
Risk elements in lending		
- retail	**0.4**	0.4
- commercial	**0.3**	0.2
Loan:deposit ratio (excluding repos)	**81%**	80%
Risk-weighted assets	**63.8**	59.7
Spot exchange rate - US$/£	**1.517**	1.622

Note:

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

Key points

· Sterling weakened over the course of the first quarter, and the average exchange rate also declined.

· Variances are described in full in the US dollar-based financials set out on pages 45 and 46.

US Retail & Commercial (US Dollar)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	$m	$m	$m
Income statement			
Net interest income	**730**	690	711
Net fees and commissions	**276**	245	284
Other non-interest income	**116**	120	75
Non-interest income	**392**	365	359
Total income	**1,122**	1,055	1,070
Direct expenses			
- staff	**(335)**	(325)	(313)
- other	**(207)**	(215)	(206)
Indirect expenses	**(293)**	(294)	(288)
	(835)	(834)	(807)
Operating profit before impairment losses	**287**	221	263
Impairment losses	**(224)**	(252)	(320)
Operating profit/(loss)	**63**	(31)	(57)
Analysis of income by product			
Mortgages and home equity	**180**	188	204
Personal lending and cards	**178**	188	154
Retail deposits	**351**	320	332
Commercial lending	**222**	219	202
Commercial deposits	**126**	176	150
Other	**65**	(36)	28
Total income	**1,122**	1,055	1,070
Analysis of impairment by sector			
Residential mortgages	**30**	14	33
Home equity	**10**	23	42
Corporate & Commercial	**77**	150	154
Other consumer	**87**	65	91

Securities impairment losses	**20**	-	-
Total impairment	**224**	252	320
Loan impairment charge as % of gross customer loans and advances			
(excluding reverse repurchase agreements) by sector			
Residential mortgages	**1.2%**	0.5%	1.0%
Home equity	**0.2%**	0.4%	0.6%
Corporate & Commercial	**1.0%**	1.9%	1.8%
Other consumer	**2.9%**	2.1%	2.6%
	1.1%	1.3%	1.4%

US Retail & Commercial (US Dollar) (continued)

Key metrics

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
Performance ratios			
Return on equity (1)	**2.4%**	(1.2%)	(2.3%)
Net interest margin	**2.69%**	2.45%	2.33%
Cost:income ratio	**74%**	79%	75%

	31 March	31 December
	2010	2009
	$bn	$bn
Capital and balance sheet		
Total assets	**118.6**	121.3
Loans and advances to customers (gross):		
- residential mortgages	**10.1**	10.6
- home equity	**24.6**	25.0
- corporate and commercial	**31.1**	31.6
- other consumer	**12.1**	12.1
Customer deposits (excluding repos)	**94.8**	97.4
Risk elements in lending		
- retail	**0.6**	0.6
- commercial	**0.5**	0.4
Loan:deposit ratio (excluding repos)	**81%**	80%
Risk-weighted assets	**96.8**	96.9

Note:

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

Key points

Q1 2010 compared with Q4 2009

· US Retail & Commercial returned to profit in the first quarter, with an operating profit of $63 million compared with an operating loss of $31 million in the previous quarter, driven by higher income and an improving impairments trend. However, economic conditions in the division's core regions remain difficult.

· Net interest income was up 6%, with loans and advances down 2%, reflecting a lack of credit demand, but net interest margin improved by 24bps to 2.69%. Deposit mix also improved, with continued migration from lower margin time deposits to more favourably priced demand deposit accounts.

· Non-interest income was up 7%, with higher gains on securities realisations more than offsetting a seasonal reduction in mortgage and deposit fees.

· Expenses were flat reflecting the timing of payroll taxes offset by lower loan workout and collection costs.

· Impairment losses were down as loan delinquencies stabilised and net charge-offs declined by 20%. Impairments fell to 1.1% of loans and advances, compared with 1.3% in the previous quarter.

US Retail & Commercial (US Dollar) (continued)

Key points (continued)

Q1 2010 compared with Q1 2009

- Operating profit increased to $63 million from an operating loss of $57 million primarily reflecting reduced impairment losses.

- Net interest income was up 3%, with net interest margin improving by 36bps, driven by changes to deposit pricing and mix, offset by lower loan volume.

- Non-interest income was up 9% reflecting higher gains and debit card income, but mortgage banking fee income moderated from the very high levels reached in the first quarter of 2009.

- Expenses increased 3% reflecting the finalisation of compensation structures, higher medical costs, and increased deposit insurance levies offset by lower loan workout and collection costs.

- Impairments declined, following significant loan reserve building in 2009. Net charge-offs were down 15%, with the key areas of improvement being in commercial and auto loans.

- Customer deposits were down 2%, reflecting pricing strategies on low margin time products, but strong growth was achieved in checking balances. Over 44,000 consumer checking accounts and more than 12,000 small business checking accounts were added over the year. Consumer checking balances grew by 8% and small business balances by 5%.

RBS Insurance

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Income statement			
Earned premiums	**1,130**	1,149	1,106
Reinsurers' share	**(34)**	(37)	(45)
Insurance net premium income	**1,096**	1,112	1,061
Net fees and commissions	**(89)**	(84)	(92)
Other income	**92**	148	108
Total income	**1,099**	1,176	1,077
Direct expenses			
- staff	**(63)**	(61)	(70)
- other	**(47)**	(54)	(67)
Indirect expenses	**(65)**	(75)	(66)
	(175)	(190)	(203)
Gross claims	**(982)**	(1,175)	(798)
Reinsurers' share	**8**	19	5
Net claims	**(974)**	(1,156)	(793)
Operating (loss)/profit before impairment losses	**(50)**	(170)	81
Impairment losses	**-**	-	(5)
Operating (loss)/profit	**(50)**	(170)	76
Analysis of income by product			
Own-brand			
- Motor	**521**	516	477
- Household and life	**224**	221	204
Partnerships and broker			
- Motor	**136**	146	145
- Household and life	**81**	88	83
Other (international, commercial and central)	**137**	205	168
Total income	**1,099**	1,176	1,077

RBS Insurance (continued)

Key metrics

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
In-force policies (thousands)			
- Motor own-brand	**4,715**	4,858	4,601
- Own-brand non-motor (home, pet, rescue, HR24)	**6,367**	6,307	5,643
- Partnerships & broker (motor, home, pet, rescue, HR24)	**5,185**	5,328	5,750
- Other (international, commercial and central)	**1,411**	1,217	1,211
Gross written premium (£m)	**1,090**	1,024	1,123
Performance ratios			
Return on equity (1)	**(5.4%)**	(19.1%)	9.5%
Cost:income ratio	**16%**	16%	19%
Balance sheet			
General insurance reserves - total (£m)	**7,101**	7,030	6,630

Notes:

(1) Based on divisional operating profit after tax, divided by divisional notional equity (based on regulatory capital).

Key points

Q1 2010 compared with Q4 2009

RBS Insurance's performance improved in the first quarter, with income, as adjusted for the portfolio gains realised in the fourth quarter of 2009, flat but reduced costs and claims.

Total in-force policies remained stable, but repricing led to a decline in motor own-brand policies. Action was taken to exit less profitable partnership and broker business, but this was offset by growth in the international, commercial and home policies.

Total income declined by 7%, mainly due to lower investment income reflecting the gains realised on the disposal of equity investments in the previous quarter. Losses of £21 million were recorded in relation to an impairment charge in the fixed income portfolio. Premium income was slightly lower, reflecting reduced business volumes as less profitable lines were exited. Motor policy pricing continued to be increased in response to the development in claims experience.

Expenses were down by 8% in the quarter, driven by lower professional fees and indirect costs.

Net claims were significantly lower than Q4 2009, which saw increased claims reserving in response to increased bodily injury claims. However, extreme weather conditions resulted in higher than projected claims, preventing a return to profitability in the quarter.

Performance is expected to improve over the course of 2010 as initiatives are under way to enhance efficiency and to strengthen pricing models and claims management.

RBS Insurance (continued)

Key points (continued)

Q1 2010 compared with Q1 2009

In-force policies grew by 3%, driven by own brands, which increased by 8%. Direct Line motor policies were stable while home policies grew by 2%. Churchill continued to benefit from deployment on selected price comparison websites, with home policies up 27% and motor policies up 11%. The partnerships and broker segment declined by 10% in line with business strategy.

Expenses were down 14%, with salary inflation more than offset by a reduction in headcount and lower marketing expenditure.

Net claims were 23% higher, principally driven by adverse weather conditions and the higher level of bodily injury claims. Significant price increases were implemented in Q4 2009 and Q1 2010 to mitigate the impact of rising claims costs.

The combined operating ratio, including business services costs, was 113.3% compared with 101.5% in Q1 2009, with the impact of increased reserving for adverse weather conditions and bodily injury claims only partially mitigated by expense ratio improvement.

Central items

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Fair value of own debt	**(137)**	164	384
Other	**337**	(169)	105
Central items not allocated	**200**	(5)	489

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.

Q1 2010 compared with Q4 2009

- Items not allocated during the quarter amounted to a net credit of £200 million, an improvement of £205 million on Q4 2009.

- Fair value of own debt was a net debit of £137 million in the quarter. The Group's credit spreads narrowed over the quarter, resulting in an increase in the carrying value of own debt.

- Other central items not allocated represented a net credit in the quarter of £337 million versus a debit of £169 million in the previous quarter. This movement was primarily driven by unallocated Group Treasury items, including the impact of economic hedges that do not qualify for IFRS hedge accounting. In addition, a one-off VAT recovery reduced expenses by £80 million and improved net interest income by £90 million in the first quarter.

Q1 2010 compared with Q1 2009

- Items not allocated during the quarter amounted to a net credit of £200 million, a decline of £289 million on Q1 2009.

- The charge for change in the fair value of own debt of £137 million compares with a credit of £384 million in the first quarter of 2009, when spreads widened markedly.

Non-Core

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Income statement			
Net interest income from banking activities	**568**	578	395
Net fees and commissions receivable	**104**	129	172
Loss from trading activities	**(131)**	(781)	(2,617)
Insurance net premium income	**168**	171	244
Other operating income	**225**	11	30
Non-interest income	**366**	(470)	(2,171)
Total income	**934**	108	(1,776)
Direct expenses			
- staff	**(252)**	(247)	(301)
- other	**(282)**	(297)	(256)
Indirect expenses	**(122)**	(141)	(142)
	(656)	(685)	(699)
Operating profit/(loss) before other operating charges and impairment losses	**278**	(577)	(2,475)
Insurance net claims	**(133)**	(148)	(177)
Impairment losses	**(1,704)**	(1,811)	(1,828)
Operating loss	**(1,559)**	(2,536)	(4,480)
Analysis of income			
Banking & Portfolio	**271**	37	(131)
International Businesses & Portfolios	**632**	493	662
Markets	**31**	(422)	(2,307)
	934	108	(1,776)
Key metrics			
Performance ratios			
Net interest margin	**1.25%**	1.17%	0.61%

Cost:income ratio	**70%**	634%	(39%)

	31 March	31 December
	2010	2009
	£bn	£bn
Capital and balance sheet (1)		
Total third party assets (including derivatives) (2)	**212.6**	220.9
Loans and advances to customers - gross	**141.2**	149.5
Customer deposits	**10.2**	12.6
Risk elements in lending	**24.0**	22.9
Loan:deposit ratio (excluding repos)	**1,356%**	1,121%
Risk-weighted assets (3)	**164.3**	171.3

Notes:

(1) Includes disposal groups.
(2) Derivatives were £19.1 billion at 31 March 2010 (31 December 2009 - £19.9 billion).
(3) Includes Sempra: 31 March 2010 Third Party Assets (TPAs) £14.0 billion, RWAs £11.1 billion; (31 December 2009 TPAs £14.2 billion, RWAs £10.2 billion).

Non-Core (continued)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Loss from trading activities			
Monoline exposures	**-**	679	1,645
CDPCs	**31**	101	198
Asset backed products (1)	**55**	(105)	376
Other credit exotics	**(11)**	(16)	537
Equities	**7**	9	8
Banking book hedges	**36**	231	183
Other (3)	**13**	(118)	(330)
	131	781	2,617
Impairment losses			
Banking & Portfolio	**697**	895	818
International Businesses & Portfolios	**951**	902	720
Markets	**56**	14	290
	1,704	1,811	1,828
Loan impairment charge as % of gross customer loans and advances (2)			
Banking & Portfolio	**3.3%**	4.1%	3.2%
International Businesses & Portfolios	**5.7%**	5.3%	3.7%
Markets	**33.6%**	0.4%	(61.6%)
Total	**4.6%**	4.6%	2.8%
	£bn	£bn	£bn
Gross customer loans and advances			
Banking & Portfolio	**78.6**	82.0	103.3
International Businesses & Portfolios	**62.3**	65.6	78.6
Markets	**0.3**	1.9	1.8
	141.2	149.5	183.7
Risk-weighted assets			
Banking & Portfolio	**57.2**	58.2	70.9
International Businesses & Portfolios	**45.4**	43.8	51.4

Markets	**61.7**	69.3	52.1
	164.3	171.3	174.4

Notes:

(1) Asset backed products include super senior asset backed structures and other asset backed products.
(2) Includes disposal groups.
(3) Includes profits in Sempra of £127 million (Q4 2009 - £161 million; Q1 2009 - £248 million).

Non-Core (continued)

Third party assets (excluding derivatives)

	31 December 2009 £m	Run off (1) £m	Asset sales £m	Roll overs £m	Impairments £m	FX £m	**31 March 2010 £m**
Commercial Real Estate	51,328	(1,491)	(54)	226	(1,055)	570	**49,524**
Corporate	82,616	(4,551)	(1,202)	386	(339)	2,040	**78,950**
SME	3,942	47	-	-	(31)	63	**4,021**
Retail	19,882	(429)	(204)	127	(221)	577	**19,732**
Other	4,610	(1,598)	-	114	(2)	4	**3,128**
Markets	24,422	(1,244)	(254)	23	(4)	1,202	**24,145**
Total (excluding derivatives)	186,800	(9,266)	(1,714)	876	(1,652)	4,456	**179,500**
Markets - Sempra	14,200	(1,200)	-	-	-	1,000	**14,000**
Total	201,000	(10,466)	(1,714)	876	(1,652)	5,456	**193,500**

Note:

(1) Including other items.

Non-Core (continued)

	Quarter ended		
	31 March	31 December	31 March
	2010	2009	2009
	£m	£m	£m
Loan impairment losses by donating division and sector			
UK Retail			
Mortgages	**3**	2	1
Personal	**2**	5	14
Other	**-**	-	-
Total UK Retail	**5**	7	15
UK Corporate			
Manufacturing and infrastructure	**(5)**	41	19
Property and construction	**54**	163	97
Transport	-	2	1
Banks and financials	-	-	2
Lombard	**25**	13	55
Invoice finance	-	1	-
Other	**81**	120	32
Total UK Corporate	**155**	340	206
Global Banking & Markets			
Manufacturing and infrastructure	**29**	84	302
Property and construction	**472**	683	21
Transport	**1**	5	151
Telecoms, media and technology	**(11)**	2	-
Banks and financials	**161**	97	136
Other	**101**	38	498
Total Global Banking & Markets	**753**	909	1,108
Ulster Bank			
Mortgages	**20**	16	8
Commercial investment and development	**110**	256	8
Residential investment and development	**351**	(33)	103
Other	**51**	33	11
Other EMEA	**20**	20	25
Total Ulster Bank	**552**	292	155

US Retail & Commercial			
Auto and consumer	**15**	27	28
Cards	**14**	26	26
SBO/home equity	**102**	85	156
Residential mortgages	**12**	13	3
Commercial real estate	**63**	51	23
Commercial and other	**2**	8	17
Total US Retail & Commercial	**208**	210	253
Other			
Wealth	**28**	38	89
Global Transaction Services	**3**	14	2
Central items	**-**	1	-
Total Other	**31**	53	91
Total impairment losses	**1,704**	1,811	1,828

Non-Core (continued)

	31 March 2010 £bn	31 December 2009 £bn
Gross loans and advances to customers by donating division and sector (excluding reverse repurchase agreements)		
UK Retail		
Mortgages	**1.8**	1.9
Personal	**0.6**	0.7
Other	**-**	-
Total UK Retail	**2.4**	2.6
UK Corporate		
Manufacturing and infrastructure	**0.4**	0.3
Property and construction	**10.2**	10.8
Lombard	**2.7**	2.7
Invoice finance	**0.4**	0.4
Other	**19.0**	20.7
Total UK Corporate	**32.7**	34.9
Global Banking & Markets		
Manufacturing and Infrastructure	**17.2**	17.5
Property and construction	**23.4**	25.7
Transport	**6.0**	5.8
Telecoms, media and technology	**3.4**	3.2
Banks and financials	**16.1**	16.0
Other	**11.7**	13.5
Total Global Banking & Markets	**77.8**	81.7
Ulster Bank		
Mortgages	**6.1**	6.0
Commercial investment and development	**4.4**	3.0
Residential investment and development	**4.1**	5.6
Other	**1.3**	1.1
Other EMEA	**1.1**	1.0
Total Ulster Bank	**17.0**	16.7

US Retail & Commercial		
Auto and consumer	**3.2**	3.2
Cards	**0.2**	0.5
SBO/home equity	**3.7**	3.7
Residential mortgages	**1.2**	0.8
Commercial real estate	**2.0**	1.9
Commercial and other	**0.8**	0.9
Total US Retail & Commercial	**11.1**	11.0
Other		
Wealth	**2.4**	2.6
Global Transaction Services	**0.8**	0.8
RBS Insurance	**0.2**	0.2
Central items	**(4.3)**	(3.2)
Total Other	**(0.9)**	0.4
Total loans and advances to customers (excluding reverse repurchase agreements)	**140.1**	147.3

Non-Core (continued)

Key points