

ROYAL BANK OF SCOTLAND GROUP PLC

Form 6-K

May 13, 2014

Report of Foreign Private Issuer

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

13 May 2014

The Royal Bank of Scotland Group plc

Gogarburn

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Scotland

United Kingdom

(Address of principal executive offices)

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

Form 20-F X

Form 40-F

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

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

Yes

No X

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

This report on Form 6-K shall be deemed incorporated by reference into the company's Registration Statement on Form F-3 (File Nos. 333-184147 and 333-184147-01) and to be a part thereof from the date which it was filed, to the extent not superseded by documents or reports subsequently filed or furnished.

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Forward-looking statements

Certain sections in this document contain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995, such as statements that include the words 'expect', 'estimate', 'project', 'anticipate', 'believe', 'should', 'intend', 'plan', 'could', '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 and new strategic plans, divestments, capitalisation, portfolios, net interest margin, capital ratios, liquidity, risk-weighted assets (RWAs), return on equity (ROE), profitability, cost:income ratios, leverage and loan:deposit ratios, funding and risk profile; discretionary coupon and dividend payments; implementation of legislation of ring-fencing and bail-in measures; sustainability targets; litigation, regulatory and governmental investigations; the Group's future financial performance; the level and extent of future impairments and write-downs; and the Group's exposure to political risks, including the referendum on Scottish independence, credit rating risk and to various types of market risks, such as interest rate risk, foreign exchange rate risk and commodity and equity price risk. These statements are based on current plans, estimates and projections, and are subject to inherent risks, uncertainties and other factors which could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. For example, certain market risk 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: global economic and financial market conditions and other geopolitical risks, and their impact on the financial industry in general and on the Group in particular; the ability to implement strategic plans on a timely basis, or at all, including the simplification of the Group's structure, the divestment of Citizens Financial Group and the exiting of assets in RBS Capital Resolution as well as the disposal of certain other assets and businesses as announced or required as part of the State Aid restructuring plan; the achievement of capital and costs reduction targets; ineffective management of capital or changes to capital adequacy or liquidity requirements; organisational restructuring in response to legislation and regulation in the United Kingdom (UK), the European Union (EU) and the United States (US); the implementation of key legislation and regulation including the UK Financial Services (Banking Reform Act) 2013 and the proposed EU Recovery and Resolution Directive; the ability to access sufficient sources of capital, liquidity and funding when required; deteriorations in borrower and counterparty credit quality; litigation, government and regulatory investigations including investigations relating to the setting of LIBOR and other interest rates and foreign exchange trading and rate setting activities; costs or exposures borne by the Group arising out of the origination or sale of mortgages or mortgage-backed securities in the US; the extent of future write-downs and impairment charges caused by depressed asset valuations; the value and effectiveness of any credit protection purchased by the Group; unanticipated turbulence in interest rates, yield curves, foreign currency exchange

rates, credit spreads, bond prices, commodity prices, equity prices and basis, volatility and correlation risks; changes in the credit ratings of the Group; changes to the valuation of financial instruments recorded at fair value; competition and consolidation in the banking sector; the ability of the Group to attract or retain senior management or other key employees; regulatory or legal changes (including those requiring any restructuring of the Group's operations) in the UK, the US and other countries in which the Group operates or a change in UK Government policy; changes to regulatory requirements relating to capital and liquidity; changes to the monetary and interest rate policies of central banks and other governmental and regulatory bodies; changes in UK and foreign laws, regulations, accounting standards and taxes, including changes in regulatory capital regulations and liquidity requirements; impairments of goodwill; pension fund shortfalls; general operational risks; HM Treasury exercising influence over the operations of the Group; reputational risk; the conversion of the B Shares in accordance with their terms; limitations on, or additional requirements imposed on, the Group's activities as a result of HM Treasury's investment in the Group; and the success of the Group in managing the risks involved in the foregoing.

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

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

Presentation of information

Non-GAAP financial information

The directors manage the Group's performance by class of business, before certain reconciling items, as is presented in the segmental analysis in Appendix 1 (the "managed basis"). Discussion of the Group's performance focuses on the managed basis as the Group believes that such measures allow a more meaningful analysis of the Group's financial condition and the results of its operations. These measures are non-GAAP financial measures. A body of generally accepted accounting principles such as IFRS is commonly referred to as 'GAAP'. A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. Reconciliations of these non-GAAP measures are presented throughout this document or in the segmental analysis in Appendix 1. These non-GAAP financial measures are not a substitute for GAAP measures. Furthermore, RBS has divided its operations into "Group excluding RBS Capital Resolution (RCR)" for Q1 2014 and for prior periods "Group excluding Non-Core". Certain measures disclosed in this document for Group excluding RCR/Non-Core operations and used by RBS management are non-GAAP financial measures as they represent a combination of all reportable segments with the exception of RCR/Non-Core. This is a non-GAAP financial measure. Furthermore, RBS has presented certain measures "excluding RBS Capital resolution (RCR)" which are deemed non-GAAP measures. Lastly, the fully loaded Basel III ratio and further metrics included throughout this document represent non-GAAP financial measures given they are metrics that are not yet required to be disclosed by a government, governmental authority or self-regulatory organisation.

Revisions

Revised allocation of Business Services costs

In the first quarter of 2014, the Group reclassified certain costs between direct and indirect expenses for all divisions. Comparatives have been restated accordingly; the revision did not affect total expenses or operating profit before tax.

Non-Core

Non-Core was dissolved on 31 December 2013.

RBS Capital Resolution

RBS Capital Resolution (RCR) was established on 1 January 2014 by the transfer of capital intensive and higher risk assets from existing divisions. No business lines moved to RCR and prior period segmental reporting has not been restated. The results of RCR have been reported separately for the first time in Q1 2014.

Recent developments

Board change

Further to the appointment of Ewen Stevenson as an Executive Director and Chief Financial Officer with effect from 19 May 2014, RBS confirmed on 2 May 2014 that Nathan Bostock will cease to be Group Finance Director on 19 May 2014 and will step down from the Board on 28 May 2014.

Allotment and issue of new ordinary shares

On 9 May 2014, 32,751,577 new ordinary shares in the company were allotted and issued at a subscription price of 305.3288 pence per share, the gross proceeds being £100 million. The shares being issued are for the purposes of partly neutralising the impact of 2014 coupon payments on discretionary hybrid capital from a Core Tier 1 capital perspective. The new ordinary shares have been credited as fully paid and rank pari passu in all respects with the existing ordinary shares of the company.

Shareholder litigation

As previously disclosed, claims were issued in the High Court of Justice of England and Wales alleging that untrue and misleading statements and/or improper omissions were made in connection with the rights issue announced by the Group on 22 April 2008. These claims were consolidated by the Court via a Group Litigation Order. On 29 April 2014 a fourth High Court claim was issued against the Group under the Group Litigation Order.

Complex Systems

As previously disclosed, RBS N.V. is a defendant in an action pending in the United States District Court for the Southern District of New York filed by Complex Systems, Inc (CSI). The plaintiff alleges that RBS N.V. has since late 2007 been using the plaintiff's back-office trade finance processing software without a valid licence, in violation of the US Copyright Act, and the Court granted summary judgment to CSI on the issue of liability on 17 October 2013. On 9 May 2014, the Court issued an injunction that requires RBS N.V. to cease using the disputed software to process new transactions within 60 days and to stop using the software altogether within one year. RBS N.V. is seeking a stay of the injunction pending an appeal to the United States Court of Appeals for the Second Circuit.

Citizens IPO

Citizens Financial Group Inc, the Group's US banking subsidiary, announced on 12 May that it had filed an S-1 registration statement with the Securities and Exchange Commission in the United States to undertake a partial initial public offering of its shares.

The submission of this registration statement is in line with the Group's announced plans to launch an IPO of Citizens by Q4 2014 and to fully divest the business by the end of 2016 as part of the Group's Capital Plan and in line with the Group's commitments to the European Commission made in connection with the State Aid Amendment Decision of 9 April 2014.

Condensed consolidated income statement**for the quarter ended 31 March 2014**

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Interest receivable	3,800	3,973	4,279
Interest payable	(1,105)	(1,209)	(1,609)
Net interest income	2,695	2,764	2,670
Fees and commissions receivable	1,291	1,370	1,316
Fees and commissions payable	(236)	(244)	(210)
Income from trading activities	952	177	1,115
Gain/(loss) on redemption of own debt	20	(29)	(51)
Other operating income	691	31	612
Non-interest income	2,718	1,305	2,782
Total income	5,413	4,069	5,452
Staff costs	(1,691)	(1,541)	(1,887)
Premises and equipment	(653)	(700)	(556)
Other administrative expenses	(711)	(3,960)	(763)
Depreciation and amortisation	(272)	(336)	(387)
Write-down of goodwill and other intangible assets	(82)	(1,403)	-
Operating expenses	(3,409)	(7,940)	(3,593)
Profit/(loss) before impairment losses	2,004	(3,871)	1,859
Impairment losses	(362)	(5,112)	(1,033)
Operating profit/(loss) before tax	1,642	(8,983)	826
Tax (charge)/credit	(362)	377	(350)
Profit/(loss) from continuing operations	1,280	(8,606)	476
Profit from discontinued operations, net of tax	9	15	129

Profit/(loss) for the period	1,289	(8,591)	605
Non-controlling interests	(19)	3	(131)
Preference share and other dividends	(75)	(114)	(81)
Profit/(loss) attributable to ordinary and B shareholders	1,195	(8,702)	393
Earnings per ordinary and equivalent B share (Note 8)			
Loss per ordinary and equivalent B share from continuing operations			
- basic and diluted (1)	-	(77.3p)	-
Loss per ordinary and equivalent B share from continuing and discontinued operations			
- basic and diluted (1)	-	(77.3p)	-
Adjusted earnings/(loss) per ordinary and equivalent B share from continuing operations			
	9.4p	(45.2p)	2.8p

Note:

- (1) Earnings per ordinary and equivalent B share for the quarter ending 31 March 2013 has been restated to reflect the terms of the dividend access share (see Note 8).

Highlights

RBS reports a pre-tax profit of £1,642 million for Q1 2014, up from £826 million in Q1 2013

Operating profit, on a managed basis, for the quarter was £1,501 million, up from £747 million in Q1 2013:

Operating profit in the retail and commercial banking businesses⁽¹⁾ was up 36% to £1,373 million, driven by good cost control and improving impairment trends, particularly in UK Corporate and Ulster Bank.

Markets operating profit was up 14% to £318 million, with costs down 15%.

RBS Capital Resolution (RCR) reduced RWA equivalents⁽²⁾ by £14 billion during Q1 2014 to £51 billion, with lower than expected operating losses of £114 million.

RBS has made good progress towards the implementation of its new three segment business structure and will be reporting on this basis from Q2 2014 onwards.

With a Common Equity Tier 1 ratio of 9.4%⁽³⁾ at 31 March 2014, RBS remains on track to achieve its capital targets.

“Just over two months ago, I set out our plan for making RBS the most trusted bank in the UK. Today’s results show that in steady state, RBS will be a bank that does a great job for customers while delivering good returns for our shareholders. But we still have a lot of work to do and plenty of issues from the past to reckon with. Everyone at RBS is focused squarely on doing everything we can to earn the trust of our customers and in the process change the banking sector for the benefit of the UK.”

Ross McEwan, Chief Executive

Key points

Q1 2014 operating performance

Total income was down 1% compared with Q1 2013 at £5,413 million. On a managed basis income was down 2% compared with Q1 2013 at £5,053 million, with deposit repricing and a modest revival in lending volumes during the quarter leading to improvements in UK Retail and UK Corporate. Markets income was seasonally stronger than in Q4 2013 but lower than in Q1 2013, reflecting its smaller balance sheet and reduced risk levels. A gain of £191 million was recorded on the disposal of the Group's remaining interest in Direct Line Insurance Group and an own credit adjustment representing a credit of £139 million in Q1 2014.

Expenses were 5% lower than in Q1 2013 at £3,409 million. On a managed basis expenses were 6% lower than in Q1 2013 at £3,190 million, with Markets down 15% and other banking businesses down 3%. Incremental cost savings have been delivered principally from tactical cost control initiatives. The benefits from strategic cost reduction initiatives will feed through in later quarters.

Impairments were down £671 million from Q1 2013, with significant improvements in Ulster Bank, down 80% and UK Corporate, down 66%. Impairments in RCR totalled £108 million in Q1 2014 whereas Non-Core totalled £433 million in Q1 2013. The quarter benefited from no meaningful single name impairments.

Risk elements in lending decreased by £2.0 billion to £37.4 billion, as a percentage of loans represented 9.0% (31 December 2013 - 9.4%).

Operating profit before tax totalled £1,642 million, up from £826 million in Q1 2013. On a managed basis operating profit totalled £1,501 million, up from £747 million in Q1 2013, driven by stronger business performance in UK Retail and UK Corporate, together with the turnaround at Ulster Bank, which reported its first quarterly operating profit since 2009.

Q1 2014 benefited from c.£200 million of Treasury AFS gains and a £191 million profit on the sale of the remaining stake in DLG.

Profit attributable to shareholders was £1,195 million, compared with £393 million in Q1 2013 and a loss of £8,702 million in Q4 2013.

Highlights

Balance sheet

Funded assets were £130 billion lower than in Q1 2013 at £746 billion, principally driven by the reshaping of the Markets balance sheet. Compared with Q4 2013, funded assets were up £7 billion, reflecting a limited pick-up in client driven trading activity in Markets and stronger lending volumes, particularly in UK mortgages.

Gross new mortgage lending in Q1 2014 was £4.4 billion in UK Retail, a market share of 9.5%, including more than 4,700 approvals assisting young people and families to buy their first home through the Government's Help to Buy scheme. Net new lending of £1.2 billion took the UK Retail mortgage portfolio to more than £100 billion for the first time.

Modest growth resumed in the UK Corporate loan book. SMEs drew down £2.4 billion of new term lending in Q1 2014, up 23% from Q1 2013, with net term lending to trading SMEs turning positive.

Total net lending flows reported within the scope of the Funding for Lending Scheme (FLS) were plus £63 million in Q1 2014. The FLS no longer includes household lending flows.

RWAs on an end-point CRR basis, were down £73 billion from Q1 2013, with approximately a third of the reduction in Markets, principally reflecting the strategic repositioning of this business.

The Common Equity Tier 1 (CET1) ratio was 9.4%⁽³⁾ at 31 March 2014, compared with 8.6% at the end of 2013. RBS remains well on track to achieve its target CET1 ratio of 11% by the end of 2015 and 12% or above by the end of 2016.

RCR reduced RWA equivalents by £14 billion during Q1 2014 to £51 billion, with operating losses lower than expected at £114 million.

Building the number one bank for trust and service in the UK

RBS has made good progress towards developing detailed implementation plans for its new structure, built around three businesses: Personal & Business Banking, Commercial & Private Banking, and Corporate & Institutional Banking.

Each business is focused on delivering the customer commitments announced on 27 February 2014. In March, RBS stopped offering deals to new customers that are not available to existing customers, including 0% credit card balance transfers and teaser rates on savings accounts.

After placing 325 business specialists in branches in 2013, a further 40 experienced relationship managers have been allocated to serve our commercial customers, with a central focus on lending.

By the end of March 2014, pro-active 'Statements of Appetite' had been sent to more than 270,000 SME customers, offering in excess of £10 billion of new or additional funding.

Notes:

- (1) Retail and commercial banking businesses comprise the UK Retail, UK Corporate, Wealth, International Banking, Ulster Bank and US Retail & Commercial divisions.
- (2) RWA equivalent (RWAe) is an internal metric that measures the equity capital employed in divisions. RWAe converts both performing and non-performing exposures into a consistent capital measure, being the sum of the regulatory RWAs and the regulatory capital deductions, the latter converted to RWAe by applying a multiplier. The Group applies a CET1 ratio of 10%, consistent with that used for divisional return on equity measure; this results in a CRR RWAe conversion multiplier of 10.
- (3) The disclosed Common Equity Tier 1 (CET1) ratio as at 31 March 2014 is calculated using capital which is not the actual regulatory capital, as it does not allow for the initial Dividend Access Share ('DAS') dividend which the PRA regards as foreseeable under Article 26 of the Capital Requirements Regulation. As set out on page 73, the Group will put a resolution to the independent shareholders at the Annual General Meeting on 25 June 2014 to approve the DAS Agreement; the initial dividend can only be paid if such approval is obtained. Adjusting for this contemplated dividend would reduce the disclosed CET1 ratio by 8 basis points; this remains at 9.4%.

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Highlights

Building the number one bank for trust and service in the UK (continued)

Lending procedures have been changed to speed up the entire process and enable us to meet our commitment to make all but the most complex loan decisions within five days by the end of 2014. We also launched a new online loan application facility for smaller business customers in February 2014, which will be extended to larger SMEs over the course of 2014.

On 17 April 2014, Clifford Chance published its report into allegations concerning the Global Restructuring Group's treatment of SMEs. The report concluded that there was no evidence to support the principal allegation. Nevertheless, further steps have been taken to rebuild our customers' trust, including not charging default interest for the first 90 days when an SME customer defaults; improving transparency around fees charged to customers in our restructuring unit; and the wind-down of the West Register property unit.

Ulster Bank has maintained its investment in structures to support customers in financial difficulty, which has resulted in reductions in the number of mortgage customers more than 90 days in arrears in each of the last twelve months - a trend not seen elsewhere in the Irish market to date.

To improve the resilience of our IT systems, on 21 March 2014 we moved our existing single batch scheduler for NatWest, Ulster Bank Northern Ireland and Ulster Bank Republic of Ireland onto three dedicated and separate versions (RBS already runs in a separate scheduler environment). Separating the batch schedulers means that, if a problem occurs with transactions on one of these brands, it will not impact the activity taking place to support the other two, avoiding a repeat of the 2012 system outage. This forms part of a wider programme that will help us become a simpler organisation, including investment of around £750 million over a three-year period to improve the safety, security and resilience of our IT systems.

Delivering our capital plan

Plans for the divestment of Citizens Financial Group and Williams & Glyn continue to make progress.

In February 2014 RBS completed the sale of its remaining interest in Direct Line Insurance Group, raising gross proceeds of £1,113 million. A gain of £191 million was booked in Q1 2014.

On 9 April 2014 RBS announced that it had reached agreement with HM Treasury (HMT) to provide for the future retirement of the Dividend Access Share (DAS). If the independent shareholders of RBS approve the DAS Retirement Agreement, RBS will pay HMT an initial dividend of £320 million in 2014, with a further £1.18 billion (subject to interest if not paid before 1 January 2016) payable at the Board's discretion, after which the DAS will lose its enhanced dividend rights and become a single B share.

Highlights

Outlook

The improvement in economic confidence has continued and modest asset growth is resuming in some segments. We expect a modest increase in the net interest margin for the remainder of the year. Markets income, in line with industry trends, is expected to be lower in the remaining quarters of the year than in Q1 2014.

RBS remains on track to deliver its target of £1 billion cost reductions in 2014. Incremental savings in the first quarter have been primarily tactical in nature, while the benefits of more strategic restructuring of the cost base will feed through later in the year. Restructuring costs are likely to be considerably higher for the remainder of the year than the rate implied by the first quarter.

While credit trends have been particularly favourable in the first quarter, for the remainder of the year impairment losses on UK and Irish portfolios, excluding RCR, are expected to continue to show some improvement over 2013.

RCR has made a good start benefiting from favourable market conditions in the first quarter. This is likely to result in RCR exceeding the 2014 target for reduction in funded assets and RWA equivalents; the overall operating loss for RCR, however, is expected to be in line with previous guidance.

The bank is making steady progress towards achieving its target CET1 ratio of 11% by the end of 2015 and 12% or above by the end of 2016. Subject to independent shareholder approval, the Group intends to pay the initial DAS dividend of £320 million to HMT in 2014; this payment was already included in the Group's capital plans.

The ongoing conduct and regulatory investigations and litigation continue to create challenges and uncertainties for RBS, as for other banks. The timing and amounts of any further settlements or redress remain uncertain.

Analysis of results

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Net interest income			
Net interest income (1)	2,695	2,764	2,670
Average interest-earning assets (1)	512,079	523,743	560,091
Net interest margin			
- Group	2.13%	2.09%	1.93%
- RCR	(0.08%)	n/a	n/a
- Non-Core	n/a	(0.36%)	(0.25%)

Note:

(1) For further analysis and details refer to pages 57 and 58.

Key points

Q1 2014 compared with Q4 2013

- Group net interest margin (NIM) increased by 4 basis points in the quarter to 2.13% due to repricing initiatives together with lower interest-earning assets.
- Net interest income fell by £69 million reflecting the lower day count. Excluding this impact, performance was stable.

Q1 2014 compared with Q1 2013

- Group NIM increased by 20 basis points, driven by repricing initiatives across a number of divisions.
- Net interest income was flat with improved margins being offset by the reduced asset base.

Analysis of results

The following tables reconcile the managed basis results (a non-GAAP financial measure) to the statutory basis.

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
Non-interest income	£m	£m	£m
Fees and commissions receivable	1,291	1,370	1,316
Fees and commissions payable	(236)	(244)	(210)
Net fees and commissions	1,055	1,126	1,106
Income from trading activities			
- managed basis	856	162	1,016
- own credit adjustments*	95	15	99
- RFS Holdings minority interest	1	-	-
Statutory basis	952	177	1,115
Gain/(loss) on redemption of own debt	20	(29)	(51)
Other operating income			
- managed basis	444	(115)	367
- own credit adjustments*	44	(15)	150
- Strategic disposals**	191	168	(6)
- RFS Holdings minority interest	12	(7)	101
Statutory basis	691	31	612
Total non-interest income - managed basis	2,355	1,173	2,489
Total non-interest income - statutory basis	2,718	1,305	2,782
* Own credit adjustments impact:			
Income from trading activities	95	15	99
Other operating income	44	(15)	150
Own credit adjustments	139	-	249
**Strategic disposals			

Gain/(loss) on sale and provision for loss on			
disposal of investments in:			
- Direct Line Group	191	-	-
- WorldPay	-	159	-
- Other	-	9	(6)
	191	168	(6)

Key points

Q1 2014 compared with Q4 2013

- Non-interest income increased by £1,413 million, or 108% to £2,718 million. On a managed basis non-interest income increased by £1,182 million, or 101%, to £2,355 million. This includes income from trading activities, which increased by £694 million to £856 million driven by a limited pick-up in client driven trading activity in Rates and favourable market movements in Asset backed products within Markets. A gain on disposals of £191 million and own credit adjustments of £139 million was recorded in Q1 2014.
- Other operating income increased to £691 million. On a managed basis other operating income increased to £444 million as a result of gains on sales of available-for-sale securities of £213 million compared with £108 million in Q4 2013, and the non-repeat of the fair value adjustments of £333 million in Q4 2013 recognised in connection with the creation of RCR. A gain of £191 million was recorded on the disposal of the Group's remaining interest in Direct Line Insurance Group. Own credit adjustment represented a credit of £59 million as credit spreads widened modestly, compared with no movement in the prior quarter.

Analysis of results

Key points (continued)

Q1 2014 compared with Q1 2013

- Non-interest income decreased by £64 million. On a managed basis non-interest income declined by £134 million primarily driven by de-risking in Markets. In US Retail & Commercial, fee income was affected by slower mortgage refinancing activity and lower deposit fees. This was partly offset by increased non-interest income in UK Retail and UK Corporate. Gains, of £191 million, due to the disposal of the Group's remaining interest in Direct Line Group were partially offset by lower gains from own credit adjustments of £139 million compared with £249 million in Q1 2013.

Analysis of results

The following tables reconcile the managed basis results (a non-GAAP financial measure) to the statutory basis results.

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Operating expenses			
Staff expenses			
- managed basis	1,647	1,539	1,821
- integration and restructuring costs	43	1	66
- RFS Holdings minority interest	1	1	-
Statutory basis	1,691	1,541	1,887
Premises and equipment			
- managed basis	594	614	553
- integration and restructuring costs	59	86	3
Statutory basis	653	700	556
Other administrative expenses			
- managed basis	687	785	678
- Payment Protection Insurance costs	-	465	-
- Interest Rate Hedging Products redress and related costs	-	500	50
- regulatory and legal actions	-	1,910	-
- integration and restructuring costs	25	101	36
- bank levy	-	200	-
- RFS Holdings minority interest	(1)	(1)	(1)
Statutory basis	711	3,960	763
Depreciation and amortisation			
- managed basis	262	309	329
- amortisation of purchased intangible assets	7	35	41
- integration and restructuring costs	2	(8)	17
- RFS Holdings minority interest	1	-	-
Statutory basis	272	336	387

Write-down of goodwill	-	1,059	-
Write-down of other intangible assets	82	344	-
Operating expenses - managed basis	3,190	3,247	3,381
Operating expenses - statutory basis	3,409	7,940	3,593

Key points

Q1 2014 compared with Q4 2013

- Operating expenses decreased by £4,531 million, 57% to £3,409 million primarily due to lower conduct related provisions, lower integration and restructuring costs and the write-down of goodwill in Q4 2013 not repeated in Q1 2014. No significant additional provisions for conduct-related matters were recorded during the quarter. Q4 2013 included £3,875 million of additional provisions. Lower integration and restructuring costs were driven by a reduction in Markets downsizing costs, offset by initial expenses related to the refreshed strategic plan. Q4 2013 included the write-down of goodwill of £1,059 million related to International Banking following an impairment review. On a managed basis operating expenses decreased by £57 million, 2%, to £3,190 million. The fall was consistent across most divisions, with notable declines in UK Retail (£74 million, 10%), UK Corporate (£36 million, 6%) and US Retail & Commercial (£31 million, 6%). The increase in Markets expenses (£84 million, 15%) was driven by higher staff costs, while Ulster Bank (£6 million, 4%) included the impact of the newly introduced Irish bank levy of £4 million.
- Staff expenses were up by 10%, at £1,691 million. On a managed basis staff expenses were up by 7%, at £1,647 million, principally reflecting seasonal phasing of variable compensation accruals in Markets.

Analysis of results

Key points (continued)

Q1 2014 compared with Q1 2013

- Operating expenses were down by £184 million, or 5%. On a managed basis operating expenses were down by £191 million, or 6%, mostly reflecting tactical cost reduction initiatives in the retail & commercial banking businesses together with the re-sizing of Markets.
- Staff expenses declined by £196 million, or 11%. On a managed basis staff expenses declined by £174 million, or 10% driven by headcount reductions and lower variable compensation. Headcount was reduced by 6,300, of which 38% was in UK Retail and 21% in Markets.

Analysis of results

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Impairment losses			
Loans	360	5,131	1,036
Securities	2	(19)	(3)
Total impairment losses	362	5,112	1,033
Loan impairment losses			
- individually assessed	155	4,867	646
- collectively assessed	127	443	441
- latent	78	(173)	(51)
Customer loans	360	5,137	1,036
Bank loans	-	(6)	-
Loan impairment losses	360	5,131	1,036
Group excluding RCR/Non-Core	254	1,924	599
RCR	106	n/a	n/a
Non-Core	n/a	3,207	437
Group (1)	360	5,131	1,036
Customer loan impairment charge as a % of gross loans and advances (2)			
Group	0.3%	4.9%	0.9%
RCR	1.2%	n/a	n/a
Non-Core	n/a	35.3%	3.3%

Notes:

(1) Includes £4,290 million pertaining to the creation of RCR and related strategy in Q4 2013.

(2)

Customer loan impairment charge as a percentage of gross customer loans and advances excludes reverse repurchase agreements and includes disposals groups.

Key points

Q1 2014 compared with Q4 2013

- Loan impairment losses totalled £360 million. Excluding the increased provisions recognised in Q4 2013 in association with the creation of RCR, impairments declined by £481 million, or 57%, driven by significant improvements in UK Corporate and Ulster Bank.
- UK Corporate saw fewer significant individual cases, while Ulster Bank credit metrics continued to improve.
- Loan impairment losses in RCR totalled £106 million, due to favourable market conditions and no significant individual losses.

Q1 2014 compared with Q1 2013

- Loan impairment losses declined by £676 million, or 65%, reflecting improving trends across the whole book.
- Ulster Bank showed significant improvements in mortgage arrears while UK Corporate and International Banking saw a reduction in the number of large single name impairments.

Analysis of results

Capital and leverage ratios					
	31 March 2014		31 December 2013		
	Current basis	Estimated		Estimated	
	(transitional	end-point	Transitional	end-point	Basel 2.5
	PRA basis)	(CRR basis)	PRA basis	(CRR basis)	basis
Capital (1)	£bn	£bn	£bn	£bn	£bn
Common Equity Tier 1 capital (2)	39.1	39.1	36.8	36.8	42.2
Tier 1	46.4	39.1	44.3	36.8	50.6
Total	59.9	47.3	58.2	45.5	63.7
RWAs by risk					
Credit risk					
- non-counterparty	295.2	295.2	317.9	317.9	291.1
- counterparty	41.3	41.3	39.1	39.1	22.3
Market risk	41.0	41.0	30.3	30.3	30.3
Operational risk	36.8	36.8	41.8	41.8	41.8
	414.3	414.3	429.1	429.1	385.5
Risk asset ratios					
	%	%	%	%	%
Common Equity Tier 1 capital (2)*	9.4	9.4	8.6	8.6	10.9
Tier 1	11.2	9.4	10.3	8.6	13.1
Total	14.5	11.4	13.6	10.6	16.5

	31 March	31 December
	2014	2013
Leverage ratios (3)	%	%
CRR basis	3.7	3.5
Basel III basis	3.6	3.4
Basel Committee on Banking Supervision (BCBS) basis	3.6	3.4

* Refer to footnote 3 on page 6 for further information.

Notes:

- (1) Capital based on Capital Requirements Directive extant at 31 March 2014 (transitional PRA basis), end-point Capital Requirements Regulation (CRR) basis and 31 December 2013 on Basel 2.5 basis.
- (2) Core Tier 1 before 1 January 2014.
- (3) Refer to pages 7 and 8 of Appendix 2 for basis of preparation.

Key points

31 March 2014 compared with 31 December 2013

- The Group's Common Equity Tier 1 ratio, on an end-point CRR basis improved to 9.4%* from 8.6%, principally driven by retained earnings and continuing reduction in RWAs.
- RWAs declined from £429 billion to £414 billion, primarily reflecting risk reduction in Markets, and disposal and run-off activity in RCR. The total reduction in RCR was £14 billion RWA equivalent, including the effects of capital deductions.

Analysis of results

	31 March	31 December
Balance sheet	2014	2013
Total assets	£1,024bn	£1,028bn
Derivatives	£278bn	£288bn
Funded balance sheet (1)	£746bn	£740bn
Loans and advances to customers (2)	£392bn	£393bn
Customer deposits (3)	£404bn	£418bn
Loan:deposit ratio - Group excluding RCR/Non-Core (4)	93%	89%
Loan:deposit ratio - Group (4)	97%	94%

Notes:

- (1) Funded balance sheet represents total assets less derivatives.
- (2) Excludes reverse repurchase agreements and stock borrowing, and includes disposal groups.
- (3) Excludes repurchase agreements and stock lending, and includes disposal groups.
- (4) Net of provisions, including disposal groups and excluding repurchase agreements. Excluding disposal groups, the loan:deposit ratios for Group at 31 March 2014 was 97% (31 December 2013 - 94% and 31 March 2013 - 99%).

Key points

31 March 2014 compared with 31 December 2013

- Funded assets were up £6.6 billion, driven by a limited pick up in client driven trading activity in Markets and increased loan balances in the retail and commercial banking businesses.
- Net loans and advances to customers remained stable at £392 billion. Adjusting for transfers to RCR and from Non-Core, underlying loan growth improved, driven by strong mortgage lending in UK Retail and increased volumes in International Banking and US Retail & Commercial, with UK Corporate returning to modest net loan growth. This was offset primarily by disposals and run-off of

RCR loans.

- Customer deposits fell by £14 billion, or 3%, to £404 billion, as the Group managed down its surplus liquidity. The customer funding surplus declined to £12 billion, while the loan:deposit ratio increased by 3 percentage points to 97%.

Analysis of results

	31 March	31 December
Funding and liquidity metrics	2014	2013
Deposits (1)	£440bn	£453bn
Deposits as a percentage of funded balance sheet	59%	61%
Short-term wholesale funding (2)	£31bn	£32bn
Wholesale funding (2)	£102bn	£108bn
Short-term wholesale funding as a percentage of funded balance sheet	4%	4%
Short-term wholesale funding as a percentage of total wholesale funding	30%	30%
Liquidity portfolio	£131bn	£146bn
Liquidity portfolio as a percentage of funded balance sheet	18%	20%
Liquidity portfolio as a percentage of short-term wholesale funding	423%	456%

Notes:

- (1) Customer and bank deposits excluding repurchase agreements and stock lending and includes disposal groups.
- (2) Excludes derivative collateral.

Key points

31 March 2014 compared with 31 December 2013

- The bank remains highly liquid with short-term wholesale funding covered 4.2 times by its liquidity portfolio as at 31 March 2014 compared with 4.5 times as at 31 December 2013.
- The liquidity portfolio decreased by £15 billion, mainly driven by a targeted decrease in volatile financial institution deposits.

Divisional performance

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Operating profit/(loss) by division			
UK Retail	533	472	477
UK Corporate	491	(115)	358
Wealth	78	49	56
International Banking	110	60	94
Ulster Bank	17	(996)	(164)
US Retail & Commercial	144	142	189
Markets	318	39	278
Central items	(76)	(174)	(36)
	1,615	(523)	1,252
RCR	(114)	n/a	n/a
Non-Core	n/a	(3,896)	(505)
Managed basis	1,501	(4,419)	747
Reconciling items:			
Own credit adjustments	139	-	249
Payment Protection Insurance costs	-	(465)	-
Interest Rate Hedging Products redress and related costs	-	(500)	(50)
Regulatory and legal actions	-	(1,910)	-
Integration and restructuring costs	(129)	(180)	(122)
Gain/(loss) on redemption of own debt	20	(29)	(51)
Write-down of goodwill	-	(1,059)	-
Amortisation of purchased intangible assets	(7)	(35)	(41)
Strategic disposals	191	168	(6)
Bank levy	-	(200)	-
Write-down of other intangible assets	(82)	(344)	-
RFS Holdings minority interest	9	(10)	100

Statutory basis	1,642	(8,983)	826
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Impairment losses/(recoveries) by division			
UK Retail	59	73	80
UK Corporate	63	659	185
Wealth	(1)	21	5
International Banking	10	47	55
Ulster Bank	47	1,067	240
US Retail & Commercial	73	46	19
Markets	2	34	16
Central items	1	1	-
	254	1,948	600
RCR	108	n/a	n/a
Non-Core	n/a	3,164	433
Group impairment losses - managed and statutory (1)	362	5,112	1,033

Note:

(1) Includes £4,290 million pertaining to the creation of RCR and related strategy in Q4 2013.

Divisional performance

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	%	%	%
Net interest margin by division			
UK Retail	3.59	3.60	3.49
UK Corporate	3.13	3.13	3.01
Wealth	3.72	3.70	3.55
International Banking	1.55	1.54	1.74
Ulster Bank	2.36	2.10	1.85
US Retail & Commercial	2.94	2.98	2.93
RCR	(0.08)	n/a	n/a
Non-Core	n/a	(0.36)	(0.25)
Group net interest margin	2.13	2.09	1.93

	31 March	31 December
	2014	2013
	£bn	£bn
Total funded assets by division		
UK Retail	118.4	117.6
UK Corporate	106.7	105.0
Wealth	21.1	21.0
International Banking	50.9	48.5
Ulster Bank	26.0	28.0
US Retail & Commercial	75.7	71.3
Markets	228.2	212.8
Central items	94.3	106.7
	721.3	710.9
RCR	24.3	n/a
Non-Core	n/a	28.0

	745.6	738.9
RFS Holdings minority interest	0.9	0.9
Group	746.5	739.8

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Divisional performance

	31 March			31 March
	2014	31 December 2013		2013
	FLB3	FLB3	Basel 2.5	Basel 2.5
	£bn	£bn	£bn	£bn
Risk-weighted assets by division				
UK Retail	43.9	43.9	43.9	44.5
UK Corporate	80.4	82.9	86.1	87.0
Wealth	12.0	12.0	12.0	12.5
International Banking	47.1	50.3	49.0	48.9
Ulster Bank	28.7	30.1	30.7	36.8
US Retail & Commercial	61.3	58.8	56.1	58.9
Markets	87.4	99.9	64.5	88.5
Other (primarily Group Treasury)	8.9	13.1	10.1	10.2
	369.7	391.0	352.4	387.3
RCR	40.5	n/a	n/a	n/a
Non-Core	n/a	34.2	29.2	54.6
Group before RFS Holdings minority interest	410.2	425.2	381.6	441.9
RFS Holdings minority interest	4.1	3.9	3.9	3.9
Group	414.3	429.1	385.5	445.8

Employee numbers by division	31 March	31 December	31 March
(full time equivalents rounded to the nearest hundred)	2014	2013	2013
UK Retail	23,000	23,300	25,400
UK Corporate	12,800	13,000	12,900
Wealth	4,500	4,600	4,900

International Banking	4,300	4,400	4,500
Ulster Bank	4,600	4,700	5,000
US Retail & Commercial	18,500	18,800	18,800
Markets	9,100	9,400	10,400
Group Centre	10,100	9,800	9,400
	86,900	88,000	91,300
RCR	1,100	n/a	n/a
Non-Core	n/a	1,400	2,500
	88,000	89,400	93,800
Business Services	28,600	29,000	28,900
Integration and restructuring	100	200	300
Group	116,700	118,600	123,000

UK Retail

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Income statement			
Net interest income	994	1,014	965
Net fees and commissions	241	249	212
Other non-interest income	5	4	14
Non-interest income	246	253	226
Total income	1,240	1,267	1,191
Direct expenses			
- staff	(165)	(166)	(172)
- other	(148)	(199)	(112)
Indirect expenses	(335)	(357)	(350)
	(648)	(722)	(634)
Profit before impairment losses	592	545	557
Impairment losses	(59)	(73)	(80)
Operating profit	533	472	477
Analysis of income by product			
Personal advances	235	247	223
Personal deposits	142	116	103
Mortgages	638	665	628
Cards	198	206	209
Other	27	33	28
Total income	1,240	1,267	1,191

Analysis of impairments by sector			
Mortgages	1	(13)	10
Personal	38	61	35
Cards	20	25	35
Total impairment losses	59	73	80
Loan impairment charge as % of gross customer loans and advances			
by sector			
Mortgages	-	(0.1%)	-
Personal	1.9%	3.0%	1.6%
Cards	1.5%	1.7%	2.5%
Total	0.2%	0.3%	0.3%

UK Retail

Key metrics			
	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
Performance ratios			
Return on equity (1)	26.2%	25.5%	25.5%
Net interest margin	3.59%	3.60%	3.49%
Cost:income ratio	52%	57%	53%

	31 March	31 December		31 March	
	2014	2013		2013	
	£bn	£bn	Change	£bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)					
- mortgages	100.5	99.3	1%	99.1	1%
- personal	7.8	8.1	(4%)	8.6	(9%)
- cards	5.5	5.8	(5%)	5.5	-
	113.8	113.2	1%	113.2	1%
Loan impairment provisions	(1.9)	(2.1)	(10%)	(2.6)	(27%)
Net loans and advances to customers	111.9	111.1	1%	110.6	1%
Risk elements in lending	3.3	3.6	(8%)	4.4	(25%)
Provision coverage (2)	58%	59%	(100bp)	58%	-
Customer deposits					
- Current accounts	33.8	32.6	4%	31.1	9%
- Savings	81.0	82.3	(2%)	79.0	3%

Total customer deposits	114.8	114.9	-	110.1	4%
Assets under management (excluding deposits)	5.5	5.8	(5%)	6.2	(11%)
Loan:deposit ratio	98%	97%	100bp	100%	(200bp)
Risk-weighted assets (3)					
- Credit risk (non-counterparty)	36.2	36.1	-	36.7	(1%)
- Operational risk	7.7	7.8	(1%)	7.8	(1%)
Total risk-weighted assets	43.9	43.9	-	44.5	(1%)

Notes:

- (1) Divisional return on equity is based on divisional operating profit after tax divided by average notional equity (based on 10% of the monthly average of divisional RWAs, adjusted for capital deductions).
- (2) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.
- (3) Divisional RWAs are based on a long-term conservative average secured mortgage probability of default methodology rather than the current lower point in time basis required for regulatory reporting.

UK Retail

Key points

Q1 2014 compared with Q4 2013

- Operating profit increased by 13%, £61 million, driven by lower costs and impairments, with income trends remaining subdued.
- Loans and advances to customers increased due to a £1.2 billion rise in mortgage balances, partly offset by a seasonal decline in credit card balances and personal lending and the write-off of some older defaulted unsecured debt. This also reduced the level of loan impairment provisions required.
- Customer deposit balances were flat. However, the mix between fixed rate bonds and instant access accounts changed due to customers retaining cash in easy access accounts while market rates are low.
- Net interest income was 2% lower mainly due to fewer days in the quarter, an impact of £22 million. Net interest margin remained flat with improvement in savings margin in line with market pricing conditions offset by a small decline in mortgage margins as new business rates remain competitive and fixed rate funding costs increased.
- Non-interest income decreased by £7 million, or 3%, due to lower net packaged account income and seasonal impacts on transactional card income.
- Direct costs decreased by 14% due to:
 - Direct staff costs declined due to headcount reduction of 300.
 - Direct other costs decreased due to a lower FSCS levy charge of £19 million (Q4 2013 - £40 million) and a lower conduct related provision of £15 million (Q4 2013 - £50 million).
- Indirect costs decreased by 6% due to lower technology spend and corporate recharges from central efficiencies.
- Impairments were 19% lower, driven by a lower level of defaults and improvements in underlying asset quality.
- Risk elements in lending declined by £0.3 billion, 8%, as the quality of the book continued to improve and some older defaulted unsecured debt was written off. Provision coverage remains strong at 58%.

Q1 2014 compared with Q1 2013

- Operating profit increased by £56 million, 12%, reflecting higher income combined with lower impairment losses partially offset by a slight increase in costs.
- Net interest income increased by 3%, driven by improved savings margins due to pricing changes in line with the market and improved deposit mix towards instant access and away from fixed rate bonds. Income from higher mortgage balances was offset by lower income from unsecured lending.
- Non-interest income increased by 9% due to higher current account-related fee income.
- Costs were 2% higher. Staff costs were lower driven by a 9% reduction in headcount. Other costs increased due to a £23 million charge for conduct and compensation and increased marketing spend of £8 million. Indirect costs were lower with continued efficiency measures and lower corporate recharges.
- Impairments were £21 million lower due to improved asset quality and lower default volumes.

UK Corporate

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Income statement			
Net interest income	706	728	706
Net fees and commissions	312	326	321
Other non-interest income	85	75	57
Non-interest income	397	401	378
Total income	1,103	1,129	1,084
Direct expenses			
- staff	(221)	(217)	(217)
- other	(93)	(134)	(103)
Indirect expenses	(235)	(234)	(221)
	(549)	(585)	(541)
Profit before impairment losses	554	544	543
Impairment losses	(63)	(659)	(185)
Operating profit	491	(115)	358
Analysis of income by business			
Corporate and commercial lending	602	639	622
Asset and invoice finance	180	168	164
Corporate deposits	114	106	73
Other	207	216	225
Total income	1,103	1,129	1,084
Analysis of impairments by sector			

Financial institutions	3	4	2
Hotels and restaurants	5	16	18
Housebuilding and construction	10	12	12
Manufacturing	10	20	8
Private sector education, health, social work, recreational and community services	(3)	33	25
Property	5	236	69
Wholesale and retail trade, repairs	20	15	32
Asset and invoice finance	2	21	1
Shipping	(3)	310	8
Other	14	(8)	10
Total impairment losses	63	659	185
Of which RCR related (1)	-	410	-

Note:

(1) Attributable to the creation of RCR and related strategy in Q4 2013.

UK Corporate

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
Loan impairment charge as % of gross customer loans and advances			
by sector			
Financial institutions	0.2%	0.3%	0.2%
Hotels and restaurants	0.4%	1.4%	1.3%
Housebuilding and construction	1.2%	1.7%	1.5%
Manufacturing	0.9%	1.9%	0.7%
Private sector education, health, social work, recreational and community services	(0.2%)	1.6%	1.1%
Property	0.1%	4.3%	1.1%
Wholesale and retail trade, repairs	1.0%	0.7%	1.5%
Asset and invoice finance	0.1%	0.7%	-
Shipping	(0.2%)	19.1%	0.4%
Other	0.2%	(0.1%)	0.1%
Total	0.2%	2.6%	0.7%
Key metrics			
	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
Performance ratios			
Return on equity (1)	14.9%	(3.4%)	10.7%
Net interest margin	3.13%	3.13%	3.01%
Cost:income ratio	50%	52%	50%

Note:

(1)

Divisional return on equity is based on divisional operating profit after tax divided by average notional equity (based on 10% of the monthly average of divisional RWAs, adjusted for capital deductions).

UK Corporate

	31 March	31 December		31 March	
	2014	2013		2013	
	£bn	£bn	Change	£bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)					
- financial institutions	5.8	5.5	5%	5.1	14%
- hotels and restaurants	4.8	4.7	2%	5.6	(14%)
- housebuilding and construction	3.3	2.9	14%	3.1	6%
- manufacturing	4.3	4.2	2%	4.7	(9%)
- private sector education, health, social work, recreational and community services	7.9	8.5	(7%)	8.8	(10%)
- property	21.3	22.0	(3%)	24.4	(13%)
- wholesale and retail trade, repairs	8.0	8.2	(2%)	8.6	(7%)
- asset and invoice finance	13.6	11.7	16%	11.4	19%
- shipping	6.2	6.5	(5%)	7.7	(19%)
- other	28.0	28.3	(1%)	27.4	2%
	103.2	102.5	1%	106.8	(3%)
Loan impairment provisions	(2.3)	(2.8)	(18%)	(2.4)	(4%)
Net loans and advances to customers	100.9	99.7	1%	104.4	(3%)
Total third party assets	106.7	105.0	2%	109.9	(3%)
Risk elements in lending	4.6	6.2	(26%)	5.3	(13%)
Provision coverage (1)	49%	46%	300bp	45%	400bp
Customer deposits	121.2	124.7	(3%)	123.9	(2%)
Loan:deposit ratio	83%	80%	300bp	84%	(100bp)
Risk-weighted assets					
- Credit risk (non-counterparty)	72.0	77.7	(7%)	78.6	(8%)
- Operational risk	8.4	8.4	-	8.4	-
	80.4	86.1 ⁽²⁾	(7%)	87.0	(8%)

Notes:

- (1) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.
- (2) On an FLB3 basis risk-weighted assets were £82.9 billion at 31 December 2013.

Key points

Q1 2014 compared with Q4 2013

- Operating profit was £491 million for the quarter, delivering a return on equity of 14.9%. Q4 2013 included £422 million of charges relating to the creation of RCR. Excluding these, underlying operating profit improved by £184 million, primarily from lower impairments and expenses partially offset by reduced income.
- Net interest income was down 3% due to fewer days in the quarter (£15 million), along with a decline in asset margin from the transfer of loans relating to the establishment of RCR. This was partially offset by increased income from deposit repricing.
- Non-interest income was down 1%, primarily from lower Markets revenue share and transaction services income.
- Total expenses were 6% lower as a result of reduced customer remediation costs, down £27 million, and the initial impacts of cost saving initiatives.
- Impairments declined by £596 million. Excluding the increased losses incurred in Q4 2013 (£410 million) relating to the creation of RCR, underlying impairments were £186 million lower, with fewer significant individual cases in the mid-to-large corporate business.

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UK Corporate

Key points (continued)

Q1 2014 compared with Q4 2013 (continued)

- Loans and advances increased by 1%, driven by improved lending activity, particularly in relation to large corporate clients. Deposit volumes declined by 3% reflecting seasonal outflows and the rebalancing of the Bank's liquidity position. Consequently, the loan:deposit ratio moved to 83% from 80%.
- Risk-weighted assets on an FLB3 basis were £2.5 billion lower reflecting the net of the transfers to RCR and from Non-Core.

Q1 2014 compared with Q1 2013

- Operating profit increased 37%, primarily reflecting lower impairment charges.
- Net interest income was flat as repricing of both deposits and assets was offset by lower asset volumes, reduced yields on current accounts and the transfers relating to the establishment of RCR and the cessation of Non-Core.
- Non-interest income increased by 5% due to lower derivative close-out charges and higher equity gains. These were partially offset by lower Markets revenue share and lending fees.
- Total expenses increased by 1% as higher indirect costs were partially offset by lower customer remediation costs.
- Impairments were down £122 million, primarily from improved trends in the SME business and fewer individual cases in the mid-to-large corporate business.
- The loan:deposit ratio declined 100 basis points as the deposit base contracted during Q1 2014 whilst asset volumes declined 3% as repayments outpaced new lending growth during 2013.

Wealth

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Income statement			
Net interest income	171	174	169
Net fees and commissions	87	85	89
Other non-interest income	16	18	15
Non-interest income	103	103	104
Total income	274	277	273
Direct expenses			
- staff	(94)	(79)	(103)
- other	(30)	(43)	(23)
Indirect expenses	(73)	(85)	(86)
	(197)	(207)	(212)
Profit before impairment losses	77	70	61
Impairment recoveries/(losses)	1	(21)	(5)
Operating profit	78	49	56
Analysis of income			
Private banking	229	225	224
Investments	45	52	49
Total income	274	277	273
Key metrics	Quarter ended		
	31 March	31 December	31 March

	2014	2013	2013
Performance ratios			
Return on equity (1)	16.9%	10.9%	12.1%
Net interest margin	3.72%	3.70%	3.55%
Cost:income ratio	72%	75%	78%

Note:

- (1) Divisional return on equity is based on divisional operating profit after tax divided by average notional equity (based on 10% of the monthly average of divisional RWAs, adjusted for capital deductions).

Wealth

	31 March	31 December		31 March	
	2014	2013		2013	
	£bn	£bn	Change	£bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)					
- mortgages	8.7	8.7	-	8.8	(1%)
- personal	5.6	5.6	-	5.7	(2%)
- other	2.5	2.5	-	2.7	(7%)
	16.8	16.8	-	17.2	(2%)
Loan impairment provisions	(0.1)	(0.1)	-	(0.1)	-
Net loans and advances to customers	16.7	16.7	-	17.1	(2%)
Risk elements in lending	0.3	0.3	-	0.3	-
Provision coverage (1)	45%	43%	200bp	43%	200bp
Assets under management (excluding deposits)	28.5	29.7	(4%)	30.8	(7%)
Customer deposits	36.6	37.2	(2%)	39.6	(8%)
Loan:deposit ratio (excluding repos)	45%	45%	-	43%	200bp
Risk-weighted assets					
- Credit risk					
- non-counterparty	10.1	10.0	1%	10.4	(3%)
- Market risk	-	0.1	(100%)	0.2	(100%)
- Operational risk	1.9	1.9	-	1.9	-
	12.0	12.0	-	12.5	(4%)

Note:

- (1) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.

Key points

Q1 2014 compared with Q4 2013

- Operating profit was £29 million higher, driven by lower expenses and impairment losses.
- Income was £3 million, 1%, lower, reflecting the impact of fewer days in the quarter.
- Expenses were 5% lower at £197 million, primarily due to the non-recurrence of a one-off UK tax treaty charge in the International business in Q4 2013 and savings from the streamlining of the business's property footprint.
- Impairments decreased by £22 million, reflecting the non-recurrence of a single specific impairment in Q4 2013.
- Client assets and liabilities were 2% lower, with the decrease in assets under management mainly driven by low margin custody asset outflows and negative market movements. Deposits were £0.6 billion lower following cyclical outflows for tax payments and repricing action in the UK. Lending remained broadly flat.

Q1 2014 compared with Q1 2013

- Operating profit increased by £22 million, as a result of lower expenses and impairments.
- Net interest income increased by £2 million, primarily driven by higher deposit spreads. Non-interest income fell by £1 million as a result of lower transaction and investment volumes in the International business.
- Expenses decreased by £15 million, 7%, reflecting savings from the streamlining of the business's property footprint, reduced headcount and the continued tight management of discretionary costs.
- Impairments were £6 million lower.

International Banking

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Income statement			
Net interest income	180	173	197
Non-interest income	248	271	285
Total income	428	444	482
Direct expenses			
- staff	(109)	(114)	(125)
- other	(35)	(57)	(38)
Indirect expenses	(164)	(166)	(170)
	(308)	(337)	(333)
Profit before impairment losses	120	107	149
Impairment losses	(10)	(47)	(55)
Operating profit	110	60	94
Analysis of income by product			
Cash management	173	185	187
Trade finance	76	77	70
Loan portfolio	179	182	224
Ongoing businesses	428	444	481
Run-off businesses	-	-	1
Total income	428	444	482
Analysis of impairments by sector			
Manufacturing and infrastructure	-	20	40
Property and construction	-	-	(14)

Transport and storage	-	23	24
Telecommunications, media and technology	(1)	-	-
Banks and financial institutions	-	(15)	-
Other	11	19	5
Total impairment losses	10	47	55
Of which RCR related (1)	-	52	-
Loan impairment charge as % of gross customer loans and advances	0.1%	0.5%	0.5%

Note:

(1) Pertaining to the creation of RCR and related strategy in Q4 2013.

International Banking

Key metrics	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
Performance ratios			
Return on equity (1)	6.5%	3.4%	5.2%
Net interest margin	1.55%	1.54%	1.74%
Cost:income ratio	72%	76%	69%

	31 March	31 December			31 March	
	2014	2013			2013	
	£bn	£bn	Change		£bn	Change
Capital and balance sheet						
Loans and advances to customers (gross) (2)						
- manufacturing and infrastructure	15.1	13.6	11%		16.9	(11%)
- property and construction	2.4	2.4	-		2.5	(4%)
- transport and storage	2.9	3.3	(12%)		2.8	4%
- telecommunications, media and technology	2.7	2.8	(4%)		2.6	4%
- banks and financial institutions	6.9	6.5	6%		7.9	(13%)
- other	8.6	7.4	16%		9.8	(12%)
	38.6	36.0	7%		42.5	(9%)
Loan impairment provisions	(0.1)	(0.3)	(67%)		(0.4)	(75%)
Net loans and advances to customers	38.5	35.7	8%		42.1	(9%)
Loans and advances to banks	7.9	8.0	(1%)		5.8	36%
Securities	2.2	2.4	(8%)		2.5	(12%)
Cash and eligible bills	0.2	0.3	(33%)		0.4	(50%)
Other	2.1	2.1	-		3.6	(42%)
Total third party assets (excluding derivatives)						

mark-to-market)	50.9	48.5	5%		54.4	(6%)
Risk elements in lending	-	0.5	(100%)		0.6	(100%)
Provision coverage (3)	-	69%	(6,900bp)		59%	(5,900bp)
Customer deposits	33.7	39.3	(14%)		47.0	(28%)
Bank deposits	5.1	6.5	(22%)		4.7	9%
Loan:deposit ratio	114%	91%	2,300bp		90%	2,400bp
Risk-weighted assets						
- Credit risk (non-counterparty)	43.0	44.3	(3%)		44.2	(3%)
- Operational risk	4.1	4.7	(13%)		4.7	(13%)
	47.1	49.0 ⁽⁴⁾	(4%)		48.9	(4%)

Notes:

- (1) Divisional return on equity is based on divisional operating profit after tax divided by average notional equity (based on 10% of the monthly average of divisional RWAs, adjusted for capital deductions) for the ongoing businesses.
- (2) Excludes disposal groups.
- (3) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.
- (4) On an FLB3 basis risk-weighted assets were £50.3 billion at 31 December 2013.

International Banking

Key points

Q1 2014 compared with Q4 2013

- Operating profit was £110 million for the quarter, delivering a return on equity of 6.5%. Q4 2013 included £52 million of impairment charges on assets now transferred to RCR. Excluding these charges, underlying operating profit was slightly down, with lower revenues offset by lower costs and impairments.
- Income was down £16 million as low interest rates and the competitive environment continued to drive down margins in Cash management.
- Impairments were £37 million lower, driven by increased provisions in Q4 2013 relating to the creation of RCR and its related strategy.
- Third party assets were up 5%, driven by £0.9 billion of new business, primarily in Asia and the net of the transfers from Non-Core and to RCR.
- Customer deposits were 14% lower, in line with a change in funding strategy.
- Risk-weighted assets on an FLB3 basis decreased by 6%, primarily driven by the net of the transfers of assets to RCR and from Non-Core.

Q1 2014 compared with Q1 2013

- Operating profit was up £16 million, driven by lower costs and impairments partially offset by lower income.
- Income was £54 million lower:

Loan Portfolio income declined £45 million largely reflecting the reduced balance sheet.

Cash Management income was £14 million lower, as low interest rates and the competitive environment drove down margins.

Trade Finance income was up £6 million, driven by volume growth in Asia and EMEA.

- Expenses decreased by £25 million, primarily driven by lower variable compensation.
- Third party assets were down 6%, reflecting the netting of pooled accounts, partially offset by an increase in Trade and the net of the transfers of assets from Non-Core and to RCR.
- Customer deposits were 28% lower in line with a change in funding strategy.

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Ulster Bank

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Income statement			
Net interest income	159	169	154
Net fees and commissions	32	37	34
Other non-interest income	15	1	20
Non-interest income	47	38	54
Total income	206	207	208
Direct expenses			
- staff	(63)	(51)	(57)
- other	(17)	(21)	(15)
Indirect expenses	(62)	(64)	(60)
	(142)	(136)	(132)
Profit before impairment losses	64	71	76
Impairment losses	(47)	(1,067)	(240)
Operating profit/(loss)	17	(996)	(164)
Analysis of income by business			
Corporate	69	69	82
Retail	90	98	89
Other	47	40	37
Total income	206	207	208
Analysis of impairments by sector			
Mortgages	19	24	90

Commercial real estate			
- investment	8	392	46
- development	(3)	115	14
Other corporate	17	534	75
Other lending	6	2	15
Total impairment losses	47	1,067	240
Of which RCR related (1)	-	892	-
Loan impairment charge as % of gross customer loans and advances			
(excluding reverse repurchase agreements) by sector			
Mortgages	0.4%	0.5%	1.8%
Commercial real estate			
- investment	3.2%	46.1%	5.1%
- development	(3.0%)	65.7%	8.0%
Other corporate	1.3%	30.1%	3.8%
Other lending	2.4%	0.7%	4.6%
Total	0.7%	13.6%	2.9%

Note:

(1) Pertaining to the creation of RCR and related strategy in Q4 2013.

Ulster Bank

Key metrics	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
Performance ratios			
Return on equity (1)	2.5%	(98.1%)	(13.5%)
Net interest margin	2.36%	2.10%	1.85%
Cost:income ratio	69%	66%	63%

	31 March	31 December		31 March	
	2014	2013		2013	
	£bn	£bn	Change	£bn	Change
Capital and balance sheet					
Loans and advances to customers (gross)					
Mortgages	18.8	19.0	(1%)	19.7	(5%)
Commercial real estate					
- investment	1.0	3.4	(71%)	3.6	(72%)
- development	0.4	0.7	(43%)	0.7	(43%)
Other corporate	5.4	7.1	(24%)	7.8	(31%)
Other lending	1.0	1.2	(17%)	1.3	(23%)
	26.6	31.4	(15%)	33.1	(20%)
Loan impairment provisions	(3.4)	(5.4)	(37%)	(4.2)	(19%)
Net loans and advances to customers	23.2	26.0	(11%)	28.9	(20%)
Risk elements in lending					
- Mortgages	3.1	3.2	(3%)	3.4	(9%)
- Commercial real estate					
- investment	0.3	2.3	(87%)	1.6	(81%)
- development	0.2	0.5	(60%)	0.4	(50%)
- Other corporate	0.9	2.3	(61%)	2.4	(63%)
- Other lending	0.2	0.2	-	0.2	-

Total risk elements in lending	4.7	8.5	(45%)	8.0	(41%)
Provision coverage (2)	72%	64%	800bp	53%	1,900bp
Customer deposits	21.1	21.7	(3%)	22.7	(7%)
Loan:deposit ratio (excluding repos)	110%	120%	(1,000bp)	127%	(1,700bp)
Risk-weighted assets					
- Credit risk					
- non-counterparty	26.7	28.2	(5%)	34.3	(22%)
- counterparty	0.3	0.3	-	0.6	(50%)
- Market risk	0.2	0.5	(60%)	0.2	-
- Operational risk	1.5	1.7	(12%)	1.7	(12%)
	28.7	30.7	(7%)	36.8	(22%)
Spot exchange rate - €/£	1.210	1.201		1.183	

Notes:

- (1) Divisional return on equity is based on divisional operating loss after tax divided by average notional equity (based on 10% of the monthly average of divisional RWAs, adjusted for capital deductions).
- (2) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.

Ulster Bank

Key points

The creation of RCR resulted in additional charges of £911 million in Ulster Bank's results in Q4 2013, and the transfer of £4.4 billion of gross assets to RCR at the start of Q1 2014. This has had a significant impact on the comparison of Q1 2014 financial performance with both Q4 2013 and Q1 2013.

Q1 2014 compared with Q4 2013

Ulster Bank posted an operating profit of £17 million for the quarter, compared with a loss of £996 million in Q4 2013, which included additional charges related to the creation of RCR. The return to profitability for the first time since Q1 2009 marked a key milestone for the bank reflecting improving trading conditions albeit volatility is still a feature of business performance.

Net interest margin increased by 26 basis points in the quarter to 2.36% reflecting the transfer of non-performing assets to RCR coupled with a continued improvement in deposit margins. Net interest income fell by £10 million due to a combination of fewer days in the quarter, the impact of assets transferred to RCR and a lower margin on the tracker mortgage book following a reduction in the European Central Bank refinancing interest rate during Q4 2013. This was partially offset by lower funding costs.

Non-interest income increased by £9 million to £47 million, primarily reflecting the impact of a number of one-off items totalling £10 million which depressed Q4 2013 income, including an increased provision on a counterparty swap exposure related to the creation of RCR.

Total expenses increased by £6 million in Q1 2014 to £142 million principally due to the charge of £4 million in respect of the new bank levy, introduced in the Republic of Ireland. Expenses in Q4 2013 were affected by a number of one-off items, including a pension service cost reduction and an accelerated depreciation charge.

Impairment losses fell significantly in Q1 2014 to 0.7% of gross customer loans and advances, reflecting improved credit metrics particularly within the corporate and SME portfolios. The Q4 2013 results included an increased charge of £892 million relating to the creation of RCR.

Ulster Bank's loan:deposit ratio of 110% in Q1 2014 reflects the impact of the transfer of loan balances to RCR. While Retail and SME deposit balances have remained stable in the quarter, total deposit balances declined by 3% attributable to a reduction in wholesale balances.

Q1 2014 compared with Q1 2013

Operating results improved by £181 million, primarily reflecting a reduction in impairment losses.

Income has remained stable despite a reduction in net loans following the transfer of assets to RCR. Net interest margin increased by 51 basis points to 2.36% driven by deposit repricing actions and the impact of the asset transfer to RCR. Non-interest income decreased by £7 million primarily reflecting mark-to-market movements on tracker mortgage hedging swaps.

Expenses increased by £10 million. Savings arising from a reduction in staff numbers were more than offset by the new bank levy in the Republic of Ireland and a realignment of costs following the creation of RCR.

Ulster Bank

Key points (continued)

Q1 2014 compared with Q1 2013 (continued)

Impairment losses decreased by 80% with significant reductions across the mortgage, SME and corporate portfolios. This improvement not only reflects the transfer of high risk assets to RCR but also reflects the progress made in addressing legacy issues, including the implementation of strategies to help customers normalise their payments.

The loan:deposit ratio of 110% reflects a 20% reduction in loan balances driven by the transfer of assets to RCR coupled with the impact of customer deleveraging. Customer deposits declined by 7% with growth in Retail and SME balances outweighed by a reduction in wholesale balances.

Risk-weighted assets decreased by 22%, reflecting a smaller performing loan book and stabilising credit metrics.

US Retail & Commercial (£ Sterling)

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	£m	£m	£m
Income statement			
Net interest income	488	479	471
Net fees and commissions	169	182	190
Other non-interest income	60	58	102
Non-interest income	229	240	292
Total income	717	719	763
Direct expenses			
- staff	(251)	(249)	(286)
- other	(249)	(251)	(248)
Indirect expenses	-	(31)	(21)
	(500)	(531)	(555)
Profit before impairment losses	217	188	208
Impairment losses	(73)	(46)	(19)
Operating profit	144	142	189
Average exchange rate - US\$/£	1.655	1.619	1.552
Analysis of income by product			
Mortgages and home equity	112	100	126
Personal lending and cards	98	101	100
Retail deposits	186	187	190
Commercial lending	165	169	168
Commercial deposits	107	100	102

Other	49	62	77
Total income	717	719	763
Analysis of impairments by sector			
Residential mortgages	(5)	-	2
Home equity	19	1	19
SBO home equity	21	-	-
Corporate and commercial	9	25	(24)
Other consumer	29	20	22
Total impairment losses	73	46	19
Loan impairment charge as % of gross customer loans and advances			
(excluding reverse repurchase agreements) by sector			
Residential mortgages	(0.3%)	-	0.1%
Home equity	0.6%	-	0.6%
SBO home equity	6.5%	-	-
Corporate and commercial	0.1%	0.4%	(0.4%)
Other consumer	1.3%	0.9%	1.0%
Total	0.5%	0.4%	0.1%

US Retail & Commercial (£ Sterling)

Key metrics	Quarter ended		
	31 March 2014	31 December 2013	31 March 2013
Performance ratios			
Return on equity (1)	6.1%	6.5%	8.2%
Net interest margin	2.94%	2.98%	2.93%
Cost:income ratio	70%	74%	73%

	31 March 2014	31 December 2013			31 March 2013	
	£bn	£bn	Change		£bn	Change
Capital and balance sheet						
Loans and advances to customers (gross)						
- residential mortgages	6.2	5.8	7%		6.0	3%
- home equity	12.0	12.1	(1%)		13.8	(13%)
- SBO home equity	1.3	-	-		-	-
- corporate and commercial	24.7	24.1	2%		25.1	(2%)
- other consumer	9.0	8.6	5%		8.9	1%
	53.2	50.6	5%		53.8	(1%)
Loan impairment provisions	(0.5)	(0.3)	67%		(0.3)	67%
Net loans and advances to customers	52.7	50.3	5%		53.5	(1%)
Total third party assets	76.1	71.7	6%		77.0	(1%)
Investment securities	14.9	12.9	16%		11.9	25%
Risk elements in lending						
- retail	1.1	0.9	22%		0.9	22%
- commercial	0.2	0.1	100%		0.4	(50%)

Total risk elements in lending	1.3	1.0	30%		1.3	-
Provision coverage (2)	41%	26%	1,500bp		22%	1,900bp
Customer deposits (excluding repos)	54.9	55.1	-		62.4	(12%)
Bank deposits (excluding repos)	3.4	2.0	70%		1.7	100%
Loan:deposit ratio (excluding repos)	96%	91%	500bp		86%	1,000bp
Risk-weighted assets						
- Credit risk						
- non-counterparty	55.4	50.7	9%		53.1	4%
- counterparty	0.8	0.5	60%		0.8	-
- Operational risk	5.1	4.9	4%		5.0	2%
	61.3	56.1	9%		58.9	4%
Spot exchange rate - US\$/£	1.668	1.654			1.517	

Notes:

- (1) Divisional return on equity is based on divisional operating profit after tax divided by average notional equity (based on 10% of the monthly average of divisional RWAs, adjusted for capital deductions).
- (2) Provision coverage represents loan impairment provisions as a percentage of risk elements in lending.

Key points

Sterling strengthened against the US dollar, with the spot exchange rate at 31 March 2014 increasing 1% compared with 31 December 2013.

Performance is described in full in the US dollar-based financial statements set out on pages 39 to 42.

US Retail & Commercial (US dollar)

	Quarter ended		
	31 March	31 December	31 March
	2014	2013	2013
	\$m	\$m	\$m
Income statement			
Net interest income	809	781	731
Net fees and commissions	279	298	295
Other non-interest income	99	97	158
Non-interest income	378	395	453
Total income	1,187	1,176	1,184
Direct expenses			
- staff	(416)	(409)	(444)
- other	(412)	(409)	(384)
Indirect expenses	-	(50)	(34)
	(828)	(868)	(862)
Profit before impairment losses	359	308	322
Impairment losses	(121)	(75)	(30)
Operating profit	238	233	292
Analysis of income by product			
Mortgages and home equity	185	164	195
Personal lending and cards	162	165	155
Retail deposits	308	306	295
Commercial lending	273	275	261
Commercial deposits	177	163	158
Other	82	103	120
Total income	1,187	1,176	1,184

Analysis of impairments by sector			
Residential mortgages	(9)	1	3
Home equity	32	2	29
SBO home equity	34	-	-
Corporate and commercial	15	38	(36)
Other consumer	49	33	34
Securities	-	1	-
Total impairment losses	121	75	30
Loan impairment charge as % of gross customer loans and advances			
(excluding reverse repurchase agreements) by sector			
Residential mortgages	(0.3%)	-	0.1%
Home equity	0.6%	-	0.6%
SBO home equity	6.5%	-	-
Corporate and commercial	0.1%	0.4%	(0.4%)
Other consumer	1.3%	0.9%	1.0%
Total	0.5%	0.4%	0.1%

US Retail & Commercial (US dollar)

Key metrics				Quarter ended		
				31 March	31 December	31 March
				2014	2013	2013
Performance ratios						
Return on equity (1)				6.1%	6.5%	8.2%
Net interest margin				2.94%	2.98%	2.93%
Cost:income ratio				70%	74%	73%
	31 March	31 December			31 March	
	2014	2013			2013	
	\$bn	\$bn	Change		\$bn	Change
Capital and balance sheet						
Loans and advances to customers (gross)						
- residential mortgages	10.3	9.6	7%		9.1	13%
- home equity	20.0	20.1	-		20.9	(4%)
- SBO home equity	2.1	-	-		-	-
- corporate and commercial	41.2	39.8	4%		38.1	8%
- other consumer	15.2	14.1	8%		13.5	13%
	88.8	83.6	6%		81.6	9%
Loan impairment provisions	(0.9)	(0.4)	125%		(0.4)	125%
Net loans and advances to customers						
	87.9	83.2	6%			