

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
February 24, 2011

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 February 24, 2011

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:

Appendix 3

Additional risk management disclosures

Contents

| | Page |
|----------------------|------|
| Credit risk | 3 |
| Other risk exposures | 16 |

Presentation of information

The disclosures in this section include only those businesses of RBS N.V. that are retained by RBS.

Appendix 3 Additional risk management disclosures

Risk management: Credit risk

Loans, REIL and impairment provisions by geography and industry

The tables below analyse loans and advances (excluding reverse repos and disposal groups) and related REIL, provisions, impairments and write-offs by industry and geography (by location of office), for the Group, Core and Non-Core.

| | Gross loans | REIL | Provisions | Provisions | | | Impairment charge | Amounts written-off |
|------------------------------|-------------|--------|------------|-----------------|----------------|--------------------|-------------------|---------------------|
| | | | | as a % of loans | as a % of REIL | as a % gross loans | | |
| 31 December 2010 | £m | £m | £m | % | % | % | £m | £m |
| Group | | | | | | | | |
| Central and local government | 8,452 | - | - | - | - | - | - | - |
| Finance - banks | 58,036 | 145 | 127 | 0.2 | 88 | 0.2 | (13) | 12 |
| - other | 54,561 | 1,129 | 595 | 2.1 | 53 | 1.1 | 198 | 141 |
| Residential mortgages | 146,501 | 4,276 | 877 | 2.9 | 21 | 0.6 | 1,014 | 669 |
| Personal lending | 37,472 | 3,544 | 2,894 | 9.5 | 82 | 7.7 | 1,370 | 1,577 |
| Property | 90,106 | 19,584 | 6,736 | 21.7 | 34 | 7.5 | 4,682 | 1,009 |
| Construction | 12,032 | 2,464 | 875 | 20.5 | 36 | 7.3 | 530 | 146 |
| Manufacturing | 32,317 | 1,199 | 503 | 3.7 | 42 | 1.6 | (92) | 1,547 |

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| | | | | | | | | |
|--|---------|--------|--------|------|----|-----|-------|-------|
| Service industries and business activities | 117,510 | 5,258 | 2,285 | 4.5 | 43 | 1.9 | 1,293 | 822 |
| Agriculture, forestry and fishing | 3,893 | 152 | 86 | 3.9 | 57 | 2.2 | 31 | 6 |
| Finance leases and instalment credit | 16,850 | 847 | 554 | 5.0 | 65 | 3.3 | 252 | 113 |
| Interest accruals | 1,109 | - | - | - | - | - | - | - |
| Latent | - | - | 2,650 | - | - | - | (121) | - |
| | 578,839 | 38,598 | 18,182 | 6.7 | 47 | 3.1 | 9,144 | 6,042 |
| of which: | | | | | | | | |
| UK | 382,609 | 18,111 | 8,537 | 4.7 | 47 | 2.2 | 3,912 | 2,271 |
| Europe | 94,119 | 16,436 | 7,270 | 17.5 | 44 | 7.7 | 3,878 | 1,663 |
| US | 75,430 | 2,330 | 1,643 | 3.1 | 71 | 2.2 | 1,020 | 1,660 |
| RoW | 26,681 | 1,721 | 732 | 6.5 | 43 | 2.7 | 334 | 448 |
| | 578,839 | 38,598 | 18,182 | 6.7 | 47 | 3.1 | 9,144 | 6,042 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk (continued)

Loans, REIL and impairment provisions by geography and industry (continued)

| 30 September 2010 | Gross loans £m | REIL £m | Provisions £m | REIL Provisions | | Provisions as a % | | Impairment charge £m | Amounts written-off £m |
|--|-------------------|------------|------------------|-------------------------|------------------------|-------------------|------------------|-------------------------|---------------------------|
| | | | | as a % of loans % | as a % of REIL % | gross loans % | gross loans % | | |
| Group | | | | | | | | | |
| Central and local government | 10,970 | - | - | - | - | - | - | - | - |
| Finance - banks | 60,457 | 142 | 127 | 0.2 | 89 | 0.2 | - | - | 11 |
| - other | 63,373 | 1,014 | 561 | 1.6 | 55 | 0.9 | 269 | 269 | 130 |
| Residential mortgages | 145,808 | 4,194 | 753 | 2.9 | 18 | 0.5 | 737 | 737 | 512 |
| Personal lending | 38,312 | 3,839 | 3,129 | 10.0 | 82 | 8.2 | 1,136 | 1,136 | 1,071 |
| Property | 92,188 | 19,270 | 6,273 | 20.9 | 33 | 6.8 | 3,564 | 3,564 | 513 |
| Construction | 12,617 | 2,225 | 764 | 17.6 | 34 | 6.1 | 384 | 384 | 114 |
| Manufacturing | 35,594 | 1,120 | 515 | 3.1 | 46 | 1.4 | (257) | (257) | 1,480 |
| Service industries and business activities | 123,721 | 5,381 | 2,215 | 4.3 | 41 | 1.8 | 1,001 | 1,001 | 622 |
| Agriculture, forestry and fishing | 4,110 | 173 | 93 | 4.2 | 54 | 2.3 | 27 | 27 | 4 |
| Finance leases and instalment | 17,774 | 837 | 482 | 4.7 | 58 | 2.7 | 133 | 133 | 69 |

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| | | | | | | | | |
|-------------------|---------|--------|--------|------|----|-----|-------|-------|
| credit | | | | | | | | |
| Interest accruals | 1,125 | - | - | - | - | - | - | - |
| Latent | - | - | 2,758 | - | - | - | (5) | - |
| | 606,049 | 38,195 | 17,670 | 6.3 | 46 | 2.9 | 6,989 | 4,526 |
| of which: | | | | | | | | |
| UK | 400,336 | 19,008 | 8,634 | 4.7 | 45 | 2.2 | 3,192 | 1,387 |
| Europe | 101,342 | 14,695 | 6,202 | 14.5 | 42 | 6.1 | 2,465 | 1,584 |
| US | 75,813 | 2,465 | 1,798 | 3.3 | 73 | 2.4 | 937 | 1,327 |
| RoW | 28,558 | 2,027 | 1,036 | 7.1 | 51 | 3.6 | 395 | 228 |
| | 606,049 | 38,195 | 17,670 | 6.3 | 46 | 2.9 | 6,989 | 4,526 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk (continued)

Loans, REIL and impairment provisions by geography and industry (continued)

| 31 December 2009 | Gross | | REIL Provisions | | Provisions as a % | | Impairment charge | Amounts written-off |
|--|---------|--------|-----------------|----------|-------------------|-------|-------------------|---------------------|
| | loans | REIL | Provisions | as a % | as a % | gross | | |
| | £m | £m | £m | of loans | of REIL | loans | £m | £m |
| | | | | % | % | % | | |
| Group | | | | | | | | |
| Central and local government | 7,660 | - | - | - | - | - | - | - |
| Finance - banks | 48,934 | 206 | 157 | 0.4 | 76 | 0.3 | 34 | - |
| - other | 60,386 | 1,539 | 419 | 2.5 | 27 | 0.7 | 886 | 692 |
| Residential mortgages | 140,907 | 3,284 | 551 | 2.3 | 17 | 0.4 | 909 | 642 |
| Personal lending | 41,671 | 3,940 | 2,926 | 9.5 | 74 | 7.0 | 2,517 | 2,002 |
| Property | 99,426 | 14,318 | 3,422 | 14.4 | 24 | 3.4 | 3,296 | 650 |
| Construction | 14,760 | 2,232 | 519 | 15.1 | 23 | 3.5 | 479 | 287 |
| Manufacturing | 44,674 | 3,131 | 2,088 | 7.0 | 67 | 4.7 | 1,520 | 784 |
| Service industries and business activities | 134,076 | 5,308 | 1,860 | 4.0 | 35 | 1.4 | 1,964 | 1,281 |
| Agriculture, forestry and fishing | 4,279 | 137 | 73 | 3.2 | 53 | 1.7 | 30 | 5 |
| Finance leases and instalment credit | 20,103 | 894 | 418 | 4.4 | 47 | 2.1 | 271 | 135 |
| Interest accruals | 1,728 | - | - | - | - | - | - | - |
| Latent | - | - | 2,740 | - | - | - | 1,184 | - |
| | 618,604 | 34,989 | 15,173 | 5.7 | 43 | 2.5 | 13,090 | 6,478 |

of which:

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| | | | | | | | | |
|--------|---------|--------|--------|------|----|-----|--------|-------|
| UK | 394,297 | 16,104 | 6,922 | 4.1 | 43 | 1.8 | 5,593 | 2,924 |
| Europe | 107,803 | 13,390 | 5,449 | 12.4 | 41 | 5.1 | 3,270 | 427 |
| US | 84,072 | 4,115 | 2,020 | 4.9 | 49 | 2.4 | 3,273 | 2,656 |
| RoW | 32,432 | 1,380 | 782 | 4.3 | 57 | 2.4 | 954 | 471 |
| | 618,604 | 34,989 | 15,173 | 5.7 | 43 | 2.5 | 13,090 | 6,478 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk (continued)

Loans, REIL and impairment provisions by geography and industry (continued)

| | Gross loans £m | REIL £m | Provisions £m | REIL as a % of loans % | Provisions as a % of REIL % | Provisions as a % gross loans % | Impairment charge £m | Amounts written-off £m |
|--|----------------------|------------|------------------|---------------------------------|--------------------------------------|---|----------------------------|------------------------------|
| 31 December 2010 | | | | | | | | |
| Core | | | | | | | | |
| Central and local government | 6,781 | - | - | - | - | - | - | - |
| Finance - banks | 57,033 | 144 | 126 | 0.3 | 88 | 0.2 | (5) | 1 |
| - other | 46,910 | 567 | 402 | 1.2 | 71 | 0.9 | 191 | 53 |
| Residential mortgages | 140,359 | 3,999 | 693 | 2.8 | 17 | 0.5 | 578 | 243 |
| Personal lending | 33,581 | 3,131 | 2,545 | 9.3 | 81 | 7.6 | 1,157 | 1,271 |
| Property | 42,455 | 3,287 | 818 | 7.7 | 25 | 1.9 | 739 | 98 |
| Construction | 8,680 | 610 | 222 | 7.0 | 36 | 2.6 | 189 | 38 |
| Manufacturing | 25,797 | 555 | 266 | 2.2 | 48 | 1.0 | 119 | 124 |
| Service industries and business activities | 95,127 | 2,576 | 948 | 2.7 | 37 | 1.0 | 687 | 349 |
| Agriculture, forestry and fishing | 3,758 | 94 | 57 | 2.5 | 61 | 1.5 | 24 | 5 |
| Finance leases and instalment credit | 8,321 | 244 | 140 | 2.9 | 57 | 1.7 | 63 | 42 |
| Interest accruals | 831 | - | - | - | - | - | - | - |
| Latent | - | - | 1,649 | - | - | - | (5) | - |
| | 469,633 | 15,207 | 7,866 | 3.2 | 52 | 1.7 | 3,737 | 2,224 |
| of which: | | | | | | | | |
| UK | 319,679 | 9,337 | 4,797 | 2.9 | 51 | 1.5 | 2,234 | 1,519 |
| Europe | 65,874 | 3,905 | 2,027 | 5.9 | 52 | 3.1 | 936 | 111 |
| US | 62,085 | 1,027 | 824 | 1.7 | 80 | 1.3 | 425 | 556 |
| RoW | 21,995 | 938 | 218 | 4.3 | 23 | 1.0 | 142 | 38 |
| | 469,633 | 15,207 | 7,866 | 3.2 | 52 | 1.7 | 3,737 | 2,224 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk (continued)

Loans, REIL and impairment provisions by geography and industry (continued)

| 30 September 2010 | Gross loans £m | REIL Provisions £m | REIL Provisions | | Provisions as a % | | Impairment charge £m | Amounts written-off £m |
|--|----------------------|--------------------------|-------------------------|------------------------|----------------------|------------------------------------|----------------------------|------------------------------|
| | | | of loans as a % % | of REIL as a % % | gross loans % | gross Impairment charge % | | |
| Core | | | | | | | | |
| Central and local government | 9,766 | - | - | - | - | - | - | - |
| Finance - banks | 59,279 | 141 | 127 | 0.2 | 90 | 0.2 | - | 1 |
| - other | 54,723 | 610 | 408 | 1.1 | 67 | 0.7 | 199 | 45 |
| Residential mortgages | 139,457 | 3,910 | 590 | 2.8 | 15 | 0.4 | 389 | 174 |
| Personal lending | 34,129 | 3,353 | 2,762 | 9.8 | 82 | 8.1 | 947 | 812 |
| Property | 42,269 | 2,751 | 613 | 6.5 | 22 | 1.5 | 517 | 81 |
| Construction | 8,994 | 486 | 171 | 5.4 | 35 | 1.9 | 120 | 26 |
| Manufacturing | 26,255 | 438 | 246 | 1.7 | 56 | 0.9 | 54 | 72 |
| Service industries and business activities | 97,738 | 2,307 | 882 | 2.4 | 38 | 0.9 | 475 | 239 |
| Agriculture, forestry and fishing | 3,952 | 111 | 54 | 2.8 | 49 | 1.4 | 22 | 4 |
| Finance leases and instalment credit | 8,233 | 231 | 134 | 2.8 | 58 | 1.6 | 39 | 25 |
| Interest accruals | 847 | - | - | - | - | - | - | - |
| Latent | - | - | 1,804 | - | - | - | 63 | - |
| | 485,642 | 14,338 | 7,791 | 3.0 | 54 | 1.6 | 2,825 | 1,479 |
| of which: | | | | | | | | |
| UK | 330,939 | 9,081 | 4,698 | 2.7 | 52 | 1.4 | 1,621 | 953 |
| Europe | 71,092 | 3,421 | 1,999 | 4.8 | 58 | 2.8 | 738 | 92 |
| US | 60,872 | 961 | 891 | 1.6 | 93 | 1.5 | 387 | 426 |
| RoW | 22,739 | 875 | 203 | 3.8 | 23 | 0.9 | 79 | 8 |
| | 485,642 | 14,338 | 7,791 | 3.0 | 54 | 1.6 | 2,825 | 1,479 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk (continued)

Loans, REIL and impairment provisions by geography and industry (continued)

| Gross | REIL Provisions | REIL Provisions | Provisions | Impairment | Amounts |
|-------|-----------------|-----------------|------------|------------|---------|
|-------|-----------------|-----------------|------------|------------|---------|

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| 31 December 2009 | loans £m | £m | £m | as a % of loans % | as a % of REIL % | as a % gross loans % | charge £m | written-off £m |
|--|-------------|--------|-------|-------------------------|------------------------|----------------------------|--------------|-------------------|
| Core | | | | | | | | |
| Central and local government | 6,128 | - | - | - | - | - | - | - |
| Finance - banks | 47,574 | 168 | 135 | 0.4 | 80 | 0.3 | 12 | - |
| - other | 50,673 | 1,038 | 259 | 2.0 | 25 | 0.5 | 256 | 113 |
| Residential mortgages | 127,975 | 2,670 | 341 | 2.1 | 13 | 0.3 | 305 | 146 |
| Personal lending | 35,313 | 3,344 | 2,560 | 9.5 | 77 | 7.2 | 1,816 | 1,398 |
| Property | 49,054 | 1,766 | 468 | 3.6 | 27 | 1.0 | 417 | 37 |
| Construction | 9,502 | 457 | 131 | 4.8 | 29 | 1.4 | 58 | 30 |
| Manufacturing | 30,272 | 491 | 191 | 1.6 | 39 | 0.6 | 136 | 93 |
| Service industries and business activities | 100,438 | 1,762 | 669 | 1.8 | 38 | 0.7 | 500 | 365 |
| Agriculture, forestry and fishing | 3,726 | 90 | 46 | 2.4 | 51 | 1.2 | 24 | 4 |
| Finance leases and instalment credit | 8,147 | 303 | 116 | 3.7 | 38 | 1.4 | 52 | 100 |
| Interest accruals | 1,179 | - | - | - | - | - | - | - |
| Latent | - | - | 2,005 | - | - | - | 991 | - |
| | 469,981 | 12,089 | 6,921 | 2.6 | 57 | 1.5 | 4,567 | 2,286 |
| of which: | | | | | | | | |
| UK | 315,254 | 7,704 | 4,209 | 2.4 | 55 | 1.3 | 2,884 | 1,645 |
| Europe | 66,707 | 2,607 | 1,709 | 3.9 | 66 | 2.6 | 750 | 46 |
| US | 64,526 | 1,497 | 876 | 2.3 | 59 | 1.4 | 813 | 576 |
| RoW | 23,494 | 281 | 127 | 1.2 | 45 | 0.5 | 120 | 19 |
| | 469,981 | 12,089 | 6,921 | 2.6 | 57 | 1.5 | 4,567 | 2,286 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk (continued)

Loans, REIL and impairment provisions by geography and industry (continued)

| 31 December 2010 | Gross loans £m | REIL Provisions £m | REIL Provisions as a % of loans % | Provisions as a % of REIL % | Provisions as a % gross loans % | Impairment charge £m | Amounts written-off £m |
|------------------|----------------------|--------------------------|--|--------------------------------------|---|----------------------------|------------------------------|
| | | | | | | | |
| Non-Core | 1,671 | - | - | - | - | - | - |

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| | | | | | | | | |
|--|---------|--------|--------|------|-----|------|-------|-------|
| Central and local government | | | | | | | | |
| Finance - banks | 1,003 | 1 | 1 | 0.1 | 100 | 0.1 | (8) | 11 |
| - other | 7,651 | 562 | 193 | 7.3 | 34 | 2.5 | 7 | 88 |
| Residential mortgages | 6,142 | 277 | 184 | 4.5 | 66 | 3.0 | 436 | 426 |
| Personal lending | 3,891 | 413 | 349 | 10.6 | 85 | 9.0 | 213 | 306 |
| Property | 47,651 | 16,297 | 5,918 | 34.2 | 36 | 12.4 | 3,943 | 911 |
| Construction | 3,352 | 1,854 | 653 | 55.3 | 35 | 19.5 | 341 | 108 |
| Manufacturing | 6,520 | 644 | 237 | 9.9 | 37 | 3.6 | (211) | 1,423 |
| Service industries and business activities | 22,383 | 2,682 | 1,337 | 12.0 | 50 | 6.0 | 606 | 473 |
| Agriculture, forestry and fishing | 135 | 58 | 29 | 43.0 | 50 | 21.5 | 7 | 1 |
| Finance leases and instalment credit | 8,529 | 603 | 414 | 7.1 | 69 | 4.9 | 189 | 71 |
| Interest accruals | 278 | - | - | - | - | - | - | - |
| Latent | - | - | 1,001 | - | - | - | (116) | - |
| | 109,206 | 23,391 | 10,316 | 21.4 | 44 | 9.4 | 5,407 | 3,818 |
| of which: | | | | | | | | |
| UK | 62,930 | 8,774 | 3,740 | 13.9 | 43 | 5.9 | 1,678 | 752 |
| Europe | 28,245 | 12,531 | 5,243 | 44.4 | 42 | 18.6 | 2,942 | 1,552 |
| US | 13,345 | 1,303 | 819 | 9.8 | 63 | 6.1 | 595 | 1,104 |
| RoW | 4,686 | 783 | 514 | 16.7 | 66 | 11.0 | 192 | 410 |
| | 109,206 | 23,391 | 10,316 | 21.4 | 44 | 9.4 | 5,407 | 3,818 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk (continued)

Loans, REIL and impairment provisions by geography and industry (continued)

| 30 September 2010 | Gross loans £m | REIL £m | Provisions £m | Provisions as a % | | | Impairment charge £m | Amounts written-off £m |
|------------------------------|-------------------|------------|------------------|------------------------------|-----------------------------------|----------------------------|-------------------------|---------------------------|
| | | | | REIL as a % of loans % | Provisions as a % of REIL % | gross as a % loans % | | |
| Non-Core | | | | | | | | |
| Central and local government | 1,204 | - | - | - | - | - | - | - |
| Finance - banks | 1,178 | 1 | - | 0.1 | - | - | - | 10 |
| - other | 8,650 | 404 | 153 | 4.7 | 38 | 1.8 | 70 | 85 |
| Residential mortgages | 6,351 | 284 | 163 | 4.5 | 57 | 2.6 | 348 | 338 |
| Personal lending | 4,183 | 486 | 367 | 11.6 | 76 | 8.8 | 189 | 259 |
| Property | 49,919 | 16,519 | 5,660 | 33.1 | 34 | 11.3 | 3,047 | 432 |

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| | | | | | | | | |
|--|---------|--------|-------|------|----|------|-------|-------|
| Construction | 3,623 | 1,739 | 593 | 48.0 | 34 | 16.4 | 264 | 88 |
| Manufacturing | 9,339 | 682 | 269 | 7.3 | 39 | 2.9 | (311) | 1,408 |
| Service industries and business activities | 25,983 | 3,074 | 1,333 | 11.8 | 43 | 5.1 | 526 | 383 |
| Agriculture, forestry and fishing | 158 | 62 | 39 | 39.2 | 63 | 24.7 | 5 | - |
| Finance leases and instalment credit | 9,541 | 606 | 348 | 6.4 | 57 | 3.6 | 94 | 44 |
| Interest accruals | 278 | - | - | - | - | - | - | - |
| Latent | - | - | 954 | - | - | - | (68) | - |
| | 120,407 | 23,857 | 9,879 | 19.8 | 41 | 8.2 | 4,164 | 3,047 |
| of which: | | | | | | | | |
| UK | 69,397 | 9,927 | 3,936 | 14.3 | 40 | 5.7 | 1,571 | 434 |
| Europe | 30,250 | 11,274 | 4,203 | 37.3 | 37 | 13.9 | 1,727 | 1,492 |
| US | 14,941 | 1,504 | 907 | 10.1 | 60 | 6.1 | 550 | 901 |
| RoW | 5,819 | 1,152 | 833 | 19.8 | 72 | 14.3 | 316 | 220 |
| | 120,407 | 23,857 | 9,879 | 19.8 | 41 | 8.2 | 4,164 | 3,047 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk (continued)

Loans, REIL and impairment provisions by geography and industry (continued)

| | Gross loans £m | REIL £m | Provisions £m | REIL | | Provisions | | Impairment charge £m | Amounts written-off £m |
|--|-------------------|------------|------------------|-----------------|----------------|-----------------------|-----------------------|-------------------------|---------------------------|
| | | | | as a % of loans | as a % of REIL | as a % of gross loans | as a % of gross loans | | |
| 31 December 2009 | £m | £m | £m | % | % | % | % | £m | £m |
| Non-Core | | | | | | | | | |
| Central and local government | 1,532 | - | - | - | - | - | - | - | - |
| Finance - banks | 1,360 | 38 | 22 | 2.8 | 58 | 1.6 | 22 | - | - |
| - other | 9,713 | 501 | 160 | 5.2 | 32 | 1.6 | 630 | 579 | |
| Residential mortgages | 12,932 | 614 | 210 | 4.7 | 34 | 1.6 | 604 | 496 | |
| Personal lending | 6,358 | 596 | 366 | 9.4 | 61 | 5.8 | 701 | 604 | |
| Property | 50,372 | 12,552 | 2,954 | 24.9 | 24 | 5.9 | 2,879 | 613 | |
| Construction | 5,258 | 1,775 | 388 | 33.8 | 22 | 7.4 | 421 | 257 | |
| Manufacturing | 14,402 | 2,640 | 1,897 | 18.3 | 72 | 13.2 | 1,384 | 691 | |
| Service industries and business activities | 33,638 | 3,546 | 1,191 | 10.5 | 34 | 3.5 | 1,464 | 916 | |
| | 553 | 47 | 27 | 8.5 | 57 | 4.9 | 6 | 1 | |

| | | | | | | | | | |
|--------------------------------------|---------|--------|-------|------|----|-----|-------|-------|--|
| Agriculture, forestry and fishing | | | | | | | | | |
| Finance leases and instalment credit | 11,956 | 591 | 302 | 4.9 | 51 | 2.5 | 219 | 35 | |
| Interest accruals | 549 | - | - | - | - | - | - | - | |
| Latent | - | - | 735 | - | - | - | 193 | - | |
| | 148,623 | 22,900 | 8,252 | 15.4 | 36 | 5.6 | 8,523 | 4,192 | |
| of which: | | | | | | | | | |
| UK | 79,043 | 8,400 | 2,713 | 10.6 | 32 | 3.4 | 2,709 | 1,279 | |
| Europe | 41,096 | 10,783 | 3,740 | 26.2 | 35 | 9.1 | 2,520 | 381 | |
| US | 19,546 | 2,618 | 1,144 | 13.4 | 44 | 5.9 | 2,460 | 2,080 | |
| RoW | 8,938 | 1,099 | 655 | 12.3 | 60 | 7.3 | 834 | 452 | |
| | 148,623 | 22,900 | 8,252 | 15.4 | 36 | 5.6 | 8,523 | 4,192 | |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk (continued)

Loans, REIL, PPL and provision coverage ratios by division

The table below analyses the Group's loans and advances to banks and customers (excluding reverse repos and disposal groups) and related REIL, PPL, provisions, impairments, write-offs and coverage ratios by division.

| | Gross loans | REIL | PPL | REIL & PPL | Provisions as a % of REIL | Provisions as a % of REIL & PPL | REIL & PPL | REIL & PPL | REIL & PPL | Impairment charge | Amounts written-off |
|--------------------------|-------------|--------|-----|------------|---------------------------|---------------------------------|------------|------------|------------|-------------------|---------------------|
| | £m | £m | £m | £m | £m | % | % | % | % | £m | £m |
| 31 December 2010 | | | | | | | | | | | |
| UK Retail | 108,813 | 4,620 | 175 | 4,795 | 2,741 | 59 | 57 | 4.4 | 1,160 | 1,135 | |
| UK Corporate | 111,744 | 3,967 | 221 | 4,188 | 1,732 | 44 | 41 | 3.7 | 761 | 349 | |
| Wealth | 18,350 | 223 | 38 | 261 | 66 | 30 | 25 | 1.4 | 18 | 9 | |
| Global Transaction | | | | | | | | | | | |
| Services | 17,484 | 146 | 6 | 152 | 147 | 101 | 97 | 0.9 | 8 | 49 | |
| Ulster Bank | 39,786 | 3,619 | 2 | 3,621 | 1,633 | 45 | 45 | 9.1 | 1,161 | 48 | |
| US Retail & Commercial | 48,661 | 913 | - | 913 | 505 | 55 | 55 | 1.9 | 483 | 547 | |
| Retail and Commercial | 344,838 | 13,488 | 442 | 13,930 | 6,824 | 51 | 49 | 4.0 | 3,591 | 2,137 | |
| Global Banking & Markets | 122,054 | 1,719 | 31 | 1,750 | 1,042 | 61 | 60 | 1.4 | 146 | 87 | |
| Insurance and other | 2,741 | - | - | - | - | - | - | - | - | - | - |
| Core | 469,633 | 15,207 | 473 | 15,680 | 7,866 | 52 | 50 | 3.3 | 3,737 | 2,224 | |
| Non-Core | 109,206 | 23,391 | 160 | 23,551 | 10,316 | 44 | 44 | 21.6 | 5,407 | 3,818 | |

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| | | | | | | | | | | |
|--------------------------|---------|--------|-----|--------|--------|-----|----|------|-------|-------|
| | 578,839 | 38,598 | 633 | 39,231 | 18,182 | 47 | 46 | 6.8 | 9,144 | 6,042 |
| 30 September 2010 | | | | | | | | | | |
| UK Retail | 108,072 | 4,994 | - | 4,994 | 2,937 | 59 | 59 | 4.6 | 938 | 696 |
| UK Corporate Wealth | 113,530 | 3,343 | 299 | 3,642 | 1,623 | 49 | 45 | 3.2 | 542 | 228 |
| | 17,247 | 203 | 35 | 238 | 63 | 31 | 26 | 1.4 | 12 | 6 |
| Global Transaction | | | | | | | | | | |
| Services | 16,885 | 171 | 11 | 182 | 173 | 101 | 95 | 1.1 | 6 | 15 |
| Ulster Bank | 43,432 | 3,172 | 1 | 3,173 | 1,289 | 41 | 41 | 7.3 | 785 | 39 |
| US Retail & Commercial | 48,090 | 833 | - | 833 | 523 | 63 | 63 | 1.7 | 393 | 412 |
| Retail & Commercial | | | | | | | | | | |
| | 347,256 | 12,716 | 346 | 13,062 | 6,608 | 52 | 51 | 3.8 | 2,676 | 1,396 |
| Global Banking & Markets | | | | | | | | | | |
| | 135,534 | 1,622 | 22 | 1,644 | 1,183 | 73 | 72 | 1.2 | 149 | 83 |
| RBS Insurance and other | | | | | | | | | | |
| | 2,851 | - | - | - | - | - | - | - | - | - |
| Core | | | | | | | | | | |
| | 485,641 | 14,338 | 368 | 14,706 | 7,791 | 54 | 53 | 3.0 | 2,825 | 1,479 |
| Non-Core | | | | | | | | | | |
| | 120,408 | 23,857 | 249 | 24,106 | 9,879 | 41 | 41 | 20.0 | 4,164 | 3,047 |
| | 606,049 | 38,195 | 617 | 38,812 | 17,670 | 46 | 46 | 6.4 | 6,989 | 4,526 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk: Loans, REIL and impairment provisions (continued)

Loans, REIL, PPL and provision coverage ratios by division (continued)

| | Gross loans £m | REIL £m | PPL £m | REIL & PPL £m | Provisions £m | REIL & PPL Provisions as a % of | | | | |
|------------------------|-------------------|------------|-----------|------------------|------------------|---------------------------------|----------------------|----------------|-------------------|---------------------|
| | | | | | | as a % of REIL | as a % of REIL & PPL | of gross loans | Impairment charge | Amounts written-off |
| | | | | | | % | % | % | £m | £m |
| 31 December 2009 | | | | | | | | | | |
| UK Retail | 103,812 | 4,641 | - | 4,641 | 2,677 | 58 | 58 | 4.5 | 1,679 | 1,150 |
| UK Corporate Wealth | 111,671 | 2,330 | 97 | 2,427 | 1,271 | 55 | 52 | 2.2 | 923 | 352 |
| | 15,525 | 218 | 38 | 256 | 55 | 25 | 21 | 1.6 | 33 | 12 |
| Global Transaction | | | | | | | | | | |
| Services | 14,146 | 197 | 4 | 201 | 189 | 96 | 94 | 1.4 | 39 | 23 |
| Ulster Bank | 42,344 | 2,260 | 2 | 2,262 | 962 | 43 | 43 | 5.3 | 649 | 34 |
| US Retail & Commercial | 48,937 | 643 | - | 643 | 478 | 74 | 74 | 1.3 | 702 | 546 |
| Retail & Commercial | | | | | | | | | | |
| | 336,435 | 10,289 | 141 | 10,430 | 5,632 | 55 | 54 | 3.1 | 4,025 | 2,117 |

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| | | | | | | | | | | |
|--------------------------|---------|--------|-----|--------|--------|----|----|------|--------|-------|
| Global Banking & Markets | 130,898 | 1,800 | 131 | 1,931 | 1,289 | 72 | 67 | 1.5 | 542 | 169 |
| RBS Insurance and other | 2,648 | - | - | - | - | - | - | - | - | - |
| Core | 469,981 | 12,089 | 272 | 12,361 | 6,921 | 57 | 56 | 2.6 | 4,567 | 2,286 |
| Non-Core | 148,623 | 22,900 | 652 | 23,552 | 8,252 | 36 | 35 | 15.8 | 8,523 | 4,192 |
| | 618,604 | 34,989 | 924 | 35,913 | 15,173 | 43 | 42 | 5.8 | 13,090 | 6,478 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk: Balance sheet by internal credit quality bands

The table below provides an analysis of the credit quality and distribution of financial assets by the Group's internal credit quality gradings.

| | Cash and balances at central banks | Loans and advances to banks (1) | Loans and advances to customers | Settlement balances | Derivatives | Other financial instruments | Commitments | Contingent liabilities | Total |
|-------------------------------------|---|--|---------------------------------------|------------------------|-------------|-----------------------------------|-------------|---------------------------|-----------|
| 31 December 2010 | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Total | 56,655 | 91,952 | 126,679 | 6,815 | 408,489 | 658 | 78,728 | 9,745 | 779,721 |
| AQ1 | 14 | 598 | 13,282 | 1,271 | 2,659 | 3 | 26,128 | 1,980 | 45,935 |
| AQ2 | 48 | 2,197 | 25,981 | 156 | 3,317 | - | 25,731 | 4,337 | 61,767 |
| AQ3 | 188 | 639 | 95,777 | 571 | 3,391 | 6 | 41,027 | 6,522 | 148,121 |
| AQ4 | 99 | 2,322 | 114,796 | 64 | 4,860 | 144 | 38,612 | 5,169 | 166,066 |
| AQ5 | 3 | 159 | 65,497 | 34 | 1,070 | - | 25,991 | 2,230 | 94,984 |
| AQ6 | 2 | 178 | 46,072 | 1 | 857 | 69 | 18,752 | 2,456 | 68,387 |
| AQ7 | - | 15 | 16,573 | 14 | 403 | - | 9,289 | 9,545 | 35,839 |
| AQ8 | - | 115 | 14,263 | 2 | 450 | 80 | 3,889 | 932 | 19,731 |
| AQ9 | 5 | 355 | 5,644 | 2 | 1,581 | - | 2,829 | 407 | 10,823 |
| AQ10 | - | 10 | 13,430 | 2,675 | - | - | - | - | 16,115 |
| Past due | - | 145 | 35,321 | - | - | 375 | - | - | 35,841 |
| Impaired Impairment provision | - | (127) | (18,055) | - | - | (29) | - | - | (18,211) |
| | 57,014 | 98,558 | 555,260 | 11,605 | 427,077 | 1,306 | 270,976 | 43,323 | 1,465,119 |
| Core | 56,637 | 91,298 | 103,776 | 6,814 | 396,419 | 366 | 71,091 | 9,651 | 736,052 |
| AQ1 | 14 | 550 | 10,534 | 1,271 | 2,243 | 3 | 24,923 | 1,728 | 41,266 |
| AQ2 | 48 | 2,165 | 22,851 | 155 | 3,132 | - | 23,546 | 4,268 | 56,165 |
| AQ3 | 10 | 539 | 85,779 | 571 | 3,017 | 6 | 36,909 | 5,070 | 131,901 |
| AQ4 | 99 | 2,247 | 100,051 | 64 | 3,988 | 15 | 35,302 | 4,924 | 146,690 |
| AQ5 | 3 | 138 | 53,498 | 34 | 805 | - | 24,050 | 2,140 | 80,668 |

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| | | | | | | | | | |
|----------------------|--------|--------|---------|--------|---------|------|---------|--------|-----------|
| AQ7 | 2 | 154 | 38,438 | 1 | 595 | 69 | 17,605 | 2,309 | 59,173 |
| AQ8 | - | 15 | 13,290 | 14 | 257 | - | 8,617 | 9,434 | 31,627 |
| AQ9 | - | 107 | 9,898 | 2 | 237 | 50 | 3,442 | 886 | 14,622 |
| AQ10 | 5 | 300 | 2,777 | 2 | 368 | - | 1,500 | 250 | 5,202 |
| Past due | - | 3 | 10,744 | 2,629 | - | - | - | - | 13,376 |
| Impaired | - | 144 | 13,236 | - | - | 375 | - | - | 13,755 |
| Impairment provision | - | (126) | (7,740) | - | - | (29) | - | - | (7,895) |
| | 56,818 | 97,534 | 457,132 | 11,557 | 411,061 | 855 | 246,985 | 40,660 | 1,322,602 |

Appendix 3 Additional risk management disclosures (continued)

Risk management: Credit risk: Balance sheet by internal credit quality bands (continued)

| | Loans | | | | | Other financial instruments | Commitments | Contingent liabilities | Total |
|----------------------|------------------------------------|---------------------------|---------------------------------|---|-------------|-----------------------------|-------------|------------------------|----------|
| | Cash and balances at central banks | and advances to banks (1) | Loans and advances to customers | Loans and advances to Settlement balances | Derivatives | | | | |
| 31 December 2010 | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Non-Core | | | | | | | | | |
| AQ1 | 18 | 654 | 22,903 | 1 | 12,070 | 292 | 7,637 | 94 | 43,669 |
| AQ2 | - | 48 | 2,748 | - | 416 | - | 1,205 | 252 | 4,669 |
| AQ3 | - | 32 | 3,130 | 1 | 185 | - | 2,185 | 69 | 5,602 |
| AQ4 | 178 | 100 | 9,998 | - | 374 | - | 4,118 | 1,452 | 16,220 |
| AQ5 | - | 75 | 14,745 | - | 872 | 129 | 3,310 | 245 | 19,376 |
| AQ6 | - | 21 | 11,999 | - | 265 | - | 1,941 | 90 | 14,316 |
| AQ7 | - | 24 | 7,634 | - | 262 | - | 1,147 | 147 | 9,214 |
| AQ8 | - | - | 3,283 | - | 146 | - | 672 | 111 | 4,212 |
| AQ9 | - | 8 | 4,365 | - | 213 | 30 | 447 | 46 | 5,109 |
| AQ10 | - | 55 | 2,867 | - | 1,213 | - | 1,329 | 157 | 5,621 |
| Past due | - | 7 | 2,686 | 46 | - | - | - | - | 2,739 |
| Impaired | - | 1 | 22,085 | - | - | - | - | - | 22,086 |
| Impairment provision | - | (1) | (10,315) | - | - | - | - | - | (10,316) |
| | 196 | 1,024 | 98,128 | 48 | 16,016 | 451 | 23,991 | 2,663 | 142,517 |
| 31 December 2009 | | | | | | | | | |
| Total | | | | | | | | | |
| AQ1 | 51,521 | 72,384 | 106,062 | 6,582 | 389,019 | 755 | 62,084 | 9,446 | 697,853 |
| AQ2 | - | 1,725 | 10,780 | 306 | 11,550 | 9 | 27,598 | 4,526 | 56,494 |
| AQ3 | 1 | 2,175 | 29,958 | 199 | 10,791 | - | 28,364 | 6,088 | 77,576 |
| AQ4 | 23 | 1,357 | 102,922 | 605 | 8,296 | - | 52,496 | 14,948 | 180,647 |
| AQ5 | 2 | 2,497 | 124,724 | 149 | 8,270 | 37 | 43,239 | 7,387 | 186,305 |
| AQ6 | 1 | 424 | 94,513 | 40 | 2,548 | - | 30,847 | 2,448 | 130,821 |

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| | | | | | | | | | |
|----------------------|--------|--------|----------|--------|---------|-----|---------|--------|-----------|
| AQ7 | - | 110 | 46,928 | 33 | 2,181 | 98 | 26,724 | 2,352 | 78,426 |
| AQ8 | - | 137 | 23,593 | - | 1,448 | - | 12,507 | 1,008 | 38,693 |
| AQ9 | - | 184 | 16,025 | - | 2,030 | - | 5,141 | 1,279 | 24,659 |
| AQ10 | - | 277 | 9,142 | 3 | 2,026 | - | 3,618 | 507 | 15,573 |
| Past due | - | 36 | 14,475 | 3,910 | 40 | - | - | - | 18,461 |
| Impaired | - | 206 | 31,588 | 197 | - | - | - | - | 31,991 |
| Impairment provision | - | (157) | (15,016) | - | - | - | - | - | (15,173) |
| | 51,548 | 81,355 | 595,694 | 12,024 | 438,199 | 899 | 292,618 | 49,989 | 1,522,326 |

Note:

- (1) Excludes items in the course of collection from other banks of £1,958 million (31 December 2009 - £2,519 million).

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures

Explanatory note

These disclosures provide information on certain elements of the Group's credit market activities, the majority of which are in Non-Core and, to a lesser extent, Global Banking & Markets, US Retail & Commercial and Group Treasury. For credit valuation adjustments (CVA), leveraged finance and conduits disclosures, the information presented has been analysed between the Group's Core and Non-Core businesses.

Asset-backed securities

The Group structures, originates, distributes and trades debt in the form of loan, bond and derivative instruments, in all major currencies and debt capital markets in North America, Western Europe, Asia and major emerging markets. The carrying value of the Group's debt securities is detailed below.

| | 31 December 2010 £bn | 30 September 2010 £bn | 31 December 2009 £bn |
|--|-------------------------------|--------------------------------|-------------------------------|
| Securities issued by central and local governments | 124.0 | 132.5 | 134.1 |
| Asset-backed securities | 70.8 | 70.0 | 87.6 |
| Securities issued by corporates and other entities | 9.7 | 12.1 | 13.4 |
| Securities issued by banks and building societies | 13.0 | 11.8 | 14.0 |
| | 217.5 | 226.4 | 249.1 |

The Group's credit market activities gave rise to risk concentrations in asset-backed securities (ABS). The Group has exposures to ABS which are predominantly debt securities, but can also be held in derivative form. ABS have an interest in an underlying pool of referenced assets. The risks and rewards of the referenced pool are passed onto investors by the issue of securities with varying seniority, by a special purpose entity.

Debt securities include residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), ABS, collateralised debt obligations (CDOs), collateralised loan obligations (CLOs) and other ABS. In many cases the risk associated with these assets is hedged by way of credit derivative protection, purchased over the specific asset or relevant ABS indices. The counterparty to some of these hedge transactions are monoline insurers.

The following tables summarise, gross and net exposures and carrying values of these securities by geography of the underlying assets at 31 December 2010. Gross exposures represent the principal amounts relating to ABS. G10 government RMBS comprises securities that are: (a) guaranteed or effectively guaranteed by the US government, by way of its support for US federal agencies and government sponsored enterprises or (b) guaranteed by the Dutch government. Net exposures represent the carrying value after taking account of the hedge protection purchased from monoline insurers and other counterparties, but exclude the effect of counterparty credit valuation adjustments. The hedge provides credit protection of both principal and interest cash flows in the event of default by the counterparty. The value of this protection is based on the underlying instrument being protected.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Asset-backed securities (continued)

Analysis by geography and measurement classification

| | | | | | | FVTPL (1) | | | |
|-----------------------|--------|-------|--------------|-------|--------|-----------|-----|--------|-------|
| | US | UK | Other Europe | RoW | Total | HFT | DFV | AFS | LAR |
| 31 December 2010 | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Gross exposure | | | | | | | | | |
| RMBS: G10 | | | | | | | | | |
| government | 24,207 | 16 | 6,422 | - | 30,645 | 13,840 | - | 16,805 | - |
| RMBS: covered bond | 138 | 208 | 8,525 | - | 8,871 | - | - | 8,871 | - |
| RMBS: prime | 1,784 | 3,385 | 1,118 | 192 | 6,479 | 1,605 | 1 | 4,749 | 124 |
| RMBS: | | | | | | | | | |
| non-conforming | 1,249 | 2,107 | 92 | - | 3,448 | 708 | - | 1,313 | 1,427 |
| RMBS: sub-prime | 792 | 365 | 139 | 221 | 1,517 | 819 | - | 496 | 202 |
| CMBS | 3,086 | 1,451 | 912 | 45 | 5,494 | 2,646 | 120 | 1,409 | 1,319 |
| CDOs | 12,156 | 128 | 453 | - | 12,737 | 7,951 | - | 4,687 | 99 |
| CLOs | 6,038 | 134 | 879 | 9 | 7,060 | 1,062 | - | 5,572 | 426 |
| Other ABS | 3,104 | 1,144 | 2,871 | 1,705 | 8,824 | 1,533 | - | 4,523 | 2,768 |
| | 52,554 | 8,938 | 21,411 | 2,172 | 85,075 | 30,164 | 121 | 48,425 | 6,365 |
| Carrying value | | | | | | | | | |
| RMBS: G10 | | | | | | | | | |
| government | 24,390 | 16 | 5,958 | - | 30,364 | 13,765 | - | 16,599 | - |
| RMBS: covered bond | 142 | 208 | 7,522 | - | 7,872 | - | - | 7,872 | - |
| RMBS: prime | 1,624 | 3,000 | 931 | 192 | 5,747 | 1,384 | 1 | 4,249 | 113 |
| RMBS: | | | | | | | | | |
| non-conforming | 1,084 | 1,959 | 92 | - | 3,135 | 605 | - | 1,102 | 1,428 |
| RMBS: sub-prime | 638 | 255 | 120 | 205 | 1,218 | 681 | - | 344 | 193 |
| CMBS | 2,936 | 1,338 | 638 | 38 | 4,950 | 2,262 | 118 | 1,281 | 1,289 |
| CDOs | 3,135 | 69 | 254 | - | 3,458 | 1,341 | - | 2,021 | 96 |

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| | | | | | | | | | |
|-----------|--------|-------|--------|-------|--------|--------|-----|--------|-------|
| CLOs | 5,334 | 102 | 635 | 3 | 6,074 | 691 | - | 4,958 | 425 |
| Other ABS | 2,780 | 945 | 2,615 | 1,667 | 8,007 | 1,259 | - | 4,089 | 2,659 |
| | 42,063 | 7,892 | 18,765 | 2,105 | 70,825 | 21,988 | 119 | 42,515 | 6,203 |

Net exposure

| | | | | | | | | | |
|--------------------|--------|-------|--------|-------|--------|--------|----|--------|-------|
| RMBS: G10 | | | | | | | | | |
| government | 24,390 | 16 | 5,958 | - | 30,364 | 13,765 | - | 16,599 | - |
| RMBS: covered bond | 142 | 208 | 7,522 | - | 7,872 | - | - | 7,872 | - |
| RMBS: prime | 1,523 | 2,948 | 596 | 192 | 5,259 | 897 | 1 | 4,248 | 113 |
| RMBS: | | | | | | | | | |
| non-conforming | 1,081 | 1,959 | 92 | - | 3,132 | 602 | - | 1,102 | 1,428 |
| RMBS: sub-prime | 289 | 253 | 112 | 176 | 830 | 305 | - | 332 | 193 |
| CMBS | 1,823 | 1,336 | 458 | 38 | 3,655 | 1,188 | 10 | 1,230 | 1,227 |
| CDOs | 1,085 | 39 | 245 | - | 1,369 | 743 | - | 530 | 96 |
| CLOs | 1,387 | 102 | 629 | 1 | 2,119 | 673 | - | 1,021 | 425 |
| Other ABS | 2,293 | 748 | 2,609 | 1,659 | 7,309 | 690 | - | 4,081 | 2,538 |
| | 34,013 | 7,609 | 18,221 | 2,066 | 61,909 | 18,863 | 11 | 37,015 | 6,020 |

For notes to this table refer to page 19.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Asset-backed securities (continued)

Analysis by geography and measurement classification (continued)

| | FVTPL (1) | | | | | | | | |
|--------------------|-----------|--------|--------|-------|--------|--------|-----|--------|-------|
| | US | UK | Other | RoW | Total | HFT | DFV | AFS | LAR |
| 30 September 2010 | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Gross exposure | | | | | | | | | |
| RMBS: G10 | | | | | | | | | |
| government | 20,924 | 17 | 6,592 | - | 27,533 | 11,519 | - | 16,014 | - |
| RMBS: covered bond | 137 | 208 | 8,580 | - | 8,925 | - | - | 8,925 | - |
| RMBS: prime | 1,897 | 4,324 | 1,845 | 196 | 8,262 | 2,836 | 1 | 5,291 | 134 |
| RMBS: | | | | | | | | | |
| non-conforming | 1,241 | 2,109 | 92 | - | 3,442 | 679 | - | 1,331 | 1,432 |
| RMBS: sub-prime | 852 | 499 | 141 | 221 | 1,713 | 934 | - | 565 | 214 |
| CMBS | 2,883 | 1,704 | 1,667 | 100 | 6,354 | 3,203 | 205 | 1,553 | 1,393 |
| CDOs | 11,776 | 141 | 466 | 3 | 12,386 | 7,519 | - | 4,746 | 121 |
| CLOs | 5,936 | 106 | 1,312 | 424 | 7,778 | 1,673 | - | 5,674 | 431 |
| Other ABS | 2,847 | 1,346 | 2,715 | 2,675 | 9,583 | 1,971 | - | 4,967 | 2,645 |
| | 48,493 | 10,454 | 23,410 | 3,619 | 85,976 | 30,334 | 206 | 49,066 | 6,370 |

Carrying value

| | | | | | | | | | |
|------------|--------|----|-------|---|--------|--------|---|--------|---|
| RMBS: G10 | | | | | | | | | |
| government | 21,276 | 17 | 6,167 | - | 27,460 | 11,526 | - | 15,934 | - |

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| | | | | | | | | | |
|--------------------|--------|-------|--------|-------|--------|--------|-----|--------|-------|
| RMBS: covered bond | 141 | 215 | 7,864 | - | 8,220 | - | - | 8,220 | - |
| RMBS: prime | 1,493 | 3,751 | 1,279 | 192 | 6,715 | 2,152 | 1 | 4,470 | 92 |
| RMBS: | | | | | | | | | |
| non-conforming | 1,030 | 1,993 | 92 | - | 3,115 | 550 | - | 1,133 | 1,432 |
| RMBS: sub-prime | 654 | 336 | 120 | 202 | 1,312 | 718 | - | 387 | 207 |
| CMBS | 2,843 | 1,463 | 1,085 | 75 | 5,466 | 2,448 | 226 | 1,383 | 1,409 |
| CDOs | 2,606 | 89 | 262 | - | 2,957 | 920 | - | 1,924 | 113 |
| CLOs | 5,142 | 74 | 899 | 284 | 6,399 | 1,004 | - | 5,022 | 373 |
| Other ABS | 2,697 | 1,144 | 2,557 | 1,970 | 8,368 | 1,157 | - | 4,450 | 2,761 |
| | 37,882 | 9,082 | 20,325 | 2,723 | 70,012 | 20,475 | 227 | 42,923 | 6,387 |

Net exposure

RMBS: G10

| | | | | | | | | | |
|--------------------|--------|-------|--------|-------|--------|--------|----|--------|-------|
| government | 21,276 | 17 | 6,167 | - | 27,460 | 11,526 | - | 15,934 | - |
| RMBS: covered bond | 141 | 215 | 7,864 | - | 8,220 | - | - | 8,220 | - |
| RMBS: prime | 1,321 | 3,107 | 732 | 184 | 5,344 | 787 | 1 | 4,464 | 92 |
| RMBS: | | | | | | | | | |
| non-conforming | 1,027 | 1,993 | 92 | - | 3,112 | 547 | - | 1,133 | 1,432 |
| RMBS: sub-prime | 304 | 242 | 112 | 171 | 829 | 300 | - | 322 | 207 |
| CMBS | 1,146 | 1,310 | 679 | 50 | 3,185 | 905 | 46 | 841 | 1,393 |
| CDOs | 600 | 49 | 242 | - | 891 | 308 | - | 470 | 113 |
| CLOs | 1,268 | 64 | 762 | 45 | 2,139 | 708 | - | 1,058 | 373 |
| Other ABS | 2,203 | 916 | 2,555 | 1,970 | 7,644 | 561 | - | 4,441 | 2,642 |
| | 29,286 | 7,913 | 19,205 | 2,420 | 58,824 | 15,642 | 47 | 36,883 | 6,252 |

For notes to this table refer to page 19.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Asset-backed securities (continued)

Analysis by geography and measurement classification (continued)

| | FVTPL (1) | | | | | | | | |
|--------------------|-----------|-------|--------------|---------|--------|---------|---------|---------|---------|
| | US | UK | Other Europe | RoW (2) | Total | HFT (3) | DFV (4) | AFS (5) | LAR (6) |
| 31 December 2009 | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Gross exposure | | | | | | | | | |
| RMBS: G10 | | | | | | | | | |
| government | 26,644 | 17 | 7,016 | 94 | 33,771 | 13,536 | - | 20,235 | - |
| RMBS: covered bond | 49 | 297 | 9,019 | - | 9,365 | - | - | 9,365 | - |
| RMBS: prime | 2,965 | 5,276 | 4,567 | 222 | 13,030 | 6,274 | 147 | 5,761 | 848 |
| RMBS: | | | | | | | | | |
| non-conforming | 1,341 | 2,138 | 128 | - | 3,607 | 635 | - | 1,498 | 1,474 |
| RMBS: sub-prime | 1,668 | 724 | 195 | 561 | 3,148 | 1,632 | 17 | 1,020 | 479 |
| CMBS | 3,422 | 1,781 | 1,420 | 75 | 6,698 | 2,936 | 209 | 1,842 | 1,711 |
| CDOs | 12,382 | 329 | 571 | 27 | 13,309 | 9,080 | 1 | 3,923 | 305 |

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| | | | | | | | | | |
|-----------|--------|--------|--------|-------|---------|--------|-----|--------|-------|
| CLOs | 9,092 | 166 | 2,169 | 1,173 | 12,600 | 5,346 | - | 6,581 | 673 |
| Other ABS | 3,587 | 1,980 | 5,031 | 1,569 | 12,167 | 2,912 | 18 | 5,252 | 3,985 |
| | 61,150 | 12,708 | 30,116 | 3,721 | 107,695 | 42,351 | 392 | 55,477 | 9,475 |

Carrying value

| | | | | | | | | | |
|--------------------|--------|-------|--------|-------|--------|--------|-----|--------|-------|
| RMBS: G10 | | | | | | | | | |
| government | 26,984 | 17 | 6,870 | 33 | 33,904 | 13,397 | - | 20,507 | - |
| RMBS: covered bond | 50 | 288 | 8,734 | - | 9,072 | - | - | 9,072 | - |
| RMBS: prime | 2,696 | 4,583 | 4,009 | 212 | 11,500 | 5,133 | 141 | 5,643 | 583 |
| RMBS: | | | | | | | | | |
| non-conforming | 958 | 1,957 | 128 | - | 3,043 | 389 | - | 1,180 | 1,474 |
| RMBS: sub-prime | 977 | 314 | 146 | 387 | 1,824 | 779 | 17 | 704 | 324 |
| CMBS | 3,237 | 1,305 | 924 | 43 | 5,509 | 2,279 | 216 | 1,637 | 1,377 |
| CDOs | 3,275 | 166 | 400 | 27 | 3,868 | 2,064 | 1 | 1,600 | 203 |
| CLOs | 6,736 | 112 | 1,469 | 999 | 9,316 | 3,296 | - | 5,500 | 520 |
| Other ABS | 2,886 | 1,124 | 4,369 | 1,187 | 9,566 | 1,483 | 19 | 4,621 | 3,443 |
| | 47,799 | 9,866 | 27,049 | 2,888 | 87,602 | 28,820 | 394 | 50,464 | 7,924 |

Net exposure

| | | | | | | | | | |
|--------------------|--------|-------|--------|-------|--------|--------|-----|--------|-------|
| RMBS: G10 | | | | | | | | | |
| government | 26,984 | 17 | 6,870 | 33 | 33,904 | 13,397 | - | 20,507 | - |
| RMBS: covered bond | 50 | 288 | 8,734 | - | 9,072 | - | - | 9,072 | - |
| RMBS: prime | 2,436 | 3,747 | 3,018 | 172 | 9,373 | 3,167 | 142 | 5,480 | 584 |
| RMBS: | | | | | | | | | |
| non-conforming | 948 | 1,957 | 128 | - | 3,033 | 379 | - | 1,180 | 1,474 |
| RMBS: sub-prime | 565 | 305 | 137 | 290 | 1,297 | 529 | 17 | 427 | 324 |
| CMBS | 2,245 | 1,228 | 595 | 399 | 4,467 | 1,331 | 203 | 1,556 | 1,377 |
| CDOs | 743 | 124 | 382 | 26 | 1,275 | 521 | 1 | 550 | 203 |
| CLOs | 1,636 | 86 | 1,104 | 39 | 2,865 | 673 | - | 1,672 | 520 |
| Other ABS | 2,117 | 839 | 4,331 | 1,145 | 8,432 | 483 | 19 | 4,621 | 3,309 |
| | 37,724 | 8,591 | 25,299 | 2,104 | 73,718 | 20,480 | 382 | 45,065 | 7,791 |

Notes:

- (1) Fair value through profit or loss.
- (2) Rest of the world.
- (3) Held-for-trading.
- (4) Designated as at fair value.
- (5) Available-for-sale.
- (6) Loans and receivables.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Asset-backed securities (continued)

Analysis by rating

The table below summarises the rating levels of ABS carrying values. Credit ratings are based on those from rating agencies Standard & Poor's (S&P), Moody's and Fitch and have been mapped onto the S&P scale.

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| | AAA | AA to | A | BBB- | Non- | Unrated | Total |
|--------------------|--------|-------|--------|-------|------------|---------|--------|
| | £m | AA+ | to AA- | A- | grade | £m | £m |
| 31 December 2010 | | £m | £m | £m | £m | | £m |
| RMBS: G10 | | | | | investment | | |
| government | 28,835 | 1,529 | - | - | - | - | 30,364 |
| RMBS: covered bond | 7,107 | 357 | 408 | - | - | - | 7,872 |
| RMBS: prime | 4,355 | 147 | 67 | 82 | 900 | 196 | 5,747 |
| RMBS: | | | | | | | |
| non-conforming | 1,754 | 144 | 60 | 316 | 809 | 52 | 3,135 |
| RMBS: sub-prime | 317 | 116 | 212 | 39 | 458 | 76 | 1,218 |
| CMBS | 2,789 | 392 | 973 | 500 | 296 | - | 4,950 |
| CDOs | 444 | 567 | 296 | 203 | 1,863 | 85 | 3,458 |
| CLOs | 2,490 | 1,786 | 343 | 527 | 332 | 596 | 6,074 |
| Other ABS | 3,144 | 1,297 | 885 | 1,718 | 265 | 698 | 8,007 |
| | 51,235 | 6,335 | 3,244 | 3,385 | 4,923 | 1,703 | 70,825 |
| 30 September 2010 | | | | | | | |
| RMBS: G10 | | | | | | | |
| government | 25,883 | 1,555 | 22 | - | - | - | 27,460 |
| RMBS: covered bond | 7,649 | 309 | 262 | - | - | - | 8,220 |
| RMBS: prime | 4,852 | 496 | 260 | 196 | 846 | 65 | 6,715 |
| RMBS: | | | | | | | |
| non-conforming | 1,748 | 115 | 115 | 451 | 649 | 37 | 3,115 |
| RMBS: sub-prime | 312 | 150 | 227 | 48 | 476 | 99 | 1,312 |
| CMBS | 3,131 | 479 | 1,156 | 434 | 258 | 8 | 5,466 |
| CDOs | 514 | 422 | 317 | 217 | 1,376 | 111 | 2,957 |
| CLOs | 2,437 | 1,830 | 648 | 850 | 275 | 359 | 6,399 |
| Other ABS | 3,499 | 1,235 | 904 | 1,702 | 333 | 695 | 8,368 |
| | 50,025 | 6,591 | 3,911 | 3,898 | 4,213 | 1,374 | 70,012 |
| 31 December 2009 | | | | | | | |
| RMBS: G10 | | | | | | | |
| government | 33,779 | 125 | - | - | - | - | 33,904 |
| RMBS: covered bond | 8,645 | 360 | 67 | - | - | - | 9,072 |
| RMBS: prime | 9,211 | 676 | 507 | 547 | 558 | 1 | 11,500 |
| RMBS: | | | | | | | |
| non-conforming | 1,981 | 197 | 109 | 160 | 594 | 2 | 3,043 |
| RMBS: sub-prime | 578 | 121 | 306 | 87 | 579 | 153 | 1,824 |
| CMBS | 3,441 | 599 | 1,022 | 298 | 147 | 2 | 5,509 |
| CDOs | 615 | 944 | 254 | 944 | 849 | 262 | 3,868 |
| CLOs | 2,718 | 4,365 | 607 | 260 | 636 | 730 | 9,316 |
| Other ABS | 4,099 | 1,555 | 1,014 | 1,947 | 152 | 799 | 9,566 |
| | 65,067 | 8,942 | 3,886 | 4,243 | 3,515 | 1,949 | 87,602 |

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Asset-backed securities (continued)

Key points

- Carrying values of asset-backed securities decreased by £16.8 billion during 2010 with net reductions across all portfolios.
- Within G-10 government RMBS, net sell-downs by the US Mortgage Trading business in GBM in the first quarter of 2010, as part of the Group's repositioning in light of the US government's purchase of US assets, was off-set by purchases in the second half of the year, with the latter reflecting the perceived investor appetite. The decrease in the US AFS portfolio reflected balance sheet restructuring in US Retail & Commercial during the third quarter of 2010.
- A £5.8 billion reduction was seen in prime RMBS primarily GBM and Group Treasury, across European (£4.7 billion) and US (£1.1 billion) portfolios reflecting respectively balance sheet management and repositioning in light of increased liquidity in the US RMBS market.
- Both CDO and CLO portfolios declined by £3.7 billion reflecting asset reductions in Non-Core; however, some CDO exposures were downgraded during the year resulting in increased non-investment grade positions.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Credit valuation adjustments

CVA represents an estimate of the adjustment to arrive at fair value that a market participant would make to incorporate the credit risk inherent in counterparty derivative exposures. The table below details the Group's CVA by type of counterparty.

| | 31 December 2010 £m | 30 September 2010 £m | 30 June 2010 £m | 31 March 2010 £m | 31 December 2009 £m |
|----------------------|------------------------------|-------------------------------|-----------------------|------------------------|------------------------------|
| Monoline insurers | 2,443 | 2,678 | 3,599 | 3,870 | 3,796 |
| CDPCs | 490 | 622 | 791 | 465 | 499 |
| Other counterparties | 1,714 | 1,937 | 1,916 | 1,737 | 1,588 |
| | 4,647 | 5,237 | 6,306 | 6,072 | 5,883 |

Monoline insurers

The table below summarises the Group's exposure to monolines, all of which are in Non-Core.

| | 31 December 2010 £m | 30 September 2010 £m | 30 June 2010 £m | 31 March 2010 £m | 31 December 2009 £m |
|--|------------------------------|-------------------------------|-----------------------|------------------------|------------------------------|
|--|------------------------------|-------------------------------|-----------------------|------------------------|------------------------------|

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| | | | | | |
|------------------------------------|---------|---------|---------|---------|---------|
| Gross exposure to monolines | 4,023 | 4,445 | 5,495 | 6,189 | 6,170 |
| Hedges with financial institutions | (71) | (70) | (73) | (548) | (531) |
| Credit valuation adjustment | (2,443) | (2,678) | (3,599) | (3,870) | (3,796) |
| Net exposure to monolines | 1,509 | 1,697 | 1,823 | 1,771 | 1,843 |
| CVA as a % of gross exposure | 61% | 60% | 65% | 63% | 62% |
| Counterparty and credit risk RWAs | £17.8bn | £19.1bn | £25.5bn | £8.6bn | £13.7bn |

The net effect to the income statement relating to monoline exposures is detailed below.

| | Quarter ended | | | Year ended | |
|---|------------------------|-------------------------|------------------------|------------------------|------------------------|
| | 31 December 2010 £m | 30 September 2010 £m | 31 December 2009 £m | 31 December 2010 £m | 31 December 2009 £m |
| Credit valuation adjustment at beginning of period | (2,678) | (3,599) | (6,300) | (3,796) | (5,988) |
| Credit valuation adjustment at end of period | (2,443) | (2,678) | (3,796) | (2,443) | (3,796) |
| Decrease in credit valuation adjustment | 235 | 921 | 2,504 | 1,353 | 2,192 |
| Net debit relating to realisation, hedges, foreign exchange and other movements | (102) | (687) | (2,125) | (844) | (3,290) |
| Net debit relating to reclassified debt securities | (69) | (16) | (1,040) | (305) | (1,468) |
| Net credit/(debit) to income statement (1) | 64 | 218 | (661) | 204 | (2,566) |

Note:

- (1) Comprises the following elements for the year ended 31 December 2010 and 31 December 2009:
- a loss of £5 million (31 December 2009 - £2,387 million) in income from trading activities,
 - impairment reversals/(losses) of £71 million (31 December 2009 - £(239) million); and
 - other income of £138 million (31 December 2009 - £60 million) relating to reclassified debt securities.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Credit valuation adjustments (continued)

Monoline insurers (continued)

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The table below summarises monoline exposures by rating. Credit ratings are based on those from rating agencies, S&P and Moody's. Where the ratings differ, the lower of the two is taken.

| | Notional: protected assets £m | Fair value: Reference protected assets £m | Gross exposure £m | Credit valuation adjustment £m | Hedges £m | Net exposure £m |
|-------------------------------------|--|--|-------------------------|---|--------------|-----------------------|
| 31 December 2010 | | | | | | |
| A to AA- Non-investment grade | 6,336 | 5,503 | 833 | 272 | - | 561 |
| | 8,555 | 5,365 | 3,190 | 2,171 | 71 | 948 |
| | 14,891 | 10,868 | 4,023 | 2,443 | 71 | 1,509 |
| Of which: | | | | | | |
| CMBS | 4,149 | 2,424 | 1,725 | 1,253 | | |
| CDOs | 1,133 | 256 | 877 | 593 | | |
| CLOs | 6,724 | 6,121 | 603 | 210 | | |
| Other ABS | 2,393 | 1,779 | 614 | 294 | | |
| Other | 492 | 288 | 204 | 93 | | |
| | 14,891 | 10,868 | 4,023 | 2,443 | | |
| 30 September 2010 | | | | | | |
| A to AA- Non-investment grade | 6,641 | 5,616 | 1,025 | 376 | - | 649 |
| | 8,661 | 5,241 | 3,420 | 2,302 | 70 | 1,048 |
| | 15,302 | 10,857 | 4,445 | 2,678 | 70 | 1,697 |
| Of which: | | | | | | |
| CMBS | 4,226 | 2,284 | 1,942 | 1,336 | | |
| CDOs | 1,146 | 230 | 916 | 602 | | |
| CLOs | 6,969 | 6,265 | 704 | 273 | | |
| Other ABS | 2,410 | 1,744 | 666 | 343 | | |
| Other | 551 | 334 | 217 | 124 | | |
| | 15,302 | 10,857 | 4,445 | 2,678 | | |
| 31 December 2009 | | | | | | |
| A to AA- Non-investment grade | 7,143 | 5,875 | 1,268 | 378 | - | 890 |
| | 12,598 | 7,696 | 4,902 | 3,418 | 531 | 953 |
| | 19,741 | 13,571 | 6,170 | 3,796 | 531 | 1,843 |
| Of which: | | | | | | |
| CMBS | 4,253 | 2,034 | 2,219 | 1,562 | | |

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| | | | | |
|-----------|--------|--------|-------|-------|
| CDOs | 2,284 | 797 | 1,487 | 1,059 |
| CLOs | 10,007 | 8,584 | 1,423 | 641 |
| Other ABS | 2,688 | 1,861 | 827 | 412 |
| Other | 509 | 295 | 214 | 122 |
| | 19,741 | 13,571 | 6,170 | 3,796 |

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Credit valuation adjustments (continued)

Monoline insurers (continued)

Key points

- Exposure to monolines decreased in the fourth quarter of 2010 and year ended 31 December 2010 due to a combination of restructuring certain exposures and higher prices of underlying reference instruments, partially offset by US dollar strengthening against sterling.
- The CVA decreased on a total basis, reflecting the reduction in exposures, but was stable on a relative basis with the impact of tighter credit spreads offset by an increase in the expected lives of certain trades.
- The reduction in the Group's RWA requirements over the quarter was driven by the reduction in exposure to monolines and the impact of restructuring certain risk structures.
- During the year there was a significant increase in the RWA requirements of RBS N.V. following its migration to the Basel II regime. Regulatory intervention at certain monoline counterparties triggered International Swaps and Derivative Association (ISDA) credit events in the period. At the point of trigger the exposure to these counterparties was excluded from the RWA calculations and capital deductions of £171 million were taken instead. The impact of this together with restructuring certain exposures and an improvement in the rating of underlying reference bonds held by the Group to investment grade status were the main drivers of the reduction in RWA requirements during the second half of the year.

The Group also has indirect exposures to monoline insurers through wrapped securities and other assets with credit enhancement from monoline insurers. These securities are traded with the benefit of this credit enhancement. Any deterioration in the credit rating of the monoline is reflected in the fair value of these assets.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Credit valuation adjustments (continued)

Credit derivative product companies

A summary of the Group's exposure to credit derivative product companies (CDPCs), all of which is in Non-Core, is detailed below.

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| | 31 December 2010 £m | 30 September 2010 £m | 30 June 2010 £m | 31 March 2010 £m | 31 December 2009 £m |
|--------------------------------------|------------------------------|-------------------------------|-----------------------|------------------------|------------------------------|
| Gross exposure to CDPCs | 1,244 | 1,467 | 1,747 | 1,253 | 1,275 |
| Credit valuation adjustment | (490) | (622) | (791) | (465) | (499) |
| Net exposure to CDPCs | 754 | 845 | 956 | 788 | 776 |
| CVA as a % of gross exposure | 39% | 42% | 45% | 37% | 39% |
| Counterparty and credit risk RWAs | £7.2bn | £8.1bn | £8.8bn | £7.9bn | £7.5bn |
| Capital deductions | £280m | £297m | £292m | £309m | £347m |

The table below summarises CDPC exposures by rating.

| | Notional protected assets £m | Fair value protected reference assets £m | Gross exposure £m | Credit valuation adjustment £m | Net exposure £m |
|----------------------|---------------------------------------|--|-------------------------|---|-----------------------|
| 31 December 2010 | | | | | |
| AAA | 213 | 212 | 1 | - | 1 |
| A to AA- | 644 | 629 | 15 | 4 | 11 |
| Non-investment grade | 20,066 | 19,050 | 1,016 | 401 | 615 |
| Unrated | 4,165 | 3,953 | 212 | 85 | 127 |
| | 25,088 | 23,844 | 1,244 | 490 | 754 |
| 30 September 2010 | | | | | |
| AAA | 1,070 | 1,060 | 10 | 6 | 4 |
| A to AA- | 637 | 618 | 19 | 8 | 11 |
| Non-investment grade | 19,468 | 18,286 | 1,182 | 476 | 706 |
| Unrated | 3,426 | 3,170 | 256 | 132 | 124 |
| | 24,601 | 23,134 | 1,467 | 622 | 845 |
| 31 December 2009 | | | | | |
| AAA | 1,658 | 1,637 | 21 | 5 | 16 |
| BBB- to A- | 1,070 | 1,043 | 27 | 9 | 18 |
| Non-investment grade | 17,696 | 16,742 | 954 | 377 | 577 |
| Unrated | 3,926 | 3,653 | 273 | 108 | 165 |
| | 24,350 | 23,075 | 1,275 | 499 | 776 |

Credit ratings are based on those from rating agencies S&P and Moody's. Where the ratings differ, the lower of the two is taken.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Credit valuation adjustments (continued)

Credit derivative product companies (continued)

The table below details the net income statement effect arising from CDPC exposures.

| | Quarter ended | | | Year ended | |
|--|------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|
| | 31 December 2010 £m | 30 September 2010 £m | 31 December 2009 £m | 31 December 2010 £m | 31 December 2009 £m |
| CVA at beginning of period | (622) | (791) | (592) | (499) | (1,311) |
| CVA at end of period | (490) | (622) | (499) | (490) | (499) |
| Decrease in CVA | 132 | 169 | 93 | 9 | 812 |
| Hedges, foreign exchange and other movements | (170) | (184) | (205) | (150) | (1,769) |
| Income from trading activities – net losses | (38) | (15) | (112) | (141) | (957) |

Key points

- Losses reduced significantly in 2010 due to smaller exposures and reduced losses on hedges that were introduced to cap the exposures.
- The CVA decrease for the year reflected exposure reduction, due to trade commutations, tighter credit spreads of the underlying reference portfolios, partially offset by an increase in the relative value of senior tranches compared with the underlying reference portfolios and foreign currency movements.
- Counterparty and credit RWAs and capital deductions decreased in line with exposure reduction.
- Certain CDPCs, where the Group has hedges in place to cap the exposure, are excluded from the RWA calculations with capital deduction taken instead.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Credit valuation adjustments (continued)

Other counterparties

The net income statement effect arising from the change in level of CVA for all other counterparties and related trades is detailed below.

| | Quarter ended | | | Year ended | |
|---|------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|
| | 31 December 2010 £m | 30 September 2010 £m | 31 December 2009 £m | 31 December 2010 £m | 31 December 2009 £m |
| CVA at beginning of the period | (1,937) | (1,916) | (1,856) | (1,588) | (1,738) |
| CVA at end of the period | (1,714) | (1,937) | (1,588) | (1,714) | (1,588) |
| Decrease/(increase) in CVA | 223 | (21) | 268 | (126) | 150 |
| Net (debit)/credit relating to hedges, foreign exchange and other movements | (252) | 37 | (204) | (19) | (841) |
| Net (debit)/credit to income statement (income from trading activities) | (29) | 16 | 64 | (145) | (691) |

Key points

The decrease in the 31 December 2010 quarter ended CVA held against exposures to other counterparties was driven by restructuring certain exposures and credit spreads tightening.

Losses on hedges and realised defaults are the primary driver of the losses arising on foreign exchange, hedges, realisations and other movements.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Leveraged finance

The table below details the Group's global markets sponsor-led leveraged finance exposures, all of which are in Non-Core, by industry and geography.

| | 31 December 2010 | | | | | 30 September 2010 | | | | | 31 December 2009 | | | | |
|-----------------|------------------|----------------|-----------------------|-----------|-------------|-------------------|----------------|-----------------------|-----------|-------------|------------------|----------------|-----------------------|-----------|-------------|
| | UK £m | Americas £m | Other Europe £m | RoW £m | Total £m | UK £m | Americas £m | Other Europe £m | RoW £m | Total £m | UK £m | Americas £m | Other Europe £m | RoW £m | Total £m |
| Gross exposure: | | | | | | | | | | | | | | | |
| TMT (1) | 1,451 | 689 | 686 | 473 | 3,299 | 1,513 | 871 | 775 | 519 | 3,678 | 1,656 | 1,781 | 1,081 | 605 | 5,120 |
| Industrial | 1,009 | 273 | 1,144 | 285 | 2,711 | 1,052 | 393 | 1,249 | 312 | 3,006 | 1,523 | 1,584 | 1,781 | 207 | 5,096 |
| Retail | 290 | 8 | 867 | 61 | 1,226 | 437 | 8 | 1,060 | 63 | 1,568 | 476 | 17 | 1,354 | 71 | 1,949 |
| Other | 1,074 | 188 | 627 | 182 | 2,071 | 1,100 | 198 | 771 | 216 | 2,285 | 1,527 | 244 | 1,168 | 191 | 3,126 |
| | 3,824 | 1,158 | 3,324 | 1,001 | 9,307 | 4,102 | 1,470 | 3,855 | 1,110 | 10,537 | 5,182 | 3,626 | 5,384 | 1,074 | 15,200 |
| Net exposure: | | | | | | | | | | | | | | | |
| TMT (1) | 1,267 | 656 | 633 | 338 | 2,894 | 1,325 | 795 | 759 | 401 | 3,280 | 1,532 | 1,502 | 1,045 | 590 | 4,600 |
| Industrial | 911 | 181 | 1,094 | 277 | 2,463 | 949 | 274 | 1,083 | 302 | 2,608 | 973 | 524 | 1,594 | 205 | 3,220 |

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| | | | | | | | | | | | | | | | |
|-----------|-------|-------|-------|-----|-------|-------|-------|-------|-----|-------|-------|-------|-------|-------|--------|
| Retail | 277 | 8 | 817 | 57 | 1,159 | 424 | 8 | 1,006 | 60 | 1,498 | 445 | 17 | 1,282 | 68 | 1,812 |
| Other | 1,014 | 188 | 622 | 182 | 2,006 | 1,025 | 197 | 765 | 216 | 2,203 | 1,461 | 244 | 1,147 | 191 | 3,004 |
| | 3,469 | 1,033 | 3,166 | 854 | 8,522 | 3,723 | 1,274 | 3,613 | 979 | 9,589 | 4,411 | 2,287 | 5,068 | 1,054 | 12,820 |
| Of which: | | | | | | | | | | | | | | | |
| Drawn | 2,952 | 673 | 2,433 | 694 | 6,752 | 3,260 | 938 | 2,829 | 806 | 7,833 | 3,737 | 1,944 | 3,909 | 950 | 10,542 |
| Undrawn | 517 | 360 | 733 | 160 | 1,770 | 463 | 336 | 784 | 173 | 1,756 | 674 | 343 | 1,159 | 104 | 2,278 |
| | 3,469 | 1,033 | 3,166 | 854 | 8,522 | 3,723 | 1,274 | 3,613 | 979 | 9,589 | 4,411 | 2,287 | 5,068 | 1,054 | 12,820 |

Notes:

- (1) Telecommunications, media and technology.
- (2) All of the above exposures are classified as LAR, except for £154 million (30 September 2010 - £153 million; 31 December 2009 - £143 million) which are classified as HFT.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Leveraged finance (continued)

The table below shows the Group's movement in leveraged finance exposures.

| | Quarter ended | | | Year ended | | | |
|--|------------------|---------|---------|------------|----------|----------|----------|
| | 31 December 2010 | | | 30 | 31 | 31 | |
| | Drawn | Undrawn | Total | September | December | December | December |
| | £m | £m | £m | 2010 | 2009 | 2010 | 2009 |
| | | | | £m | £m | £m | £m |
| Balance at beginning of period | 7,833 | 1,756 | 9,589 | 10,859 | 13,719 | 12,820 | 15,769 |
| Transfers | (66) | (7) | (73) | (29) | 43 | (26) | 604 |
| Sales and restructurings | (1,055) | - | (1,055) | (1,263) | (389) | (3,848) | (391) |
| Repayments and facility reductions | (90) | (36) | (126) | (148) | - | (760) | (1,326) |
| Lapsed/collapsed deals | - | - | - | - | - | - | (19) |
| Funded deals | (51) | 51 | - | - | - | - | - |
| Changes in fair value | 17 | - | 17 | 41 | 13 | 73 | (31) |
| Accretion of interest | 13 | - | 13 | 9 | 21 | 50 | 100 |
| Net recoveries/(impairment provisions) | 124 | - | 124 | 8 | (192) | 131 | (1,041) |
| Exchange and other movements | 25 | 6 | 31 | 112 | (395) | 80 | (845) |
| Balance at end of period | 6,750 | 1,770 | 8,520 | 9,589 | 12,820 | 8,520 | 12,820 |

Key points

Reduction in exposures reflects the Non-Core strategy.

Approximately 92% of the above exposures represent senior lending at 31 December 2010.

In addition to the above, UK Corporate and Ulster Bank have leveraged finance exposures as set out below.

| | 31 December 2010 | 30 September 2010 | 31 December 2009 |
|--------------------------------|------------------------|-------------------------|------------------------|
| UK Corporate | | | |
| - Debt financing (1) | 3,664 | 3,804 | 4,041 |
| - Senior debt transactions (2) | 2,604 | 2,721 | 3,034 |
| Total UK Corporate | 6,268 | 6,525 | 7,075 |
| Ulster Bank | 597 | 608 | 621 |
| | 6,865 | 7,133 | 7,696 |

Notes:

- (1) Loans for UK mid-market buyouts, supplementing equity capital provided by third party private equity investors.
- (2) Loans to UK mid-corporates supporting acquisitions, recapitalisations or general corporate purposes where higher leverage criteria were met.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Special purpose entities

The table below sets out the asset categories, together with the carrying value of the assets and associated liabilities for those securitisations and other asset transfers, other than conduits (discussed below), where the assets continue to be recorded on the Group's balance sheet.

| | 31 December 2010 | | 30 September 2010 | | 31 December 2009 | |
|---------------------------|------------------|-------------------|-------------------|-------------------|------------------|-------------------|
| | Assets £m | Liabilities £m | Assets £m | Liabilities £m | Assets £m | Liabilities £m |
| Residential mortgages | 76,212 | 18,215 | 74,351 | 18,164 | 69,927 | 15,937 |
| Credit card receivables | 3,993 | 34 | 4,059 | 1,592 | 2,975 | 1,592 |
| Other loans | 30,988 | 974 | 31,364 | 1,003 | 36,448 | 1,010 |
| Finance lease receivables | 510 | 510 | 582 | 582 | 597 | 597 |

Assets are significantly greater than liabilities, as all notes issued by funding related own asset securitisation SPEs are purchased by Group companies.

Conduits

Group-sponsored conduits can be divided into multi-seller conduits and own-asset conduits. The Group consolidates both types of conduits where the substance of the relationship between the Group and the conduit vehicle is such that

the vehicle is controlled by the Group. Liquidity commitments from the Group to the conduit exceed the nominal amount of assets funded by the conduit as liquidity commitments are sized to cover the funding cost of the related assets.

During the year both multi-seller and own asset conduit assets have been reduced in line with wider Group balance sheet management. The total assets held by Group-sponsored conduits were £20.0 billion at 31 December 2010 (30 September 2010 - £19.8 billion; 31 December 2009 - £27.4 billion).

The exposure to conduits which are consolidated by the Group, the assets held and commercial papers issued by these vehicles are analysed in the table below.

| | 31 December 2010 | | | 30 September 2010 | | | 31 December 2009 | | |
|------------------------------------|------------------|----------------|-------------|-------------------|----------------|-------------|------------------|----------------|-------------|
| | Core £m | Non-Core £m | Total £m | Core £m | Non-Core £m | Total £m | Core £m | Non-Core £m | Total £m |
| Total assets | 16,390 | 3,624 | 20,014 | 16,183 | 3,642 | 19,825 | 23,409 | 3,957 | 27,366 |
| Commercial paper issued (1) | 15,522 | 2,540 | 18,062 | 15,430 | 2,563 | 17,993 | 22,644 | 2,939 | 25,583 |
| Liquidity and credit enhancements: | | | | | | | | | |
| Deal specific liquidity: | | | | | | | | | |
| - drawn | 868 | 1,109 | 1,977 | 733 | 1,104 | 1,837 | 738 | 1,059 | 1,797 |
| - undrawn | 21,935 | 2,980 | 24,915 | 22,472 | 3,277 | 25,749 | 28,628 | 3,852 | 32,480 |
| PWCE (2) | 1,025 | 257 | 1,282 | 918 | 275 | 1,193 | 1,167 | 341 | 1,508 |
| | 23,828 | 4,346 | 28,174 | 24,123 | 4,656 | 28,779 | 30,533 | 5,252 | 35,785 |
| Maximum exposure to loss (3) | 22,803 | 4,089 | 26,892 | 23,205 | 4,381 | 27,586 | 29,365 | 4,911 | 34,276 |

Notes:

- (1) Includes £0.7 billion of ABCP issued to RBS plc at 31 December 2010.
- (2) Programme-wide credit enhancement.
- (3) Maximum exposure to loss is determined as the Group's total liquidity commitments to the conduits and additionally programme-wide credit support which would absorb first loss on transactions where liquidity support is provided by a third party.

Appendix 3 Additional risk management disclosures (continued)

Other risk exposures: Conduits (continued)

Multi-seller conduits accounted for 44% of the total liquidity and credit enhancements committed by the Group at 31 December 2010 (30 September 2010 - 42%; 31 December 2009 - 43%). The Group's multi-seller conduits have continued to fund the vast majority of their assets solely through asset-backed commercial paper (ABCP) issuance. There have been no significant systemic failures within the financial markets similar to that experienced in the second half of 2008 following Lehman Brothers bankruptcy filing in September 2008. The improvement in market conditions has allowed these conduits to move to normal ABCP funding conditions and reduced the need for backstop funding from the Group.

Key points

- Total assets decreased during the year by £7.4 billion in line with the Group's strategy of reducing conduit exposure.
- The average maturity of ABCP issued by the Group's conduits has risen throughout 2010, at 69.4 days at 31 December 2010 compared with 68.3 days at 30 September 2010 and 58.4 days at 31 December 2009.
- The maturity of the commercial paper issued by the Group's conduits is managed to mitigate the short-term contingent liquidity risk of providing back-up facilities. The Group's limits sanctioned for such liquidity facilities at 31 December 2010 totalled approximately £22.6 billion for multi-seller conduits (30 September 2010 - £21.9 billion; 31 December 2009 - £25.0 billion). For a very small number of transactions within one multi-seller conduit the liquidity facilities have been provided by third-party banks. This typically occurs on transactions where the third-party bank does not use, or have, its own conduit vehicles.
- The Group's maximum exposure to loss on its multi-seller conduits is £22.8 billion (30 September 2010 - £22.0 billion; 31 December 2009 - £25.2 billion), being the total amount of the Group's liquidity commitments plus the extent of PWCE of conduit assets for which liquidity facilities were not provided by third parties.
- The Group holds two own-asset conduits, which have assets that were previously funded by the Group. The Group's maximum exposure to loss on these two conduits was £4.1 billion at 31 December 2010 (30 September 2010 - £5.6 billion; 31 December 2009 - £9.1 billion), with £2.2 billion of ABCP outstanding at that date (30 September 2010 - £3.2 billion; 31 December 2009 - £7.7 billion).
- Additionally the Group has established an own-asset conduit with a committed liquidity of £26.0 billion (30 September 2010 - £26.0 billion; 31 December 2009 - £25.1 billion) to access the Bank of England's open market operations for contingent funding purposes.

The Group also extends liquidity commitments to multi-seller conduits sponsored by other banks, but typically does not consolidate these entities as the Group does not retain the majority of risks and rewards. The Group's exposure from third-party conduits was £136 million (30 September 2010 - £136 million; 31 December 2009 - £587 million) representing deal specific liquidity.

Signatures

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

Date: 24 February 2011

THE ROYAL BANK OF
SCOTLAND GROUP plc
(Registrant)

By: /s/ Jan Cargill

Name: Jan Cargill
Title: Deputy Secretary