

ROYAL BANK OF SCOTLAND GROUP PLC  
Form 6-K  
February 26, 2010

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

**Report of Foreign Private Issuer**

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

For February 25, 2010

Commission File Number: 001-10306

The Royal Bank of Scotland Group plc

RBS, Gogarburn, PO Box 1000  
Edinburgh EH12 1HQ

(Address of principal executive offices)

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

Form 20-F

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

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

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**Risk and capital management** (continued)**Market turmoil exposures****Explanatory note**

These disclosures provide information on certain elements of the Group's business activities affected by the unprecedented market events of the second half of 2007 and through 2008 and 2009, the majority of which reside within Non-Core and, to a lesser extent, Global Banking & Markets ('GBM'), US Retail & Commercial and Group Treasury. For certain disclosures the information presented has been analysed into 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 at 31 December 2009 was £249.1 billion (2008 - £253.2 billion). This comprised:

	<b>2009</b>		2008	
	<b>Group before</b>		Group before	
	<b>RFS</b>		<b>RFS</b>	
	<b>Holdings</b>		<b>Holdings</b>	
	<b>minority</b>	<b>Group</b>	<b>minority</b>	<b>Group</b>
	<b>interest</b>	<b>interest</b>	<b>interest</b>	<b>interest</b>
	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>	<b>£bn</b>
Securities issued by central and local governments	<b>134.1</b>	<b>146.9</b>	95.1	105.8
Asset-backed securities	<b>87.6</b>	<b>88.1</b>	111.1	111.1
Securities issued by corporates, US federal agencies and other entities	<b>13.4</b>	<b>14.4</b>	24.3	26.2
Securities issued by banks and building societies	<b>14.0</b>	<b>17.8</b>	22.7	24.4
Total debt securities	<b>249.1</b>	<b>267.2</b>	253.2	267.5

This section focuses on asset-backed securities, an area of interest following the market dislocations in 2007 and 2008. Asset-backed securities (ABS) are securities with 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.

The Group has exposures to ABS which are predominantly debt securities but can also be held in derivative form. These positions had been acquired primarily through the Group's activities in the US leveraged finance market which expanded during 2007. These include residential mortgage backed securities (RMBS), commercial mortgage backed securities (CMBS), ABS collateralised debt obligations (CDOs) and collateralised loan obligations (CLOs) and other ABS. In many cases the risk on 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 (see Monoline insurers on page 157).

The following table summarises the gross and net exposures and carrying values of these securities by geography - US, UK, other Europe and rest of the world (RoW) and by the measurement classification - held-for-trading (HFT), available-for-sale (AFS), loans and receivables (LAR) and designated at fair value through profit or loss (DFV) - of the underlying assets at 31 December 2009.







**Risk and capital management**(continued)**Market turmoil exposures: Asset-backed securities** (continued)**Asset-backed securities by geography and measurement classification**

	Other								
	US £m	UK £m	Europe (4) £m	RoW £m	Total £m	HFT £m	AFS £m	LAR £m	DFV £m
<b>2009</b>									
Gross exposure:(1)									
RMBS: G10									
governments(2)	26,693	314	16,594	94	43,695	13,536	30,159	-	-
RMBS: prime	2,965	5,276	4,567	222	13,030	6,274	5,761	848	147
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	1,020	479	17
CMBS	3,422	1,781	1,420	75	6,698	2,936	1,842	1,711	209
CDOs	12,382	329	571	27	13,309	9,080	3,923	305	1
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	5,252	3,985	18
Total	61,150	12,708	30,675	3,721	108,254	42,351	56,036	9,475	392
Carrying value:									
RMBS: G10									
governments(2)	27,034	305	16,183	33	43,555	13,397	30,158	-	-
RMBS: prime	2,697	4,583	4,009	212	11,501	5,133	5,643	583	142
RMBS:									
non-conforming	958	1,957	128	-	3,043	389	1,180	1,474	-
RMBS: sub-prime	977	314	146	387	1,824	779	704	324	17
CMBS	3,237	1,305	924	43	5,509	2,279	1,638	1,377	215
CDOs	3,275	166	400	27	3,868	2,064	1,600	203	1
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	4,621	3,443	19
Total	47,800	9,866	27,628	2,888	88,182	28,820	51,044	7,924	394
Net exposure:(3)									
RMBS: G10									
governments(2)	27,034	305	16,183	33	43,555	13,397	30,158	-	-

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RMBS: prime	<b>2,436</b>	<b>3,747</b>	<b>3,018</b>	<b>172</b>	<b>9,373</b>	<b>3,167</b>	<b>5,480</b>	<b>584</b>	<b>142</b>
RMBS:									
non-conforming	<b>948</b>	<b>1,957</b>	<b>128</b>	<b>-</b>	<b>3,033</b>	<b>379</b>	<b>1,180</b>	<b>1,474</b>	<b>-</b>
RMBS: sub-prime	<b>565</b>	<b>305</b>	<b>137</b>	<b>290</b>	<b>1,297</b>	<b>529</b>	<b>427</b>	<b>324</b>	<b>17</b>
CMBS	<b>2,245</b>	<b>1,228</b>	<b>595</b>	<b>399</b>	<b>4,467</b>	<b>1,331</b>	<b>1,556</b>	<b>1,377</b>	<b>203</b>
CDOs	<b>743</b>	<b>124</b>	<b>382</b>	<b>26</b>	<b>1,275</b>	<b>521</b>	<b>550</b>	<b>203</b>	<b>1</b>
CLOs	<b>1,636</b>	<b>86</b>	<b>1,104</b>	<b>39</b>	<b>2,865</b>	<b>673</b>	<b>1,672</b>	<b>520</b>	<b>-</b>
Other ABS	<b>2,117</b>	<b>839</b>	<b>4,331</b>	<b>1,145</b>	<b>8,432</b>	<b>483</b>	<b>4,621</b>	<b>3,309</b>	