

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
May 03, 2013

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

Report of Foreign Private Issuer

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

For May 3, 2013

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 1

Income statement reconciliations and Segmental analysis

Appendix 1 Income statement reconciliations and Segmental analysis

| | Quarter ended 31 March 2013 | | | |
|--|-----------------------------|---------------|-------------|-----------|
| | | | DLG results | |
| | Managed | One-off items | to 12/3/13 | Statutory |
| | £m | reallocation | (1) | £m |
| | | £m | £m | |
| Interest receivable | 4,336 | - | (57) | 4,279 |
| Interest payable | (1,614) | (2) | 7 | (1,609) |
| Net interest income | 2,722 | (2) | (50) | 2,670 |
| Fees and commissions receivable | 1,317 | - | (1) | 1,316 |
| Fees and commissions payable | (284) | - | 74 | (210) |
| Income from trading activities | 1,015 | 99 | 1 | 1,115 |
| Loss on redemption of own debt | - | (51) | - | (51) |
| Other operating income (2) | 381 | 245 | (14) | 612 |
| Insurance net premium income | 699 | - | (699) | - |
| Non-interest income | 3,128 | 293 | (639) | 2,782 |
| Total income | 5,850 | 291 | (689) | 5,452 |
| Staff costs | (1,893) | (67) | 73 | (1,887) |
| Premises and equipment | (580) | (10) | 34 | (556) |
| Other administrative expenses | (731) | (86) | 54 | (763) |
| Depreciation and amortisation | (339) | (58) | 10 | (387) |
| Operating expenses | (3,543) | (221) | 171 | (3,593) |
| Profit before insurance net claims and impairment losses | 2,307 | 70 | (518) | 1,859 |

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| | | | | |
|---|---------|----|------|---------|
| Insurance net claims | (445) | - | 445 | - |
| Operating profit before impairment losses | 1,862 | 70 | (73) | 1,859 |
| Impairment losses | (1,033) | - | - | (1,033) |
| Operating profit | 829 | 70 | (73) | 826 |

For the notes to this table refer to the following page.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

| | Quarter ended 31 March 2013 | | | |
|---|-----------------------------|----------------------------------|-------------------------------------|-----------|
| | Managed | One-off reallocation items | DLG results to 12/3/13 (1) | Statutory |
| | £m | £m | £m | £m |
| Operating profit | 829 | 70 | (73) | 826 |
| Own credit adjustments (3) | 249 | (249) | - | - |
| Interest Rate Hedging Products redress and related costs | (50) | 50 | - | - |
| Integration and restructuring costs (4) | (131) | 131 | - | - |
| Loss on redemption of own debt | (51) | 51 | - | - |
| Amortisation of purchased intangible assets | (41) | 41 | - | - |
| Strategic disposals | 66 | (66) | - | - |
| RFS Holdings minority interest | 100 | (100) | - | - |
| Profit including the results of Direct Line Group discontinued operations | 971 | (72) | (73) | 826 |
| Direct Line Group discontinued operations | (145) | 72 | 73 | - |
| Profit before tax | 826 | - | - | 826 |
| Tax charge | (350) | - | - | (350) |
| Profit from continuing operations | 476 | - | - | 476 |
| Profit from discontinued operations, net of tax | | | | |
| - Direct Line Group | 127 | - | - | 127 |
| - Other | 2 | - | - | 2 |
| Profit from discontinued operations, net of tax | 129 | - | - | 129 |
| Profit for the period | 605 | - | - | 605 |
| Non-controlling interests | (131) | - | - | (131) |
| Preference share and other dividends | (81) | - | - | (81) |
| Profit attributable to ordinary and B shareholders | 393 | - | - | 393 |

Notes:

- (1) The statutory results of Direct Line Group, which is classified as a discontinued operation.
- (2) Includes the Group's share of profit of Direct Line Group as an associated undertaking of £7 million from 13 March 2013.
- (3) Reallocation of £99 million gain to income from trading activities and £150 million gain to other operating income.
- (4) Includes £9 million in Direct Line Group.

Appendix 1 Income statement reconciliations and Segmental analysis

| | Quarter ended | | | | | | | |
|---|----------------------|---------|-------|---------------|----------------------|---------|-------|---------------|
| | 31 December 2012 | | | | 31 March 2012 | | | |
| | One-off items | | DLG | (1) Statutory | One-off items | | DLG | (1) Statutory |
| | Managed reallocation | | | | Managed reallocation | | | |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Interest receivable | 4,517 | - | (78) | 4,439 | 5,017 | - | (83) | 4,934 |
| Interest payable | (1,675) | (3) | 12 | (1,666) | (2,010) | (8) | (1) | (2,019) |
| Net interest income | 2,842 | (3) | (66) | 2,773 | 3,007 | (8) | (84) | 2,915 |
| Fees and commissions receivable | 1,375 | - | (1) | 1,374 | 1,487 | - | (2) | 1,485 |
| Fees and commissions payable | (324) | (1) | 80 | (245) | (290) | - | 111 | (179) |
| Income from trading activities | 567 | (97) | 4 | 474 | 1,264 | (1,052) | - | 212 |
| Gain on redemption of own debt | - | - | - | - | - | 577 | - | 577 |
| Other operating income | 381 | (138) | (16) | 227 | 725 | (1,472) | (53) | (800) |
| Insurance net premium income | 919 | - | (919) | - | 938 | - | (938) | - |
| Non-interest income | 2,918 | (236) | (852) | 1,830 | 4,124 | (1,947) | (882) | 1,295 |
| Total income | 5,760 | (239) | (918) | 4,603 | 7,131 | (1,955) | (966) | 4,210 |
| Staff costs | (1,467) | (312) | 123 | (1,656) | (2,249) | (349) | 90 | (2,508) |
| Premises and equipment | (573) | (73) | 54 | (592) | (550) | (13) | 1 | (562) |
| Other administrative expenses | (723) | (1,834) | 51 | (2,506) | (819) | (197) | 133 | (883) |
| Depreciation and amortisation | (384) | (138) | 24 | (498) | (394) | (74) | 11 | (457) |
| Write down of goodwill and other intangible assets | - | (124) | - | (124) | - | - | - | - |
| Operating expenses | (3,147) | (2,481) | 252 | (5,376) | (4,012) | (633) | 235 | (4,410) |
| Profit/(loss) before insurance net claims and impairment losses | 2,613 | (2,720) | (666) | (773) | 3,119 | (2,588) | (731) | (200) |
| Insurance net claims | (606) | - | 606 | - | (649) | - | 649 | - |
| Operating profit/(loss) before impairment losses | 2,007 | (2,720) | (60) | (773) | 2,470 | (2,588) | (82) | (200) |

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| | | | | | | | | |
|-------------------------|---------|---------|------|---------|---------|---------|------|---------|
| Impairment losses | (1,454) | - | - | (1,454) | (1,314) | - | - | (1,314) |
| Operating profit/(loss) | 553 | (2,720) | (60) | (2,227) | 1,156 | (2,588) | (82) | (1,514) |

For the notes to this table refer to page 5.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

| | Quarter ended | | | | | | | |
|---|------------------|---------|------|---------------|---------------|---------|------|---------------|
| | 31 December 2012 | | | | 31 March 2012 | | | |
| | Managed | One-off | DLG | (1) Statutory | Managed | One-off | DLG | (1) Statutory |
| | reallocation | items | | | reallocation | items | | |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Operating profit/(loss) | 553 | (2,720) | (60) | (2,227) | 1,156 | (2,588) | (82) | (1,514) |
| Own credit adjustments (2) | (220) | 220 | - | - | (2,456) | 2,456 | - | - |
| Payment Protection Insurance costs | (450) | 450 | - | - | (125) | 125 | - | - |
| Interest Rate Hedging Products redress and related costs | (700) | 700 | - | - | - | - | - | - |
| Regulatory fines | (381) | 381 | - | - | - | - | - | - |
| Integration and restructuring costs | (620) | 620 | - | - | (460) | 460 | - | - |
| Gain on redemption of own debt | - | - | - | - | 577 | (577) | - | - |
| Write-down of goodwill and other intangible assets | (518) | 518 | - | - | - | - | - | - |
| Asset Protection Scheme (3) | - | - | - | - | (43) | 43 | - | - |
| Amortisation of purchased intangible assets | (32) | 32 | - | - | (48) | 48 | - | - |
| Strategic disposals | (16) | 16 | - | - | (8) | 8 | - | - |
| Bank levy | (175) | 175 | - | - | - | - | - | - |
| RFS Holdings minority interest | (2) | 2 | - | - | (25) | 25 | - | - |
| Loss including the results of Direct Line Group discontinued operations | (2,561) | 394 | (60) | (2,227) | (1,432) | - | (82) | (1,514) |
| Direct Line Group discontinued operations | 334 | (394) | 60 | - | (82) | - | 82 | - |
| Loss before tax | (2,227) | - | - | (2,227) | (1,514) | - | - | (1,514) |
| Tax charge | (39) | - | - | (39) | (138) | - | - | (138) |
| Loss from continuing operations | (2,266) | - | - | (2,266) | (1,652) | - | - | (1,652) |

For the notes to this table refer to page 5.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

| | Quarter ended | | | | | | | |
|--|------------------|---------|-----|---------------|---------------|---------|-----|---------------|
| | 31 December 2012 | | | | 31 March 2012 | | | |
| | Managed | One-off | DLG | (1) Statutory | Managed | One-off | DLG | (1) Statutory |
| reallocation | items | | | reallocation | items | | | |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| (Loss)/profit from discontinued operations, net of tax | | | | | | | | |
| - Direct Line Group | (351) | - | - | (351) | 88 | - | - | 88 |
| - Other | 6 | - | - | 6 | 5 | - | - | 5 |
| (Loss)/profit from discontinued operations, net of tax | (345) | - | - | (345) | 93 | - | - | 93 |
| Loss for the period | (2,611) | - | - | (2,611) | (1,559) | - | - | (1,559) |
| Non-controlling interests | 108 | - | - | 108 | 14 | - | - | 14 |
| Preference share and other dividends | (115) | - | - | (115) | - | - | - | - |
| Loss attributable to ordinary and B shareholders | (2,618) | - | - | (2,618) | (1,545) | - | - | (1,545) |

Notes:

- (1) The statutory results of Direct Line Group, which is classified as a discontinued operation.
- (2) Reallocation (Q4 2012 - £98 million loss; Q1 2012 - £1,009 million loss) to income from trading activities and (Q4 2012 - £122 million loss; Q1 2012 - £1,447 million loss) to other operating income.
- (3) Reallocation to income from trading activities.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Segmental analysis

Analysis of divisional operating profit/(loss)

The following tables provide an analysis of divisional operating profit/(loss) by main income statement captions. The divisional income statements on pages 22 to 64 of the main announcement reflect certain presentational reallocations as described in the notes below. These do not affect the overall operating profit/(loss).

| | | | | | | |
|----------|----------|--------|-----------|-----------|------------|---------------|
| Net | Non- | Total | Operating | Insurance | Impairment | Operating |
| interest | interest | income | expenses | | losses | profit/(loss) |

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| Quarter ended 31 March 2013 | income | | | | net claims | | |
|---|--------------|--------------|--------------|----------------|--------------|----------------|--------------|
| | £m | £m | £m | £m | £m | £m | £m |
| UK Retail | 965 | 226 | 1,191 | (634) | - | (80) | 477 |
| UK Corporate | 706 | 378 | 1,084 | (541) | - | (185) | 358 |
| Wealth | 169 | 104 | 273 | (212) | - | (5) | 56 |
| International Banking | 197 | 285 | 482 | (333) | - | (55) | 94 |
| Ulster Bank | 154 | 54 | 208 | (132) | - | (240) | (164) |
| US Retail & Commercial | 471 | 292 | 763 | (555) | - | (19) | 189 |
| Markets | 30 | 1,010 | 1,040 | (746) | - | (16) | 278 |
| Direct Line Group (1) | 49 | 647 | 696 | (162) | (445) | - | 89 |
| Central items | 18 | 2 | 20 | (63) | - | - | (43) |
| Core | 2,759 | 2,998 | 5,757 | (3,378) | (445) | (600) | 1,334 |
| Non-Core (2) | (37) | 130 | 93 | (165) | - | (433) | (505) |
| Managed basis | 2,722 | 3,128 | 5,850 | (3,543) | (445) | (1,033) | 829 |
| Reconciling items | | | | | | | |
| Own credit adjustments (3) | - | 249 | 249 | - | - | - | 249 |
| Interest Rate Hedging | | | | | | | |
| Products redress and related costs | - | - | - | (50) | - | - | (50) |
| Integration and restructuring costs | - | - | - | (131) | - | - | (131) |
| Loss on redemption of own debt | - | (51) | (51) | - | - | - | (51) |
| Amortisation of purchased intangible assets | - | - | - | (41) | - | - | (41) |
| Strategic disposals | - | 66 | 66 | - | - | - | 66 |
| RFS Holdings minority interest | (2) | 101 | 99 | 1 | - | - | 100 |
| Statutory basis including the results of | | | | | | | |
| Direct Line Group discontinued operations | 2,720 | 3,493 | 6,213 | (3,764) | (445) | (1,033) | 971 |
| Direct Line Group discontinued operations (4) | (50) | (711) | (761) | 171 | 445 | - | (145) |
| Statutory basis | 2,670 | 2,782 | 5,452 | (3,593) | - | (1,033) | 826 |

Notes:

- (1) Total income includes £27 million of investment income, £25 million in net interest income and £2 million in non-interest income. Reallocation of £24 million between non-interest income and net interest income in respect of instalment income.
- (2) Reallocation of £9 million between net interest income and non-interest income in respect of funding costs of rental assets.

- (3) Comprises £99 million gain included in 'Income from trading activities' and £150 million gain included in 'Other operating income' on a statutory basis.
- (4) Included within Direct Line Group discontinued operations are the managed basis divisional results of Direct Line Group (DLG), certain DLG related activities in Central items, and related one-off and other items including integration and restructuring costs.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Analysis of divisional operating profit/(loss) (continued)

| Quarter ended 31 December 2012 | Net interest income £m | Non-interest income £m | Total income £m | Operating expenses £m | Insurance net claims £m | Impairment losses £m | Operating profit/(loss) £m |
|--|---------------------------|---------------------------|--------------------|--------------------------|----------------------------|-------------------------|-------------------------------|
| UK Retail | 1,011 | 219 | 1,230 | (624) | - | (93) | 513 |
| UK Corporate Wealth | 717 | 456 | 1,173 | (515) | - | (234) | 424 |
| International Banking | 178 | 107 | 285 | (193) | - | (16) | 76 |
| Ulster Bank | 201 | 283 | 484 | (292) | - | (37) | 155 |
| US Retail & Commercial Markets (1) | 161 | 51 | 212 | (137) | - | (318) | (243) |
| Direct Line Group (2) | 465 | 275 | 740 | (517) | - | (23) | 200 |
| Central items | 49 | 592 | 641 | (480) | - | (22) | 139 |
| | 67 | 851 | 918 | (199) | (606) | - | 113 |
| | (60) | 169 | 109 | 17 | - | (8) | 118 |
| Core | 2,789 | 3,003 | 5,792 | (2,940) | (606) | (751) | 1,495 |
| Non-Core (3) | 53 | (85) | (32) | (207) | - | (703) | (942) |
| Managed basis | 2,842 | 2,918 | 5,760 | (3,147) | (606) | (1,454) | 553 |
| Reconciling items | | | | | | | |
| Own credit adjustments (4) | - | (220) | (220) | - | - | - | (220) |
| Payment Protection Insurance costs | - | - | - | (450) | - | - | (450) |
| Interest Rate Hedging Products redress and related costs | - | - | - | (700) | - | - | (700) |
| Regulatory fines | - | - | - | (381) | - | - | (381) |
| Integration and restructuring costs | - | - | - | (620) | - | - | (620) |
| Write-down of goodwill and other intangible assets | - | - | - | (518) | - | - | (518) |
| Amortisation of purchased intangible assets | - | - | - | (32) | - | - | (32) |

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| | | | | | | | |
|---|-------|-------|-------|---------|-------|---------|---------|
| Strategic disposals | - | (16) | (16) | - | - | - | (16) |
| Bank levy | - | - | - | (175) | - | - | (175) |
| RFS Holdings minority interest | (3) | - | (3) | 1 | - | - | (2) |
| Statutory basis including the results of | | | | | | | |
| Direct Line Group discontinued operations | 2,839 | 2,682 | 5,521 | (6,022) | (606) | (1,454) | (2,561) |
| Direct Line Group discontinued operations (5) | (66) | (852) | (918) | 646 | 606 | - | 334 |
| Statutory basis | 2,773 | 1,830 | 4,603 | (5,376) | - | (1,454) | (2,227) |

Notes:

- (1) Reallocation of £3 million between net interest income and non-interest income to record interest on financial assets and liabilities designated as at fair value through profit or loss.
- (2) Total income includes £32 million of investment income, £35 million in net interest income and £(3) million in non-interest income. Reallocation of £32 million between non-interest income and net interest income in respect of instalment income.
- (3) Reallocation of £6 million between net interest income and non-interest income in respect of funding costs of rental assets, £12 million, offset by £6 million to record interest on financial assets and liabilities designated as at fair value through profit or loss.
- (4) Comprises £98 million loss included in 'Income from trading activities' and £122 million loss included in 'Other operating income' on a statutory basis.
- (5) Included within Direct Line Group discontinued operations are the managed basis divisional results of Direct Line Group (DLG), certain DLG related activities in Central items; and related one-off and other items including write-down of goodwill, integration and restructuring costs and strategic disposals.

Appendix 1 Income statement reconciliations and Segmental analysis (continued)

Analysis of divisional operating profit/(loss) (continued)

| Quarter ended 31 March 2012 | Net interest income £m | Non-interest income £m | Total income £m | Operating expenses £m | Insurance claims £m | net Impairment losses £m | Operating profit/(loss) £m |
|-----------------------------|---------------------------|---------------------------|--------------------|--------------------------|------------------------|-----------------------------|-------------------------------|
| UK Retail | 1,001 | 266 | 1,267 | (635) | - | (155) | 477 |
| UK Corporate | 756 | 445 | 1,201 | (533) | - | (176) | 492 |
| Wealth | 179 | 111 | 290 | (237) | - | (10) | 43 |
| International Banking (1) | 251 | 291 | 542 | (410) | - | (35) | 97 |

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| | | | | | | | |
|---|-------|---------|---------|---------|-------|---------|---------|
| Ulster Bank | 165 | 49 | 214 | (130) | - | (394) | (310) |
| US Retail & Commercial Markets (2) | 491 | 265 | 756 | (635) | - | (19) | 102 |
| Direct Line Group (3) | 16 | 1,718 | 1,734 | (908) | - | (2) | 824 |
| Central items | 84 | 882 | 966 | (233) | (649) | - | 84 |
| | - | (108) | (108) | (28) | - | (34) | (170) |
| Core | 2,943 | 3,919 | 6,862 | (3,749) | (649) | (825) | 1,639 |
| Non-Core (4) | 64 | 205 | 269 | (263) | - | (489) | (483) |
| Managed basis | 3,007 | 4,124 | 7,131 | (4,012) | (649) | (1,314) | 1,156 |
| Reconciling items | | | | | | | |
| Own credit adjustments (5) | - | (2,456) | (2,456) | - | - | - | (2,456) |
| Payment Protection Insurance costs | - | - | - | (125) | - | - | (125) |
| Integration and restructuring costs | - | - | - | (460) | - | - | (460) |
| Gain on redemption of own debt | - | 577 | 577 | - | - | - | 577 |
| Asset Protection Scheme (6) | - | (43) | (43) | - | - | - | (43) |
| Amortisation of purchased intangible assets | - | - | - | (48) | - | - | (48) |
| Strategic disposals | - | (8) | (8) | - | - | - | (8) |
| RFS Holdings minority interest | (8) | (17) | (25) | - | - | - | (25) |
| Statutory basis including the results of | | | | | | | |
| Direct Line Group discontinued operations | 2,999 | 2,177 | 5,176 | (4,645) | (649) | (1,314) | (1,432) |
| Direct Line Group discontinued operations (7) | (84) | (882) | (966) | 235 | 649 | - | (82) |
| Statutory basis | 2,915 | 1,295 | 4,210 | (4,410) | - | (1,314) | (1,514) |

Notes:

- (1) Reallocation of £9 million between net interest income and non-interest income in respect of funding costs of rental assets.
- (2) Reallocation of £8 million between net interest income and non-interest income to record interest on financial assets and liabilities designated as at fair value through profit or loss.
- (3) Total income includes £90 million of investment income, £53 million in net interest income and £37 million in non-interest income. Reallocation of £31 million between non-interest income and net interest income in respect of instalment income.
- (4) Reallocation of £51 million between net interest income and non-interest income in respect of funding costs of rental assets.
- (5) Comprises £1,009 million loss included in 'Income from trading activities' and £1,447 million loss included in 'Other operating income' on a statutory basis.
- (6) Included in 'Income from trading activities' on a statutory basis.
- (7) Included within Direct Line Group discontinued operations are the managed basis divisional results of Direct Line Group (DLG), certain DLG related activities in

Central items; and related one-off and other items including integration and restructuring costs and strategic disposals.

Appendix 2

Analysis of balance sheet
pre and post disposal groups

Appendix 2 Analysis of balance sheet pre and post disposal groups

In accordance with IFRS 5 assets and liabilities of disposal groups are presented as a single line on the face of the balance sheet. As allowed by IFRS, disposal groups are included within risk measures.

| | 31 March 2013 | | | 31 December 2012 | | |
|---|---------------------|------------------------------|--------------------------------|---------------------|------------------------------|--------------------------------|
| | Balance sheet £m | Disposal groups (1) £m | Gross of disposal groups £m | Balance sheet £m | Disposal groups (2) £m | Gross of disposal groups £m |
| Assets | | | | | | |
| Cash and balances at central banks | 86,718 | 16 | 86,734 | 79,290 | 18 | 79,308 |
| Net loans and advances to banks | 34,025 | 105 | 34,130 | 29,168 | 2,112 | 31,280 |
| Reverse repurchase agreements and stock borrowing | 43,678 | - | 43,678 | 34,783 | - | 34,783 |
| Loans and advances to banks | 77,703 | 105 | 77,808 | 63,951 | 2,112 | 66,063 |
| Net loans and advances to customers | 432,360 | 1,058 | 433,418 | 430,088 | 1,863 | 431,951 |
| Reverse repurchase agreements and stock borrowing | 59,427 | - | 59,427 | 70,047 | - | 70,047 |
| Loans and advances to customers | 491,787 | 1,058 | 492,845 | 500,135 | 1,863 | 501,998 |
| Debt securities | 153,248 | 33 | 153,281 | 157,438 | 7,186 | 164,624 |
| Equity shares | 11,861 | 6 | 11,867 | 15,232 | 5 | 15,237 |
| Settlement balances | 15,805 | - | 15,805 | 5,741 | - | 5,741 |
| Derivatives | 432,435 | 2 | 432,437 | 441,903 | 15 | 441,918 |
| Intangible assets | 13,928 | - | 13,928 | 13,545 | 750 | 14,295 |
| Property, plant and equipment | 9,482 | 121 | 9,603 | 9,784 | 223 | 10,007 |
| Deferred tax | 3,280 | - | 3,280 | 3,443 | - | 3,443 |
| Other financial assets | - | - | - | - | 924 | 924 |
| Prepayments, accrued income and other assets | 10,200 | 221 | 10,421 | 7,820 | 742 | 8,562 |
| Assets of disposal groups (3) | 1,726 | (1,562) | 164 | 14,013 | (13,838) | 175 |

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| | | | | |
|--------------|-----------|-------------|-----------|-------------|
| Total assets | 1,308,173 | - 1,308,173 | 1,312,295 | - 1,312,295 |
|--------------|-----------|-------------|-----------|-------------|

For the notes to this table refer to page 3.

Appendix 2 Analysis of balance sheet pre and post disposal groups (continued)

| | 31 March 2013 | | | 31 December 2012 | | |
|---|---------------------|------------------------------|--------------------------------|---------------------|------------------------------|--------------------------------|
| | Balance sheet £m | Disposal groups (1) £m | Gross of disposal groups £m | Balance sheet £m | Disposal groups (2) £m | Gross of disposal groups £m |
| Liabilities | | | | | | |
| Bank deposits | 54,536 | - | 54,536 | 57,073 | 1 | 57,074 |
| Repurchase agreements and stock lending | 39,575 | - | 39,575 | 44,332 | - | 44,332 |
| Deposits by banks | 94,111 | - | 94,111 | 101,405 | 1 | 101,406 |
| Customer deposits | 437,437 | 800 | 438,237 | 433,239 | 753 | 433,992 |
| Repurchase agreements and stock lending | 88,658 | - | 88,658 | 88,040 | - | 88,040 |
| Customer accounts | 526,095 | 800 | 526,895 | 521,279 | 753 | 522,032 |
| Debt securities in issue | 92,740 | - | 92,740 | 94,592 | - | 94,592 |
| Settlement balances | 14,640 | - | 14,640 | 5,878 | - | 5,878 |
| Short positions | 30,610 | - | 30,610 | 27,591 | - | 27,591 |
| Derivatives | 429,881 | 2 | 429,883 | 434,333 | 7 | 434,340 |
| Accruals, deferred income and other liabilities | 15,630 | 158 | 15,788 | 14,801 | 2,679 | 17,480 |
| Retirement benefit liabilities | 3,533 | - | 3,533 | 3,884 | - | 3,884 |
| Deferred tax | 1,019 | - | 1,019 | 1,141 | - | 1,141 |
| Insurance liabilities | - | - | - | - | 6,193 | 6,193 |
| Subordinated liabilities | 27,788 | - | 27,788 | 26,773 | 529 | 27,302 |
| Liabilities of disposal groups (3) | 961 | (960) | 1 | 10,170 | (10,162) | 8 |
| Total liabilities | 1,237,008 | - | 1,237,008 | 1,241,847 | - | 1,241,847 |

For the notes to this table refer to page 3.

Appendix 2 Analysis of balance sheet pre and post disposal groups (continued)

| | 31 March 2013 | | | 31 December 2012 | | |
|---------------------------------------|---------------------|------------------------------|--------------------------------|---------------------|------------------------------|--------------------------------|
| | Balance sheet £m | Disposal groups (1) £m | Gross of disposal groups £m | Balance sheet £m | Disposal groups (2) £m | Gross of disposal groups £m |
| Selected financial data | | | | | | |
| Gross loans and advances to customers | 453,735 | 1,070 | 454,805 | 451,224 | 1,875 | 453,099 |
| Customer loan impairment provisions | (21,375) | (12) | (21,387) | (21,136) | (12) | (21,148) |

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| | | | | | | |
|--|----------|-------|----------|----------|-------|----------|
| Net loans and advances to customers | 432,360 | 1,058 | 433,418 | 430,088 | 1,863 | 431,951 |
| Gross loans and advances to banks | 34,144 | 105 | 34,249 | 29,282 | 2,112 | 31,394 |
| Bank loan impairment provisions | (119) | - | (119) | (114) | - | (114) |
| Net loans and advances to banks | 34,025 | 105 | 34,130 | 29,168 | 2,112 | 31,280 |
| Total loan impairment provisions | (21,494) | (12) | (21,506) | (21,250) | (12) | (21,262) |
| Customer REIL | 40,890 | 13 | 40,903 | 40,993 | 13 | 41,006 |
| Bank REIL | 139 | - | 139 | 134 | - | 134 |
| Total REIL | 41,029 | 13 | 41,042 | 41,127 | 13 | 41,140 |
| Gross unrealised gains on debt securities | 3,640 | - | 3,640 | 3,946 | 230 | 4,176 |
| Gross unrealised losses on debt securities | (1,523) | - | (1,523) | (1,832) | (15) | (1,847) |

Notes:

- (1) Disposal groups at 31 March 2013 primarily comprise a number of RBS NV businesses.
- (2) Disposal groups at 31 December 2012 primarily comprised Direct Line Group (DLG). To comply with EC state aid requirements, the Group agreed to cede control of DLG by the end of 2013 and divest completely by the end of 2014. Following the successful initial public offering in Q4 2012, in which the Group sold 34.7% of its shareholding, DLG was classified as a disposal group and discontinued operation on 31 December 2012. On 13 March 2013, the Group sold a further 16.8% of the share capital of DLG and now holds 48.5% of the issued ordinary share capital in DLG. Consequently, the minority share of DLG still held by the Group is recognised as an associated undertaking and no longer as either a disposal group or discontinued operation at 31 March 2013. The Group recognised a gain on disposal of £72 million in Q1 2013. This gain is recorded in other income within discontinued operations. On initial classification as held-for-sale, disposal groups are required to be measured at the lower of carrying amount and fair value less costs to sell. Accordingly, at 31 December 2012, DLG's carrying amount exceeded its fair value less costs to sell (based on the quoted price for DLG shares on 31 December 2012) by £394 million and goodwill attributable to DLG was written down by this amount. The write down was recorded in other expenses within discontinued operations in Q4 2012.
- (3) Residual assets and liabilities of disposal groups relate to businesses acquired as part of the ABN AMRO acquisition in 2007 with a view to disposal rather than use.

Appendix 3

Risk management supplement

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Appendix 3 Risk management supplement (continued)

Credit risk

Loans and related credit metrics: Loans, REIL, provisions and impairments

Sector and geographical regional analyses - Group

The tables below analyse gross loans and advances to banks and customers (excluding reverse repos) and related credit metrics by sector and geography (by location of lending office) for the Group, Core and Non-Core.

| | Credit metrics | | | | | | | | |
|----------------------|----------------------|------------|------------------|------------------------|----------------------------------|-------------------------------------|-----|----------------------------|------------------------------|
| | Gross loans £m | REIL £m | Provisions £m | REIL as | | Provisions | | Impairment charge £m | Amounts written-off £m |
| gross loans % | | | | as a % of REIL % | as a % of gross loans % | gross Impairment charge £m | | | |
| 31 March 2013 | | | | | | | | | |
| Government (1) | 10,272 | - | - | - | - | - | - | - | - |
| Finance | 42,726 | 651 | 354 | 1.5 | 54 | 0.8 | 30 | - | - |
| Personal - mortgages | 151,281 | 6,871 | 1,973 | 4.5 | 29 | 1.3 | 176 | 76 | - |

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| | | | | | | | | |
|-------------------------------|---------|--------|--------|------|-----|------|-------|-------|
| - unsecured | 30,884 | 2,876 | 2,370 | 9.3 | 82 | 7.7 | 138 | 198 |
| Property | 70,537 | 20,598 | 9,936 | 29.2 | 48 | 14.1 | 384 | 464 |
| Construction | 8,368 | 1,437 | 711 | 17.2 | 49 | 8.5 | 95 | 37 |
| Manufacturing | 24,115 | 749 | 374 | 3.1 | 50 | 1.6 | 30 | 13 |
| Finance leases (2) | 13,990 | 320 | 219 | 2.3 | 68 | 1.6 | (2) | 68 |
| Retail, wholesale and repairs | 22,225 | 1,147 | 642 | 5.2 | 56 | 2.9 | 28 | 40 |
| Transport and storage | 18,671 | 934 | 230 | 5.0 | 25 | 1.2 | 24 | 145 |
| Health, education and leisure | 17,045 | 1,232 | 567 | 7.2 | 46 | 3.3 | 41 | 13 |
| Hotels and restaurants | 8,562 | 1,667 | 740 | 19.5 | 44 | 8.6 | 30 | 29 |
| Utilities | 6,464 | 253 | 98 | 3.9 | 39 | 1.5 | 42 | - |
| Other | 29,665 | 2,168 | 1,216 | 7.3 | 56 | 4.1 | 71 | 73 |
| Latent | - | - | 1,957 | - | - | - | (51) | - |
| | 454,805 | 40,903 | 21,387 | 9.0 | 52 | 4.7 | 1,036 | 1,156 |
| of which: | | | | | | | | |
| UK | | | | | | | | |
| - residential mortgages | 110,212 | 2,374 | 458 | 2.2 | 19 | 0.4 | 16 | 5 |
| - personal lending | 18,770 | 2,414 | 2,103 | 12.9 | 87 | 11.2 | 94 | 145 |
| - property | 51,745 | 9,519 | 3,932 | 18.4 | 41 | 7.6 | 178 | 442 |
| - construction | 6,532 | 1,070 | 511 | 16.4 | 48 | 7.8 | 61 | 37 |
| - other | 123,766 | 3,648 | 2,521 | 2.9 | 69 | 2.0 | 82 | 135 |
| Europe | | | | | | | | |
| - residential mortgages | 18,362 | 3,372 | 1,300 | 18.4 | 39 | 7.1 | 116 | 3 |
| - personal lending | 1,614 | 232 | 213 | 14.4 | 92 | 13.2 | 9 | 11 |
| - property | 14,584 | 10,741 | 5,851 | 73.6 | 54 | 40.1 | 213 | 18 |
| - construction | 1,411 | 320 | 170 | 22.7 | 53 | 12.0 | 11 | - |
| - other | 26,621 | 4,742 | 3,046 | 17.8 | 64 | 11.4 | 166 | 235 |
| US | | | | | | | | |
| - residential mortgages | 22,387 | 1,098 | 207 | 4.9 | 19 | 0.9 | 44 | 68 |
| - personal lending | 9,358 | 230 | 54 | 2.5 | 23 | 0.6 | 35 | 41 |
| - property | 3,832 | 153 | 30 | 4.0 | 20 | 0.8 | (7) | 4 |
| - construction | 385 | 41 | 25 | 10.6 | 61 | 6.5 | 23 | - |
| - other | 30,415 | 433 | 660 | 1.4 | 152 | 2.2 | 2 | 10 |
| RoW | | | | | | | | |
| - residential mortgages | 320 | 27 | 8 | 8.4 | 30 | 2.5 | - | - |
| - personal lending | 1,142 | - | - | - | - | - | - | 1 |
| - property | 376 | 185 | 123 | 49.2 | 66 | 32.7 | - | - |
| - construction | 40 | 6 | 5 | 15.0 | 83 | 12.5 | - | - |
| - other | 12,933 | 298 | 170 | 2.3 | 57 | 1.3 | (7) | 1 |
| | 454,805 | 40,903 | 21,387 | 9.0 | 52 | 4.7 | 1,036 | 1,156 |
| Banks | 34,249 | 139 | 119 | 0.4 | 86 | 0.3 | - | - |

For the notes to this table refer to page 7

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Loans, REIL, provisions and impairments (continued)

Sector and geographical regional analyses - Group (continued)

| 31 December 2012 | Credit metrics | | | | | | | |
|----------------------------------|-------------------|------------|------------------|---------------------------------------|--------------------------------------|-----------------------------------|----------------------------|------------------------------|
| | Gross loans £m | REIL £m | Provisions £m | REIL as a % of gross loans % | Provisions as a % of REIL % | Provisions gross loans % | Impairment charge £m | Amounts written-off £m |
| Government (1) | 9,853 | - | - | - | - | - | - | - |
| Finance | 42,198 | 592 | 317 | 1.4 | 54 | 0.8 | 64 | 175 |
| Personal - mortgages | 149,625 | 6,549 | 1,824 | 4.4 | 28 | 1.2 | 163 | 91 |
| - unsecured | 32,212 | 2,903 | 2,409 | 9.0 | 83 | 7.5 | 168 | 199 |
| Property | 72,219 | 21,223 | 9,859 | 29.4 | 46 | 13.7 | 624 | 237 |
| Construction | 8,049 | 1,483 | 640 | 18.4 | 43 | 8.0 | - | 30 |
| Manufacturing | 23,787 | 755 | 357 | 3.2 | 47 | 1.5 | 54 | 67 |
| Finance leases (2) | 13,609 | 442 | 294 | 3.2 | 67 | 2.2 | - | 116 |
| Retail, wholesale and repairs | 21,936 | 1,143 | 644 | 5.2 | 56 | 2.9 | 70 | 100 |
| Transport and storage | 18,341 | 834 | 336 | 4.5 | 40 | 1.8 | 89 | 65 |
| Health, education and leisure | 16,705 | 1,190 | 521 | 7.1 | 44 | 3.1 | 21 | 32 |
| Hotels and restaurants | 7,877 | 1,597 | 726 | 20.3 | 45 | 9.2 | 33 | 54 |
| Utilities | 6,631 | 118 | 21 | 1.8 | 18 | 0.3 | - | - |
| Other | 30,057 | 2,177 | 1,240 | 7.2 | 57 | 4.1 | 37 | 251 |
| Latent | - | - | 1,960 | - | - | - | 80 | - |
| | 453,099 | 41,006 | 21,148 | 9.1 | 52 | 4.7 | 1,403 | 1,417 |
| of which: | | | | | | | | |
| UK | | | | | | | | |
| - residential mortgages | 109,530 | 2,440 | 457 | 2.2 | 19 | 0.4 | 31 | 10 |
| - personal lending | 20,498 | 2,477 | 2,152 | 12.1 | 87 | 10.5 | 89 | 121 |
| - property | 53,730 | 10,521 | 3,944 | 19.6 | 37 | 7.3 | 356 | 120 |
| - construction | 6,507 | 1,165 | 483 | 17.9 | 41 | 7.4 | (17) | 19 |
| - other | 122,029 | 3,729 | 2,611 | 3.1 | 70 | 2.1 | 291 | 453 |
| Europe | | | | | | | | |
| - residential mortgages | 17,836 | 3,092 | 1,151 | 17.3 | 37 | 6.5 | 103 | 42 |
| - personal lending | 1,905 | 226 | 208 | 11.9 | 92 | 10.9 | 9 | - |
| - property | 14,634 | 10,347 | 5,766 | 70.7 | 56 | 39.4 | 273 | 61 |
| - construction | 1,132 | 289 | 146 | 25.5 | 51 | 12.9 | 18 | 10 |
| - other | 27,424 | 4,451 | 2,996 | 16.2 | 67 | 10.9 | 186 | 208 |
| US | | | | | | | | |
| - residential mortgages | 21,929 | 990 | 208 | 4.5 | 21 | 0.9 | 27 | 39 |
| - personal lending | 8,748 | 199 | 48 | 2.3 | 24 | 0.5 | 67 | 76 |
| - property | 3,343 | 170 | 29 | 5.1 | 17 | 0.9 | (3) | 28 |

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| | | | | | | | | |
|-------------------------|---------|--------|--------|------|-----|------|-------|-------|
| - construction | 388 | 8 | 1 | 2.1 | 13 | 0.3 | (1) | 1 |
| - other | 29,354 | 352 | 630 | 1.2 | 179 | 2.1 | (15) | 26 |
| RoW | | | | | | | | |
| - residential mortgages | 330 | 27 | 8 | 8.2 | 30 | 2.4 | 2 | - |
| - personal lending | 1,061 | 1 | 1 | 0.1 | 100 | 0.1 | 3 | 2 |
| - property | 512 | 185 | 120 | 36.1 | 65 | 23.4 | (2) | 28 |
| - construction | 22 | 21 | 10 | 95.5 | 48 | 45.5 | - | - |
| - other | 12,187 | 316 | 179 | 2.6 | 57 | 1.5 | (14) | 173 |
| | 453,099 | 41,006 | 21,148 | 9.1 | 52 | 4.7 | 1,403 | 1,417 |
| Banks | 31,394 | 134 | 114 | 0.4 | 85 | 0.4 | (1) | 4 |

For notes to this table refer to page 7.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Loans, REIL, provisions and impairments (continued)

Sector and geographical regional analyses - Core

| | Credit metrics | | | | | | | | |
|-------------------------------|-------------------|------------|------------------|-------------------------|------------------|---------------------------|------|-------------------------|---------------------------|
| | Gross loans £m | REIL £m | Provisions £m | REIL as a % of | | Provisions as a % of | | Impairment charge £m | Amounts written-off £m |
| gross loans % | | | | Provisions of REIL % | gross loans % | Provisions as a % of % | | | |
| 31 March 2013 | | | | | | | | | |
| Government (1) | 8,855 | - | - | - | - | - | - | - | - |
| Finance | 40,827 | 205 | 165 | 0.5 | 80 | 0.4 | 17 | - | - |
| Personal - mortgages | 148,436 | 6,549 | 1,839 | 4.4 | 28 | 1.2 | 152 | 40 | |
| - unsecured | 29,910 | 2,670 | 2,262 | 8.9 | 85 | 7.6 | 124 | 182 | |
| Property | 43,457 | 4,545 | 1,650 | 10.5 | 36 | 3.8 | 89 | 142 | |
| Construction | 6,322 | 760 | 406 | 12.0 | 53 | 6.4 | 72 | 16 | |
| Manufacturing | 22,726 | 498 | 225 | 2.2 | 45 | 1.0 | 22 | 11 | |
| Finance leases (2) | 9,542 | 131 | 89 | 1.4 | 68 | 0.9 | (1) | 7 | |
| Retail, wholesale and repairs | 21,280 | 777 | 433 | 3.7 | 56 | 2.0 | 27 | 37 | |
| Transport and storage | 14,800 | 545 | 87 | 3.7 | 16 | 0.6 | 7 | 38 | |
| Health, education and leisure | 16,187 | 779 | 334 | 4.8 | 43 | 2.1 | 42 | 10 | |
| Hotels and restaurants | 7,623 | 1,113 | 480 | 14.6 | 43 | 6.3 | 22 | 22 | |
| Utilities | 5,040 | 143 | 47 | 2.8 | 33 | 0.9 | 42 | - | |
| Other | 26,877 | 1,433 | 840 | 5.3 | 59 | 3.1 | 48 | 24 | |
| Latent | - | - | 1,291 | - | - | - | (64) | - | |

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| | | | | | | | | |
|-------------------------|---------|--------|--------|------|-----|------|-----|-----|
| | 401,882 | 20,148 | 10,148 | 5.0 | 50 | 2.5 | 599 | 529 |
| of which: | | | | | | | | |
| UK | | | | | | | | |
| - residential mortgages | 110,212 | 2,374 | 458 | 2.2 | 19 | 0.4 | 16 | 5 |
| - personal lending | 18,724 | 2,385 | 2,081 | 12.7 | 87 | 11.1 | 91 | 144 |
| - property | 34,980 | 2,659 | 814 | 7.6 | 31 | 2.3 | 60 | 140 |
| - construction | 5,153 | 652 | 333 | 12.7 | 51 | 6.5 | 45 | 17 |
| - other | 111,929 | 2,634 | 1,673 | 2.4 | 64 | 1.5 | 76 | 101 |
| Europe | | | | | | | | |
| - residential mortgages | 17,976 | 3,339 | 1,272 | 18.6 | 38 | 7.1 | 116 | 3 |
| - personal lending | 1,246 | 146 | 141 | 11.7 | 97 | 11.3 | 7 | 9 |
| - property | 4,850 | 1,655 | 742 | 34.1 | 45 | 15.3 | 37 | - |
| - construction | 747 | 63 | 43 | 8.4 | 68 | 5.8 | 3 | - |
| - other | 21,882 | 2,596 | 1,823 | 11.9 | 70 | 8.3 | 89 | 41 |
| US | | | | | | | | |
| - residential mortgages | 19,928 | 809 | 101 | 4.1 | 12 | 0.5 | 20 | 32 |
| - personal lending | 8,804 | 139 | 40 | 1.6 | 29 | 0.5 | 26 | 29 |
| - property | 3,406 | 92 | 12 | 2.7 | 13 | 0.4 | (8) | 2 |
| - construction | 382 | 39 | 25 | 10.2 | 64 | 6.5 | 24 | - |
| - other | 29,298 | 336 | 446 | 1.1 | 133 | 1.5 | (3) | 6 |
| RoW | | | | | | | | |
| - residential mortgages | 320 | 27 | 8 | 8.4 | 30 | 2.5 | - | - |
| - personal lending | 1,136 | - | - | 0.0 | - | - | - | - |
| - property | 221 | 139 | 82 | 62.9 | 59 | 37.1 | - | - |
| - construction | 40 | 6 | 5 | 15.0 | 83 | 12.5 | - | (1) |
| - other | 10,648 | 58 | 49 | 0.5 | 84 | 0.5 | - | 1 |
| | 401,882 | 20,148 | 10,148 | 5.0 | 50 | 2.5 | 599 | 529 |
| Banks | 33,855 | 138 | 118 | 0.4 | 86 | 0.3 | - | - |

For the notes to this table refer to page 7.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Loans, REIL, provisions and impairments (continued)

Sector and geographical regional analyses - Core (continued)

| | Gross loans | REIL | Provisions | Credit metrics | | Impairment charge | Amounts written-off |
|------------------|-------------|------|------------|----------------------------|----------------------------------|-------------------|---------------------|
| | | | | REIL as a % of gross loans | Provisions as a % of gross loans | | |
| 31 December 2012 | £m | £m | £m | % | % | £m | £m |
| Government (1) | 8,485 | - | - | - | - | - | - |

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| | | | | | | | | |
|-------------------------------|---------|--------|-------|------|-----|------|------|-----|
| Finance | 39,658 | 185 | 149 | 0.5 | 81 | 0.4 | 36 | 153 |
| Personal - mortgages | 146,770 | 6,229 | 1,691 | 4.2 | 27 | 1.2 | 149 | 43 |
| - unsecured | 31,247 | 2,717 | 2,306 | 8.7 | 85 | 7.4 | 137 | 174 |
| Property | 43,602 | 4,672 | 1,674 | 10.7 | 36 | 3.8 | 226 | 44 |
| Construction | 6,020 | 757 | 350 | 12.6 | 46 | 5.8 | 21 | 18 |
| Manufacturing | 22,234 | 496 | 225 | 2.2 | 45 | 1.0 | 50 | 35 |
| Finance leases (2) | 9,201 | 159 | 107 | 1.7 | 67 | 1.2 | 8 | 8 |
| Retail, wholesale and repairs | 20,842 | 791 | 439 | 3.8 | 55 | 2.1 | 51 | 68 |
| Transport and storage | 14,590 | 440 | 112 | 3.0 | 25 | 0.8 | 45 | 13 |
| Health, education and leisure | 15,770 | 761 | 299 | 4.8 | 39 | 1.9 | 20 | 14 |
| Hotels and restaurants | 6,891 | 1,042 | 473 | 15.1 | 45 | 6.9 | 40 | 32 |
| Utilities | 5,131 | 10 | 5 | 0.2 | 50 | 0.1 | - | - |
| Other | 26,315 | 1,374 | 794 | 5.2 | 58 | 3.0 | (4) | 82 |
| Latent | - | - | 1,325 | - | - | - | (49) | - |
| | 396,756 | 19,633 | 9,949 | 4.9 | 51 | 2.5 | 730 | 684 |
| of which: | | | | | | | | |
| UK | | | | | | | | |
| - residential mortgages | 109,511 | 2,440 | 457 | 2.2 | 19 | 0.4 | 31 | 10 |
| - personal lending | 20,443 | 2,454 | 2,133 | 12.0 | 87 | 10.4 | 89 | 121 |
| - property | 35,532 | 2,777 | 896 | 7.8 | 32 | 2.5 | 72 | 34 |
| - construction | 5,101 | 671 | 301 | 13.2 | 45 | 5.9 | 23 | 9 |
| - other | 108,713 | 2,662 | 1,737 | 2.4 | 65 | 1.6 | 208 | 149 |
| Europe | | | | | | | | |
| - residential mortgages | 17,446 | 3,060 | 1,124 | 17.5 | 37 | 6.4 | 104 | 17 |
| - personal lending | 1,540 | 143 | 138 | 9.3 | 97 | 9.0 | 6 | (1) |
| - property | 4,896 | 1,652 | 685 | 33.7 | 41 | 14.0 | 157 | 5 |
| - construction | 513 | 60 | 39 | 11.7 | 65 | 7.6 | (2) | 9 |
| - other | 22,218 | 2,280 | 1,711 | 10.3 | 75 | 7.7 | 16 | 86 |
| US | | | | | | | | |
| - residential mortgages | 19,483 | 702 | 102 | 3.6 | 15 | 0.5 | 12 | 16 |
| - personal lending | 8,209 | 119 | 34 | 1.4 | 29 | 0.4 | 42 | 53 |
| - property | 2,847 | 112 | 13 | 3.9 | 12 | 0.5 | (3) | 5 |
| - construction | 384 | 5 | - | 1.3 | - | - | - | - |
| - other | 28,267 | 252 | 432 | 0.9 | 171 | 1.5 | (19) | 20 |
| RoW | | | | | | | | |
| - residential mortgages | 330 | 27 | 8 | 8.2 | 30 | 2.4 | 2 | - |
| - personal lending | 1,055 | 1 | 1 | 0.1 | 100 | 0.1 | - | 1 |
| - property | 327 | 131 | 80 | 40.1 | 61 | 24.5 | - | - |
| - construction | 22 | 21 | 10 | 95.5 | 48 | 45.5 | - | - |
| - other | 9,919 | 64 | 48 | 0.6 | 75 | 0.5 | (8) | 150 |
| | 396,756 | 19,633 | 9,949 | 4.9 | 51 | 2.5 | 730 | 684 |
| Banks | 30,917 | 133 | 113 | 0.4 | 85 | 0.4 | (1) | 4 |

For the notes to this table refer to page 7.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Loans, REIL, provisions and impairments (continued)

Sector and geographical regional analyses - Non-Core

| | Credit metrics | | | | | | | | |
|-------------------------------|----------------|--------|------------|------------------|----------------|-----------------------|-------------------|---------------------|----|
| | REIL as | | | Provisions | | | Impairment charge | Amounts written-off | |
| | Gross loans | REIL | Provisions | % of gross loans | as a % of REIL | as a % of gross loans | | | £m |
| 31 March 2013 | £m | £m | £m | % | % | % | £m | £m | |
| Government (1) | 1,417 | - | - | - | - | - | - | - | |
| Finance | 1,899 | 446 | 189 | 23.5 | 42 | 10.0 | 13 | - | |
| Personal - mortgages | 2,845 | 322 | 134 | 11.3 | 42 | 4.7 | 24 | 36 | |
| - unsecured | 974 | 206 | 108 | 21.1 | 52 | 11.1 | 14 | 16 | |
| Property | 27,080 | 16,053 | 8,286 | 59.3 | 52 | 30.6 | 295 | 322 | |
| Construction | 2,046 | 677 | 305 | 33.1 | 45 | 14.9 | 23 | 21 | |
| Manufacturing | 1,389 | 251 | 149 | 18.1 | 59 | 10.7 | 8 | 2 | |
| Finance leases (2) | 4,448 | 189 | 130 | 4.2 | 69 | 2.9 | (1) | 61 | |
| Retail, wholesale and repairs | 945 | 370 | 209 | 39.2 | 56 | 22.1 | 1 | 3 | |
| Transport and storage | 3,871 | 389 | 143 | 10.0 | 37 | 3.7 | 17 | 107 | |
| Health, education and leisure | 858 | 453 | 233 | 52.8 | 51 | 27.2 | (1) | 3 | |
| Hotels and restaurants | 939 | 554 | 260 | 59.0 | 47 | 27.7 | 8 | 7 | |
| Utilities | 1,424 | 110 | 51 | 7.7 | 46 | 3.6 | - | - | |
| Other | 2,788 | 735 | 376 | 26.4 | 51 | 13.5 | 23 | 49 | |
| Latent | - | - | 666 | - | - | - | 13 | - | |
| | 52,923 | 20,755 | 11,239 | 39.2 | 54 | 21.2 | 437 | 627 | |
| of which: | | | | | | | | | |
| UK | | | | | | | | | |
| - personal lending | 46 | 29 | 22 | 63.0 | 76 | 47.8 | 3 | 1 | |
| - property | 16,765 | 6,860 | 3,118 | 40.9 | 45 | 18.6 | 118 | 302 | |
| - construction | 1,379 | 418 | 178 | 30.3 | 43 | 12.9 | 16 | 20 | |
| - other | 11,837 | 1,014 | 848 | 8.6 | 84 | 7.2 | 6 | 34 | |
| Europe | | | | | | | | | |
| - residential mortgages | 386 | 33 | 28 | 8.5 | 85 | 7.3 | - | - | |
| - personal lending | 368 | 86 | 72 | 23.4 | 84 | 19.6 | 2 | 2 | |
| - property | 9,734 | 9,086 | 5,109 | 93.3 | 56 | 52.5 | 176 | 18 | |
| - construction | 664 | 257 | 127 | 38.7 | 49 | 19.1 | 8 | - | |
| - other | 4,739 | 2,146 | 1,223 | 45.3 | 57 | 25.8 | 77 | 194 | |
| US | | | | | | | | | |

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| | | | | | | | | |
|-------------------------|--------|--------|--------|------|-----|------|-----|-----|
| - residential mortgages | 2,459 | 289 | 106 | 11.8 | 37 | 4.3 | 24 | 36 |
| - personal lending | 554 | 91 | 14 | 16.4 | 15 | 2.5 | 9 | 12 |
| - property | 426 | 61 | 18 | 14.3 | 30 | 4.2 | 1 | 2 |
| - construction | 3 | 2 | - | 66.7 | - | - | (1) | - |
| - other | 1,117 | 97 | 214 | 8.7 | 221 | 19.2 | 5 | 4 |
| RoW | | | | | | | | |
| - personal lending | 6 | - | - | - | - | - | - | 1 |
| - property | 155 | 46 | 41 | 29.7 | 89 | 26.5 | - | - |
| - construction | - | - | - | - | - | - | - | 1 |
| - other | 2,285 | 240 | 121 | 10.5 | 50 | 5.3 | (7) | - |
| | 52,923 | 20,755 | 11,239 | 39.2 | 54 | 21.2 | 437 | 627 |
| Banks | 394 | 1 | 1 | 0.3 | 100 | 0.3 | - | - |

For the notes to this table refer to page 7.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Loans, REIL, provisions and impairments (continued)

Sector and geographical regional analyses - Non-Core (continued)

| | Credit metrics | | | | | | | |
|-------------------------------|----------------|--------|------------|-----------------------|---------------------------|-----------------------|-------------------|---------------------|
| | REIL as | | | | Provisions | | | |
| | Gross loans | REIL | Provisions | a % of gross loans | Provisions as a % of REIL | as a % of gross loans | Impairment charge | Amounts written-off |
| 31 December 2012 | £m | £m | £m | % | % | % | £m | £m |
| Government (1) | 1,368 | - | - | - | - | - | - | - |
| Finance | 2,540 | 407 | 168 | 16.0 | 41 | 6.6 | 28 | 22 |
| Personal - mortgages | 2,855 | 320 | 133 | 11.2 | 42 | 4.7 | 14 | 48 |
| - unsecured | 965 | 186 | 103 | 19.3 | 55 | 10.7 | 31 | 25 |
| Property | 28,617 | 16,551 | 8,185 | 57.8 | 49 | 28.6 | 398 | 193 |
| Construction | 2,029 | 726 | 290 | 35.8 | 40 | 14.3 | (21) | 12 |
| Manufacturing | 1,553 | 259 | 132 | 16.7 | 51 | 8.5 | 4 | 32 |
| Finance leases (2) | 4,408 | 283 | 187 | 6.4 | 66 | 4.2 | (8) | 108 |
| Retail, wholesale and repairs | 1,094 | 352 | 205 | 32.2 | 58 | 18.7 | 19 | 32 |
| Transport and storage | 3,751 | 394 | 224 | 10.5 | 57 | 6.0 | 44 | 52 |
| Health, education and leisure | 935 | 429 | 222 | 45.9 | 52 | 23.7 | 1 | 18 |
| Hotels and restaurants | 986 | 555 | 253 | 56.3 | 46 | 25.7 | (7) | 22 |
| Utilities | 1,500 | 108 | 16 | 7.2 | 15 | 1.1 | - | - |
| Other | 3,742 | 803 | 446 | 21.5 | 56 | 11.9 | 41 | 169 |
| Latent | - | - | 635 | - | - | - | 129 | - |

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| | | | | | | | | |
|-------------------------|--------|--------|--------|------|-----|------|------|-----|
| | 56,343 | 21,373 | 11,199 | 37.9 | 52 | 19.9 | 673 | 733 |
| of which: | | | | | | | | |
| UK | | | | | | | | |
| - residential mortgages | 19 | - | - | - | - | - | - | - |
| - personal lending | 55 | 23 | 19 | 41.8 | 83 | 34.5 | - | - |
| - property | 18,198 | 7,744 | 3,048 | 42.6 | 39 | 16.7 | 284 | 86 |
| - construction | 1,406 | 494 | 182 | 35.1 | 37 | 12.9 | (40) | 10 |
| - other | 13,316 | 1,067 | 874 | 8.0 | 82 | 6.6 | 83 | 304 |
| Europe | | | | | | | | |
| - residential mortgages | 390 | 32 | 27 | 8.2 | 84 | 6.9 | (1) | 25 |
| - personal lending | 365 | 83 | 70 | 22.7 | 84 | 19.2 | 3 | 1 |
| - property | 9,738 | 8,695 | 5,081 | 89.3 | 58 | 52.2 | 116 | 56 |
| - construction | 619 | 229 | 107 | 37.0 | 47 | 17.3 | 20 | 1 |
| - other | 5,206 | 2,171 | 1,285 | 41.7 | 59 | 24.7 | 170 | 122 |
| US | | | | | | | | |
| - residential mortgages | 2,446 | 288 | 106 | 11.8 | 37 | 4.3 | 15 | 23 |
| - personal lending | 539 | 80 | 14 | 14.8 | 18 | 2.6 | 25 | 23 |
| - property | 496 | 58 | 16 | 11.7 | 28 | 3.2 | - | 23 |
| - construction | 4 | 3 | 1 | 75.0 | 33 | 25.0 | (1) | 1 |
| - other | 1,087 | 100 | 198 | 9.2 | 198 | 18.2 | 4 | 6 |
| RoW | | | | | | | | |
| - personal lending | 6 | - | - | - | - | - | 3 | 1 |
| - property | 185 | 54 | 40 | 29.2 | 74 | 21.6 | (2) | 28 |
| - other | 2,268 | 252 | 131 | 11.1 | 52 | 5.8 | (6) | 23 |
| | 56,343 | 21,373 | 11,199 | 37.9 | 52 | 19.9 | 673 | 733 |
| Banks | 477 | 1 | 1 | 0.2 | 100 | 0.2 | - | - |

Notes:

- (1) Includes central and local government.
(2) Includes instalment credit.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Loans, REIL, provisions and impairments (continued)

REIL flow statement

REIL are stated without giving effect to any security held that could reduce the eventual loss should it occur or to any provisions marked.

| UK Retail | UK Corporate | UK Wealth | International Banking | Ulster Bank | US Retail & Commercial | Markets | Other | Core | Non- Core | Total |
|--------------|-----------------|--------------|--------------------------|----------------|---------------------------|---------|-------|------|--------------|-------|
|--------------|-----------------|--------------|--------------------------|----------------|---------------------------|---------|-------|------|--------------|-------|

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| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
|------------------------------|-------|-------|------|------|-------|-------|-----|----|---------|---------|---------|
| At 1 January 2013 | 4,569 | 5,452 | 248 | 422 | 7,533 | 1,146 | 396 | - | 19,766 | 21,374 | 41,140 |
| Currency translation | - | 5 | 3 | 24 | 254 | 76 | 14 | - | 376 | 528 | 904 |
| Additions | 267 | 935 | 50 | 179 | 518 | 139 | 8 | 1 | 2,097 | 939 | 3,036 |
| Transfers (1) | (44) | 26 | - | 107 | - | - | - | - | 89 | 31 | 120 |
| Transfers to performing book | - | (40) | (1) | - | - | - | - | - | (41) | (33) | (74) |
| Repayments | (222) | (821) | (40) | (28) | (326) | (29) | (6) | - | (1,472) | (1,456) | (2,928) |
| Amounts written-off | (142) | (228) | (1) | (62) | (27) | (69) | - | - | (529) | (627) | (1,156) |
| At 31 March 2013 | 4,428 | 5,329 | 259 | 642 | 7,952 | 1,263 | 412 | 1 | 20,286 | 20,756 | 41,042 |

| | Non-Core (by donating division) | | | | | | Total |
|------------------------------|---------------------------------|---------------|-------------|------------------------|-------|---------|-------|
| | UK Corporate | International | Ulster Bank | US Retail & Commercial | Other | | |
| | £m | £m | £m | £m | £m | £m | £m |
| At 1 January 2013 | 2,622 | 6,907 | 11,399 | 418 | 28 | 21,374 | |
| Currency translation | 3 | 162 | 336 | 27 | - | 528 | |
| Additions | 416 | 115 | 362 | 45 | 1 | 939 | |
| Transfers (1) | 31 | - | - | - | - | 31 | |
| Transfers to performing book | (31) | - | (2) | - | - | (33) | |
| Repayments | (451) | (782) | (212) | (10) | (1) | (1,456) | |
| Amounts written-off | (137) | (375) | (62) | (51) | (2) | (627) | |
| At 31 March 2013 | 2,453 | 6,027 | 11,821 | 429 | 26 | 20,756 | |

Note:

(1) Represents transfers to/from REIL from/to potential problem loans.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Loans, REIL, provisions and impairments (continued)

Impairment provisions flow statement

The movement in loan impairment provisions by division is shown in the table below.

| UK Retail | UK Corporate | UK Wealth | International Banking | Ulster Bank | US R&C (1) | Total R&C (1) | Markets | Other | Total Core | Non-Core | Group |
|-----------|--------------|-----------|-----------------------|-------------|------------|---------------|---------|-------|------------|----------|-------|
| £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |

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| | | | | | | | | | | | | |
|--|-------|-------|-----|------|-------|------|-------|-----|---|--------|--------|---------|
| At 1 January 2013 | 2,629 | 2,432 | 109 | 391 | 3,910 | 285 | 9,756 | 305 | 1 | 10,062 | 11,200 | 21,262 |
| Currency translation | - | 2 | - | (4) | 124 | 20 | 142 | (6) | - | 136 | 266 | 402 |
| Amounts written-off | (142) | (228) | (1) | (62) | (27) | (69) | (529) | - | - | (529) | (627) | (1,156) |
| Recoveries of amounts previously written-off | 11 | 4 | - | 5 | - | 29 | 49 | - | - | 49 | 16 | 65 |
| Charged to income statement | 80 | 185 | 5 | 55 | 240 | 19 | 584 | 15 | - | 599 | 437 | 1,036 |
| Unwind of discount (2) | (20) | (8) | (1) | (1) | (21) | - | (51) | - | - | (51) | (52) | (103) |
| At 31 March 2013 | 2,558 | 2,387 | 112 | 384 | 4,226 | 284 | 9,951 | 314 | 1 | 10,266 | 11,240 | 21,506 |
| Individually assessed | | | | | | | | | | | | |
| - banks | - | - | - | 7 | - | - | 7 | 111 | - | 118 | 1 | 119 |
| - customers | - | 986 | 99 | 259 | 1,322 | 57 | 2,723 | 196 | 1 | 2,920 | 9,860 | 12,780 |
| Collectively assessed | 2,382 | 1,105 | - | - | 2,328 | 122 | 5,937 | - | - | 5,937 | 713 | 6,650 |
| Latent | 176 | 296 | 13 | 118 | 576 | 105 | 1,284 | 7 | - | 1,291 | 666 | 1,957 |
| | 2,558 | 2,387 | 112 | 384 | 4,226 | 284 | 9,951 | 314 | 1 | 10,266 | 11,240 | 21,506 |

For the notes to this table refer to the following page.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Loans, REIL, provisions and impairments (continued)

Impairment provisions flow statement (continued)

| | Non-Core (by donating division) | | | | | Total £m |
|----------------------|---------------------------------|--------------------------------|----------------------|---------------------|-------------|-------------|
| | UK Corporate £m | International Banking £m | Ulster Bank £m | US R&C (1) £m | Other £m | |
| At 1 January 2013 | 1,167 | 2,815 | 6,933 | 257 | 28 | 11,200 |
| Currency translation | 11 | 58 | 180 | 17 | - | 266 |
| Amounts written-off | (137) | (375) | (62) | (51) | (2) | (627) |

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| | | | | | | |
|--|-------|-------|-------|-----|-----|--------|
| Recoveries of amounts previously written-off | 3 | 2 | - | 10 | 1 | 16 |
| Charged to income statement | 72 | 85 | 242 | 39 | (1) | 437 |
| Unwind of discount (2) | (4) | (12) | (36) | - | - | (52) |
| At 31 March 2013 | 1,112 | 2,573 | 7,257 | 272 | 26 | 11,240 |
| Individually assessed | | | | | | |
| - banks | - | 1 | - | - | - | 1 |
| - customers | 686 | 2,361 | 6,781 | 23 | 9 | 9,860 |
| Collectively assessed | 368 | - | 238 | 90 | 17 | 713 |
| Latent | 58 | 211 | 238 | 159 | - | 666 |
| | 1,112 | 2,573 | 7,257 | 272 | 26 | 11,240 |

Notes:

- (1) Retail & Commercial.
(2) Recognised in interest income.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Loans, REIL, provisions and impairments (continued)

Impairment charge analysis

The table below analyses the impairment charge for loans and securities.

| Quarter ended | UK | UK | International | Ulster | US | Total | | Central | Total | | | |
|-----------------------|--------|-----------|---------------|---------|------|-------|-------|---------|-------|------|----------|-------|
| 31 March 2013 | Retail | Corporate | Wealth | Banking | Bank | R&C | Total | Markets | items | Core | Non-Core | Group |
| | £m | £m | £m | £m | £m | (1) | (1) | £m | £m | £m | £m | £m |
| Individually assessed | - | 113 | 5 | 53 | 89 | (3) | 257 | 17 | - | 274 | 372 | 646 |
| Collectively assessed | 94 | 73 | - | - | 182 | 40 | 389 | - | - | 389 | 52 | 441 |
| Latent loss | (14) | (1) | - | 2 | (31) | (18) | (62) | (2) | - | (64) | 13 | (51) |
| Loans to customers | 80 | 185 | 5 | 55 | 240 | 19 | 584 | 15 | - | 599 | 437 | 1,036 |
| Securities | - | - | - | - | - | - | - | 1 | - | 1 | (4) | (3) |
| | 80 | 185 | 5 | 55 | 240 | 19 | 584 | 16 | - | 600 | 433 | 1,033 |

Charge to
income
statementQuarter ended 31
December 2012

| | | | | | | | | | | | | |
|----------------------------|------|-----|----|------|-----|------|------|-----|---|------|-----|-------|
| Individually assessed | - | 164 | 15 | 86 | 61 | (4) | 322 | 16 | 1 | 339 | 479 | 818 |
| Collectively assessed | 114 | 72 | - | (1) | 195 | 60 | 440 | - | - | 440 | 65 | 505 |
| Latent loss | (21) | (4) | 1 | (47) | 62 | (37) | (46) | (3) | - | (49) | 129 | 80 |
| Loans to customers | 93 | 232 | 16 | 38 | 318 | 19 | 716 | 13 | 1 | 730 | 673 | 1,403 |
| Loans to banks | - | - | - | (1) | - | - | (1) | - | - | (1) | - | (1) |
| Securities | - | 2 | - | - | - | 4 | 6 | 9 | 7 | 22 | 30 | 52 |
| Charge to income statement | 93 | 234 | 16 | 37 | 318 | 23 | 721 | 22 | 8 | 751 | 703 | 1,454 |

Note:

(1) Retail & Commercial.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Loans, REIL, provisions and impairments (continued)

Impairment charge analysis (continued)

| Quarter ended 31 March 2013 | Non-Core (by donating division) | | | | | Total £m |
|-----------------------------|---------------------------------|--------------------------------|----------------------|---------------------|-------------|-------------|
| | UK Corporate £m | International Banking £m | Ulster Bank £m | US R&C (1) £m | Other £m | |
| Individually assessed | 61 | 84 | 229 | (2) | - | 372 |
| Collectively assessed | 11 | - | 9 | 32 | - | 52 |
| Latent loss | - | - | 4 | 9 | - | 13 |
| Loans to customers | 72 | 84 | 242 | 39 | - | 437 |
| Securities | - | (4) | - | - | - | (4) |
| Charge to income statement | 72 | 80 | 242 | 39 | - | 433 |

Quarter ended 31 December
2012

| | | | | | | |
|----------------------------|----|-----|-----|----|---|-----|
| Individually assessed | 40 | 207 | 226 | 5 | 1 | 479 |
| Collectively assessed | 16 | - | 17 | 32 | - | 65 |
| Latent loss | - | 1 | 121 | 7 | - | 129 |
| Loans to customers | 56 | 208 | 364 | 44 | 1 | 673 |
| Securities | - | 30 | - | - | - | 30 |
| Charge to income statement | 56 | 238 | 364 | 44 | 1 | 703 |

Note:

(1) Retail & Commercial.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics(continued)

For a description of the Group's early problem debt identification and problem debt management refer to pages 172 to 180 of the Group's 2012 Annual Report and Accounts.

Wholesale renegotiations

The data presented below include loans where renegotiations were completed during the period. Thresholds for inclusion are set at divisional level and range from nil to £10 million. The vast majority of wholesale loan renegotiations take place within the Global Restructuring Group (GRG). Comparison and analysis of renegotiated loans may be skewed by the impact of individual material cases reaching legal completion during a given period, as well as being subject to seasonality.

| Sector | Quarter ended 31 March 2013 | | | Year ended 31 December 2012 | | |
|--|-----------------------------|--------------------------|----------------------------|-----------------------------|--------------------------|----------------------------|
| | Performing £m | Non- performing £m | Provision coverage % | Performing £m | Non- performing £m | Provision coverage % |
| Property | 507 | 216 | 18 | 1,954 | 3,288 | 18 |
| Transport | 52 | 100 | 18 | 832 | 99 | 23 |
| Telecommunications, media and technology | 16 | 27 | - | 237 | 341 | 46 |
| Retail and leisure | 64 | 40 | - | 487 | 111 | 34 |
| Other | 111 | 41 | - | 792 | 245 | 28 |
| | 750 | 424 | 14 | 4,302 | 4,084 | 22 |

Key points

Renegotiations completed in Q1 2013, were £1.2 billion (year ended 31 December 2012 - £8.4 billion). Renegotiations continue at a high level as difficult economic conditions persist in the UK and Ireland, particularly in the real estate markets, and the Group continues its active problem debt management.

Renegotiations are likely to remain significant: at 31 March 2013, loans totalling £13.8 billion (31 December 2012 - £13.7 billion) were in the process of being renegotiated but had not yet reached legal completion (they are not included in the table above). 62% of completed and 92% of "in progress" renegotiated cases in Q1 2013 were managed by GRG.

Renegotiated loans above may have been subject to one or more covenant waivers or modifications. In addition, loans totalling £0.7 billion were granted financial covenant concessions only during the period. These loans are not included in the table above.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics (continued)

Retail forbearance

The mortgage arrears information for retail accounts in forbearance and related provision are shown in the tables below.

| | No missed payments | | 1-3 months in arrears | | >3 months in arrears | | Total | | Forborne balances % |
|------------------------|--------------------|-----------------|-----------------------|-----------------|----------------------|-----------------|---------------|-----------------|------------------------|
| | Balance £m | Provision £m | Balance £m | Provision £m | Balance £m | Provision £m | Balance £m | Provision £m | |
| 31 March 2013 | | | | | | | | | |
| UK Retail (1,2) | 4,159 | 21 | 416 | 18 | 452 | 61 | 5,027 | 100 | 5.1 |
| Ulster Bank (1,2) | 950 | 104 | 528 | 58 | 545 | 205 | 2,023 | 367 | 10.3 |
| RBS Citizens Wealth | - | - | 183 | 22 | 181 | 14 | 364 | 36 | 1.6 |
| | 48 | - | - | - | 23 | 1 | 71 | 1 | 0.8 |
| | 5,157 | 125 | 1,127 | 98 | 1,201 | 281 | 7,485 | 504 | 5.0 |
| 31 December 2012 | | | | | | | | | |
| | 4,006 | 20 | 388 | 16 | 450 | 64 | 4,844 | 100 | 4.9 |

| | | | | | | | | | |
|------------------------|-------|-----|-------|-----|-------|-----|-------|-----|------|
| UK Retail (1,2) | | | | | | | | | |
| Ulster Bank (1,2) | 915 | 100 | 546 | 60 | 527 | 194 | 1,988 | 354 | 10.4 |
| RBS Citizens Wealth | - | - | 179 | 25 | 160 | 10 | 339 | 35 | 1.6 |
| | 38 | - | - | - | 7 | - | 45 | - | 0.5 |
| | 4,959 | 120 | 1,113 | 101 | 1,144 | 268 | 7,216 | 489 | 4.9 |

Notes:

- (1) Includes all forbearance arrangements whether relating to the customer's lifestyle changes or financial difficulty.
- (2) Includes the current stock position of forbearance deals agreed since early 2008 for UK Retail and early 2009 for Ulster Bank.

Key points

UK Retail

The UK Retail definition of forbearance is broad and includes mortgages where customers have made changes to contractual terms, including those where customers are up-to-date on payments and are not necessarily evidencing signs of financial stress. The reported figures above include stock dating back to 1 January 2008. The forbearance stock continues to grow, influenced by the fixed start date and the permanent nature of certain changes to contractual terms, for example, term extensions, historic interest only conversions and capitalisations.

At 31 March 2013, stock levels of £5.0 billion represented 5% of the total mortgage assets, a 4% increase in Q1 2013. The flow of new forbearance in the quarter (£463 million) was slightly lower than the average of the preceding four quarters (£498 million).

Approximately 83% of assets subject to forbearance were up-to-date with payments (compared with approximately 97% of the assets not subject to forbearance activity). The provision cover on assets subject to forbearance was around 4.5 times that on assets not subject to forbearance.

Of the total stock of assets subject to historic or current forbearance treatment, 44% were term extensions (31 December 2012 - 47%), 25% interest-only conversions (31 December 2012 - 25%) and 18% capitalisations of arrears (31 December 2012 - 19%). The stock of cases subject to interest-only conversions reflects legacy policy; conversions to interest-only loans are no longer permitted on residential mortgages.

Appendix 3 Risk management supplement (continued)

Credit risk: Loans and related credit metrics: Retail forbearance (continued)

Key points

Ulster Bank

The Ulster Bank definition of forbearance is broad and includes mortgages where customers have made changes to contractual terms, including those where customers are up-to-date on payments and are not necessarily evidencing signs of financial stress. The reported figures include stock dating back to early 2009.

At 31 March 2013, 10.3% of total mortgage assets (£2.0 billion) were subject to a forbearance arrangement (31 December 2012 - 10.4%, £2.0 billion). The majority of these forbearance arrangements were in the performing book (73%) and not 90 days past due. The flow of new forbearance in the quarter (£609 million) was lower than the average of the preceding four quarters (£794 million).

The majority of the forbearance arrangements offered by Ulster Bank are currently short term, accounting for 83% of assets subject to forbearance at 31 March 2013. These are offered for periods of one to three years and are based on the customer's ability to pay. Additional treatment options recently developed by Ulster Bank will lead to a shift to more long term arrangements over time where customer circumstances require it.

Of these short term forbearance types, the largest category at 31 March 2013 was interest-only conversions, accounting for 43% of total assets subject to forbearance. The other categories of temporary forbearance were payment concessions: positive and negative amortisation agreements (27% and 8% of the total, respectively); and payment holidays (5%).

The provision cover on performing assets subject to forbearance was approximately eight times higher than that on performing assets not subject to forbearance.

Key loan portfolios

Commercial real estate

The commercial real estate sector comprises exposures to entities involved in the development of, or investment in, commercial and residential properties (including housebuilders). The analysis of lending utilisations below excludes rate risk management and contingent obligations.

| By division (1) | 31 March 2013 | | | 31 December 2012 | | |
|------------------------|------------------|-------------------|-------------|------------------|-------------------|-------------|
| | Investment £m | Development £m | Total £m | Investment £m | Development £m | Total £m |
| Core | | | | | | |
| UK Corporate | 22,300 | 3,904 | 26,204 | 22,504 | 4,091 | 26,595 |
| Ulster Bank | 3,620 | 746 | 4,366 | 3,575 | 729 | 4,304 |
| US Retail & Commercial | 3,964 | 3 | 3,967 | 3,857 | 3 | 3,860 |
| International Banking | 815 | 301 | 1,116 | 849 | 315 | 1,164 |
| Markets | 172 | 35 | 207 | 630 | 57 | 687 |
| | 30,871 | 4,989 | 35,860 | 31,415 | 5,195 | 36,610 |

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| | | | | | | |
|------------------------|--------|--------|--------|--------|--------|--------|
| Non-Core | | | | | | |
| UK Corporate | 2,504 | 885 | 3,389 | 2,651 | 983 | 3,634 |
| Ulster Bank | 3,451 | 7,574 | 11,025 | 3,383 | 7,607 | 10,990 |
| US Retail & Commercial | 360 | - | 360 | 392 | - | 392 |
| International Banking | 9,709 | 122 | 9,831 | 11,260 | 154 | 11,414 |
| | 16,024 | 8,581 | 24,605 | 17,686 | 8,744 | 26,430 |
| Total | 46,895 | 13,570 | 60,465 | 49,101 | 13,939 | 63,040 |

For the notes to this table refer to the following page.

Appendix 3 Risk management supplement (continued)

Credit risk: Key loan portfolios: Commercial real estate (continued)

| By geography (1) | Investment | | | Development | | | Total £m |
|-----------------------------|------------------|-------------------|-------------|------------------|-------------------|-------------|-------------|
| | Commercial £m | Residential £m | Total £m | Commercial £m | Residential £m | Total £m | |
| 31 March 2013 | | | | | | | |
| UK (excluding NI) (2) | 24,380 | 5,544 | 29,924 | 813 | 4,362 | 5,175 | 35,099 |
| Ireland (ROI and NI) (2) | 4,704 | 1,010 | 5,714 | 2,240 | 5,789 | 8,029 | 13,743 |
| Western Europe (other) | 5,797 | 364 | 6,161 | 24 | 42 | 66 | 6,227 |
| US | 3,779 | 994 | 4,773 | - | 4 | 4 | 4,777 |
| RoW (2) | 323 | - | 323 | 69 | 227 | 296 | 619 |
| | 38,983 | 7,912 | 46,895 | 3,146 | 10,424 | 13,570 | 60,465 |
| 31 December 2012 | | | | | | | |
| UK (excluding NI) (2) | 25,864 | 5,567 | 31,431 | 839 | 4,777 | 5,616 | 37,047 |
| Ireland (ROI and NI) (2) | 4,651 | 989 | 5,640 | 2,234 | 5,712 | 7,946 | 13,586 |
| Western Europe (other) | 5,995 | 370 | 6,365 | 22 | 33 | 55 | 6,420 |
| US | 4,230 | 981 | 5,211 | - | 15 | 15 | 5,226 |
| RoW (2) | 454 | - | 454 | 65 | 242 | 307 | 761 |
| | 41,194 | 7,907 | 49,101 | 3,160 | 10,779 | 13,939 | 63,040 |

Notes:

- (1) Excludes commercial real estate lending in Wealth as these loans are generally supported by personal guarantees in addition to collateral. This portfolio, which totalled £1.3 billion at 31 March 2013 (31 December 2012 - £1.4 billion), continues to perform in line with expectations and requires minimal provisions.
- (2) ROI: Republic of Ireland; NI: Northern Ireland; RoW: Rest of World.

Key points

- In line with Group strategy, the overall exposure to commercial real estate fell by 4% during the first quarter. Most of the decrease was in Non-Core and was the result of repayments, asset sales and write-offs. The Non-Core portfolio totalled £24.6 billion (41% of the portfolio) at 31 March 2013 (31 December 2012 - £26.4 billion or 42% of the portfolio).
- The reduction in Markets was caused by a decrease in the inventory of US commercial real estate earmarked for securitisation, following successful issuances.
- The average interest coverage ratios for UK Corporate (Core and Non-Core), International Banking (Non-Core) were 3.05x and 1.29x, respectively, at 31 March 2013 (31 December 2012 - 2.96x and 1.30x). The US Retail & Commercial portfolio is managed on the basis of debt service coverage, which includes scheduled principal amortisation. The average debt service coverage for this portfolio (Core and Non-Core) was 1.45x at 31 March 2013 (31 December 2012 - 1.34x). As a number of different approaches are used within the Group and across geographies to calculate interest coverage ratios, they may not be comparable for different portfolio types and organisations.

Appendix 3 Risk management supplement (continued)

Credit risk: Key loan portfolios: Commercial real estate (continued)

Credit quality metrics relating to commercial real estate lending were as follows:

| | Total | | Non-Core | |
|---|---------------|------------------|---------------|------------------|
| | 31 March 2013 | 31 December 2012 | 31 March 2013 | 31 December 2012 |
| Lending (gross) | £60.5bn | £63.0bn | £24.6bn | £26.4bn |
| Of which REIL | £21.4bn | £22.1bn | £16.5bn | £17.1bn |
| Provisions | £10.2bn | £10.1bn | £8.4bn | £8.3bn |
| REIL as a % of gross loans to customers | 35.4% | 35.1% | 67.1% | 64.8% |
| Provisions as a % of REIL | 48% | 46% | 51% | 49% |

Note:

- (1) Excludes property related lending to customers in other sectors managed by Real Estate Finance.

Ulster Bank is a significant contributor to Non-Core commercial real estate lending. For further information refer to the section on Ulster Bank Group (Core and Non-Core) below.

Ulster Bank Group (Core and Non-Core)

The table below analyses the Ulster Bank Group's loans, REIL and impairments by sector.

| Sector analysis | Gross loans £m | REIL £m | Provisions £m | Credit metrics | | | | | |
|------------------------|-------------------|------------|------------------|--|--------------------------------------|--|----------------------------|------------------------------|--|
| | | | | REIL as a % of gross loans % | Provisions as a % of REIL % | Provisions as a % of gross loans % | Impairment charge £m | Amounts written-off £m | |
| 31 March 2013 | | | | | | | | | |
| Core | | | | | | | | | |
| Mortgages | 19,672 | 3,432 | 1,659 | 17.4 | 48 | 8.4 | 90 | 5 | |
| Commercial real estate | | | | | | | | | |
| - investment | 3,620 | 1,543 | 649 | 42.6 | 42 | 17.9 | 46 | - | |
| - development | 746 | 384 | 213 | 51.5 | 55 | 28.6 | 14 | - | |
| Other corporate | 7,792 | 2,384 | 1,499 | 30.6 | 63 | 19.2 | 75 | 8 | |
| Other lending | 1,270 | 209 | 206 | 16.5 | 99 | 16.2 | 15 | 14 | |
| | 33,100 | 7,952 | 4,226 | 24.0 | 53 | 12.8 | 240 | 27 | |
| Non-Core | | | | | | | | | |
| Commercial real estate | | | | | | | | | |
| - investment | 3,451 | 3,039 | 1,489 | 88.1 | 49 | 43.1 | 47 | 10 | |
| - development | 7,574 | 7,437 | 4,918 | 98.2 | 66 | 64.9 | 155 | 46 | |
| Other corporate | 1,621 | 1,259 | 777 | 77.7 | 62 | 47.9 | 38 | 1 | |
| | 12,646 | 11,735 | 7,184 | 92.8 | 61 | 56.8 | 240 | 57 | |
| Ulster Bank Group | | | | | | | | | |
| Mortgages | 19,672 | 3,432 | 1,659 | 17.4 | 48 | 8.4 | 90 | 5 | |
| Commercial real estate | | | | | | | | | |
| - investment | 7,071 | 4,582 | 2,138 | 64.8 | 47 | 30.2 | 93 | 10 | |
| - development | 8,320 | 7,821 | 5,131 | 94.0 | 66 | 61.7 | 169 | 46 | |
| Other corporate | 9,413 | 3,643 | 2,276 | 38.7 | 62 | 24.2 | 113 | 9 | |
| Other lending | 1,270 | 209 | 206 | 16.5 | 99 | 16.2 | 15 | 14 | |
| | 45,746 | 19,687 | 11,410 | 43.0 | 58 | 24.9 | 480 | 84 | |

Appendix 3 Risk management supplement (continued)

Credit risk: Key loan portfolios: Ulster Bank Group (Core and Non-Core) (continued)

| Sector analysis | Gross loans £m | REIL £m | Provisions £m | REIL as | | Provisions | | Impairment charge £m | Amounts written-off £m |
|------------------------|----------------------|------------|------------------|-----------------------------|------------------------|----------------------------------|-----|----------------------------|------------------------------|
| | | | | % of gross loans % | as a % of REIL % | as a % of gross loans % | | | |
| 31 December 2012 | | | | | | | | | |
| Core | | | | | | | | | |
| Mortgages | 19,162 | 3,147 | 1,525 | 16.4 | 48 | 8.0 | 135 | 13 | |
| Commercial real estate | | | | | | | | | |
| - investment | 3,575 | 1,551 | 593 | 43.4 | 38 | 16.6 | 52 | - | |
| - development | 729 | 369 | 197 | 50.6 | 53 | 27.0 | 17 | - | |
| Other corporate | 7,772 | 2,259 | 1,394 | 29.1 | 62 | 17.9 | 97 | 7 | |
| Other lending | 1,414 | 207 | 201 | 14.6 | 97 | 14.2 | 17 | 8 | |
| | 32,652 | 7,533 | 3,910 | 23.1 | 52 | 12.0 | 318 | 28 | |
| Non-Core | | | | | | | | | |
| Commercial real estate | | | | | | | | | |
| - investment | 3,383 | 2,800 | 1,433 | 82.8 | 51 | 42.4 | 91 | 12 | |
| - development | 7,607 | 7,286 | 4,720 | 95.8 | 65 | 62.0 | 256 | 30 | |
| Other corporate | 1,570 | 1,230 | 711 | 78.3 | 58 | 45.3 | 16 | 16 | |
| | 12,560 | 11,316 | 6,864 | 90.1 | 61 | 54.6 | 363 | 58 | |
| Ulster Bank Group | | | | | | | | | |
| Mortgages | 19,162 | 3,147 | 1,525 | 16.4 | 48 | 8.0 | 135 | 13 | |
| Commercial real estate | | | | | | | | | |
| - investment | 6,958 | 4,351 | 2,026 | 62.5 | 47 | 29.1 | 143 | 12 | |
| - development | 8,336 | 7,655 | 4,917 | 91.8 | 64 | 59.0 | 273 | 30 | |
| Other corporate | 9,342 | 3,489 | 2,105 | 37.3 | 60 | 22.5 | 113 | 23 | |
| Other lending | 1,414 | 207 | 201 | 14.6 | 97 | 14.2 | 17 | 8 | |
| | 45,212 | 18,849 | 10,774 | 41.7 | 57 | 23.8 | 681 | 86 | |

Key points

- At 31 March 2013, Ulster Bank Group accounted for 10% of the Group's total gross loans to customers (31 December 2012 - 10%) and 8% of the Group's Core gross loans to customers (31 December 2012 - 8%). Ulster Bank's financial performance continues to be influenced by the challenging economic climate in Ireland, with impairments remaining elevated as high unemployment, coupled with higher taxation and limited liquidity in the economy, all continue to depress the property market and domestic spending. However, there has been some modest improvement in the outlook with key economic indicators such as tax revenue, house price indices and GDP growth forecast stabilising.
- The impairment charge of £480 million for Q1 2013 (Q4 2012 - £681 million) was driven by a combination of new defaulting customers and higher provisions on existing defaulted cases due primarily to deteriorating security values.
- Provisions as a percentage of REIL increased marginally from 57% at the year end, to 58% in Q1 2013, principally as a result of the deterioration in the value of the commercial real estate development portfolio. Ulster Bank impairment provisions take into account recovery strategies for its commercial real estate portfolio, reflecting limited liquidity in Irish commercial and development property.

Appendix 3 Risk management supplement (continued)

Credit risk: Key loan portfolios: Ulster Bank Group (Core and Non-Core) (continued)

Key points (continued)

- The Core impairment charge for Q1 2013 was £240 million (Q4 2012 - £318 million) with a quarterly decrease driven by lower defaults on mortgage and other corporate portfolios.
- The Non-Core impairment charge for Q1 2013 was £240 million, a decrease of £123 million from Q4 2012. The commercial real estate sector accounted for £202 million (84%) of the total Non-Core Q1 2013 impairment charge.

Debt securities: AFS reserves by issuer

The table below analyses available-for-sale (AFS) debt securities and related reserves, gross of tax.

| | 31 March 2013 | | | | 31 December 2012 | | | |
|------------------------------|---------------|----------|--------------------|-------------|------------------|----------|-----------------|-------------|
| | UK £m | US £m | Other (1) £m | Total £m | UK £m | US £m | Other (1) £m | Total £m |
| Government (2) | 8,273 | 19,097 | 13,313 | 40,683 | 9,774 | 19,046 | 16,155 | 44,975 |
| Banks | 583 | 106 | 6,435 | 7,124 | 1,085 | 357 | 7,419 | 8,861 |
| Other financial institutions | 2,601 | 9,399 | 9,518 | 21,518 | 2,861 | 10,613 | 10,416 | 23,890 |
| Corporate | 27 | 12 | 176 | 215 | 1,318 | 719 | 1,130 | 3,167 |

| | | | | | | | | |
|----------------------|--------|--------|--------|--------|--------|--------|---------|--------|
| Total | 11,484 | 28,614 | 29,442 | 69,540 | 15,038 | 30,735 | 35,120 | 80,893 |
| Of which ABS | 2,942 | 13,762 | 12,713 | 29,417 | 3,558 | 14,209 | 12,976 | 30,743 |
| AFS reserves (gross) | 618 | 629 | (849) | 398 | 667 | 763 | (1,277) | 153 |

Notes:

- (1) Includes eurozone countries as detailed on the following page.
- (2) Includes central and local government.

Appendix 3 Risk management supplement (continued)

Country risk: Overview

Countries shown on page 96 are those in which the Group's balance sheet exposure to counterparties incorporated within them exceeded £1 billion and which had external ratings of A+ or below from Standard and Poor's, Moody's or Fitch at 31 March 2013. Selected eurozone countries are also included. The numbers are stated before taking into account mitigants, such as collateral (with the exception of reverse repos), insurance or guarantees, which may have been taken to reduce or eliminate exposure to country risk events. Exposures relating to ocean-going vessels are not included. For a description of the governance, monitoring and management of the Group's country risk framework and definitions, refer to pages 254 and 255 of the Group's 2012 Annual Report and Accounts.

Key points

- At 31 March 2013, sterling had depreciated 6.2% against the US dollar and 3.6% against the euro, compared with 31 December 2012. This resulted in exposures denominated in these currencies (and in other currencies linked to the same) increasing in sterling terms.
- Balance sheet and off-balance sheet exposures to many countries shown in the table on page 96 continued to decline during Q1 2013, as the Group maintained a cautious stance and many clients reduced debt levels. In Ireland and a few Asian countries, exposure increased, largely owing to exchange rate movements. Reductions were seen notably in derivatives and repos. Non-Core lending exposure declined further in most countries as the Group continued to execute its disposal strategy.
- Most of the Group's country risk exposure is in International Banking (primarily trade facilities, other lending and off-balance sheet exposure to corporates), Markets (mostly derivatives and repos with financial institutions, and HFT debt securities), Ulster Bank (mostly lending exposure to corporates and consumers in Ireland) and Group Treasury (cash balances at central banks and AFS debt securities including Spanish covered bonds).
- Eurozone - Balance sheet exposure declined with reductions in most countries. This reflected a drop in liquidity held with the Bundesbank, lending write-offs, active exposure management and debt reduction efforts by bank clients.
- Eurozone periphery - Balance sheet exposure was broadly stable, but with an increase in Ireland reflecting exchange rate movements offset by reductions in Italy and Portugal.

Ireland - Lending and off-balance sheet exposure increased by £0.8 billion and £0.2 billion, respectively, but declined on a constant currency basis.

Repo exposure to banks declined by £0.4 billion.

Spain - Lending exposure decreased primarily in the telecommunications and commercial real estate sectors. The fair value of AFS debt securities increased by £0.5 billion due to favourable market sentiment for Spanish bonds.

Italy - AFS debt securities decreased by £0.3 billion due to redemptions.

Portugal - Modest further reductions took place in lending exposure to the commercial real estate sector, off-balance sheet exposure to the oil and gas sector and derivatives exposure to banks.

Greece - Derivatives exposure to banks and off-balance sheet exposure increased slightly because of exchange rate movements.

Cyprus - Balance sheet exposure to Cyprus amounted to £0.3 billion at 31 March 2013, comprising mainly lending exposure to special purpose vehicles incorporated in Cyprus but with assets and cash flows largely elsewhere.

Appendix 3 Risk management supplement (continued)

Country risk: Overview (continued)

Key points (continued)

- Germany - The Group holds significant short-term surplus liquidity with the central bank because of credit risk and capital considerations, and limited alternative investment opportunities. This exposure also fluctuates as part of the Group's asset and liability management. German AFS bond positions in Group Treasury decreased by £2.1 billion in line with internal liquidity management strategies. Net HFT positions in German bonds in Markets increased by £1.2 billion during Q1 2013, driven by market opportunities.
- France - During Q1 2013, the Group reduced its holdings in bonds, both AFS in Group Treasury and HFT in Markets. Derivatives exposure, mostly to banks, decreased by £1.2 billion.
- Japan - Exposure decreased by £4.0 billion in Q1 2013, reflecting sales and maturities of debt securities of £3.2 billion, mostly in the HFT portfolio. Derivatives exposure to banks and deposits with the central bank also fell.
- India - Lending exposure to corporates increased by £0.5 billion, largely reflecting higher lending to the oil and gas sector.

Redenomination risk

- The Group's focus continues to be on reducing its asset exposures and funding mismatches in the eurozone periphery countries. The estimated funding mismatch at risk of redenomination was £8.5 billion (31 December 2012 - £9.0 billion) for Ireland, £4.0 billion (31 December 2012 - £4.5 billion) for Spain, and £1.0 billion (31 December 2012 - £1.0 billion) for Italy at 31 March 2013. These numbers can

fluctuate owing to volatility in trading book positions and changes in bond prices. The net positions for Greece, Portugal and Cyprus were all minimal. For more information on redenomination risk considerations, refer to page 254 of the Group's 2012 Annual Report and Accounts.

Appendix 3 Risk management supplement (continued)

Country risk: Eurozone periphery by country: Ireland

| | Lending | REIL | Provisions | AFS and LAR debt securities | AFS reserves | HFT debt securities | | Total debt securities | Net Derivatives | Repos | Balance sheet | Off-balan she |
|-------------------------------|---------------|--------|------------|--------------------------------------|------------------|---------------------------|------------|--------------------------|--------------------|-------|------------------|------------------|
| | £m | £m | £m | £m | £m | Long | Short | £m | £m | £m | £m | £m |
| 31 March 2013 | | | | | | | | | | | | |
| Government Central bank | 44 | - | - | 138 | (17) | 96 | 46 | 188 | 33 | - | 265 | |
| Other banks | 44 | - | - | - | - | - | - | - | - | - | 44 | |
| Other FI | 99 | - | - | 184 | (3) | 18 | 3 | 199 | 692 | 90 | 1,080 | |
| Corporate Personal | 522 | - | - | 99 | - | 175 | 2 | 272 | 546 | 89 | 1,429 | 7 |
| | 18,235 | 11,449 | 6,721 | - | - | 201 | 3 | 198 | 356 | - | 18,789 | 1,9 |
| | 18,393 | 3,538 | 1,799 | - | - | - | - | - | 1 | - | 18,394 | 5 |
| | 37,337 | 14,987 | 8,520 | 421 | (20) | 490 | 54 | 857 | 1,628 | 179 | 40,001 | 3,1 |
| 31 December 2012 | | | | | | | | | | | | |
| Government Central bank | 42 | - | - | 127 | (23) | 79 | 56 | 150 | 2 | - | 194 | |
| Other banks | 73 | - | - | - | - | - | - | - | - | - | 73 | |
| Other FI | 98 | - | - | 191 | (6) | 18 | 1 | 208 | 695 | 476 | 1,477 | |
| Corporate Personal | 532 | - | - | 46 | - | 325 | 2 | 369 | 583 | 103 | 1,587 | 6 |
| | 17,921 | 11,058 | 6,226 | 60 | - | - | - | 60 | 411 | - | 18,392 | 1,8 |
| | 17,893 | 3,286 | 1,686 | - | - | - | - | - | 1 | - | 17,894 | 5 |
| | 36,559 | 14,344 | 7,912 | 424 | (29) | 422 | 59 | 787 | 1,692 | 579 | 39,617 | 2,9 |
| | 31 March 2013 | | | | 31 December 2012 | | | | | | | |
| | Notional | | Fair value | | Notional | | Fair value | | | | | |
| | Bought | Sold | Bought | Sold | Bought | Sold | Bought | Sold | Bought | Sold | | |

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| CDS by reference entity | £m | £m | £m | £m | £m | £m | £m | £m | £m |
|-------------------------|-------|-------|------|------|-------|-------|------|------|----|
| Government | 2,632 | 2,615 | 48 | (48) | 2,486 | 2,525 | 72 | (71) | |
| Other banks | 30 | 18 | 5 | (5) | 43 | 32 | 1 | (2) | |
| Other FI | 451 | 385 | 3 | (16) | 759 | 677 | 21 | (33) | |
| Corporate | 218 | 154 | (14) | 14 | 236 | 165 | (17) | 17 | |
| | 3,331 | 3,172 | 42 | (55) | 3,524 | 3,399 | 77 | (89) | |

Appendix 3 Risk management supplement (continued)

Country risk: Eurozone periphery by country: Spain

| | Lending | | | AFS and LAR debt | | HFT securities | | Total debt securities | Net Derivatives | | Balance sheet | Off-balance sheet |
|-------------------------|---------|------------|------------|------------------|---------|----------------|-------|-----------------------|-----------------|----|---------------|-------------------|
| | REIL | Provisions | securities | reserves | Long | Short | Repos | | | | | |
| 31 March 2013 | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| Government Central bank | - | - | - | 41 | (8) | 573 | 391 | 223 | 4 | - | 227 | 1 |
| Other banks | 8 | - | - | - | - | - | - | - | - | - | 8 | 4 |
| Other FI | 49 | - | - | 3,475 | (423) | 73 | 100 | 3,448 | 1,120 | - | 4,617 | 14 |
| Corporate Personal | 54 | - | - | 1,837 | (416) | 61 | 16 | 1,882 | 28 | - | 1,964 | 159 |
| | 4,202 | 689 | 348 | - | - | 38 | 40 | (2) | 430 | - | 4,630 | 5 |
| | 347 | 55 | 23 | - | - | - | - | - | - | - | 347 | 5 |
| | 4,660 | 744 | 371 | 5,353 | (847) | 745 | 547 | 5,551 | 1,582 | - | 11,793 | 1,85 |
| 31 December 2012 | | | | | | | | | | | | |
| Government Central bank | - | - | - | 37 | (10) | 786 | 403 | 420 | 18 | - | 438 | 1 |
| Other banks | 6 | - | - | - | - | - | - | - | - | - | 6 | 4 |
| Other FI | 1 | - | - | 3,169 | (634) | 100 | 76 | 3,193 | 1,254 | - | 4,448 | 13 |
| Corporate Personal | 59 | - | - | 1,661 | (540) | 96 | 18 | 1,739 | 26 | - | 1,824 | 137 |
| | 4,260 | 601 | 246 | 4 | - | 36 | 18 | 22 | 456 | - | 4,738 | 5 |
| | 340 | 61 | 27 | - | - | - | - | - | - | - | 340 | 5 |
| | 4,666 | 662 | 273 | 4,871 | (1,184) | 1,018 | 515 | 5,374 | 1,754 | - | 11,794 | 1,62 |

31 March 2013

31 December 2012

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| CDS by reference entity | Notional | | Fair value | | Notional | | Fair value | |
|-------------------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|
| | Bought £m | Sold £m | Bought £m | Sold £m | Bought £m | Sold £m | Bought £m | Sold £m |
| Government | 5,934 | 5,923 | 358 | (361) | 5,934 | 5,905 | 361 | (359) |
| Other banks | 1,514 | 1,560 | 50 | (45) | 1,583 | 1,609 | 34 | (30) |
| Other FI | 1,267 | 1,123 | 55 | (37) | 1,209 | 1,061 | 47 | (28) |
| Corporate | 2,247 | 1,967 | 21 | (16) | 2,263 | 2,011 | 7 | (4) |
| | 10,962 | 10,573 | 484 | (459) | 10,989 | 10,586 | 449 | (421) |

Appendix 3 Risk management supplement (continued)

Country risk: Eurozone periphery by country: Italy

| 31 March 2013 | Lending £m | REIL £m | Provisions £m | AFS and LAR debt | AFS reserves | HFT debt | | Total debt securities £m | Net Derivatives £m | Repos £m | Balance sheet £m | Off-balance sheet £m |
|------------------------|---------------|------------|------------------|------------------------|-----------------|-------------|-------|--------------------------------|--------------------------|-------------|------------------------|----------------------------|
| | | | | securities £m | reserves £m | Long | Short | | | | | |
| Government | 10 | - | - | 417 | (76) | 2,365 | 1,671 | 1,111 | 79 | - | 1,200 | |
| Central bank | 22 | - | - | - | - | - | - | - | - | - | 22 | |
| Other banks | 145 | - | - | - | - | 11 | 53 | (42) | 1,509 | - | 1,612 | 3 |
| Other FI | 103 | - | - | 200 | (1) | 54 | 17 | 237 | 120 | - | 460 | 67 |
| Corporate | 1,425 | 57 | 16 | 34 | - | 54 | 66 | 22 | 582 | - | 2,029 | 1,81 |
| Personal | 24 | - | - | - | - | - | - | - | - | - | 24 | 1 |
| | 1,729 | 57 | 16 | 651 | (77) | 2,484 | 1,807 | 1,328 | 2,290 | - | 5,347 | 2,54 |
| 31 December 2012 | | | | | | | | | | | | |
| Government | 9 | - | - | 408 | (81) | 2,781 | 2,224 | 965 | 80 | - | 1,054 | |
| Central bank | 21 | - | - | - | - | - | - | - | - | - | 21 | |
| Other banks | 200 | - | - | 125 | (8) | 42 | 54 | 113 | 1,454 | - | 1,767 | 3 |
| Other FI | 218 | - | - | 357 | (1) | 23 | 1 | 379 | 99 | - | 696 | 67 |
| Corporate | 1,392 | 34 | 5 | 87 | 2 | 85 | 22 | 150 | 664 | - | 2,206 | 1,90 |
| Personal | 23 | - | - | - | - | - | - | - | - | - | 23 | 1 |
| | 1,863 | 34 | 5 | 977 | (88) | 2,931 | 2,301 | 1,607 | 2,297 | - | 5,767 | 2,61 |

31 March 2013

31 December 2012

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| CDS by reference entity | Notional | | Fair value | | Notional | | Fair value | |
|-------------------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|
| | Bought £m | Sold £m | Bought £m | Sold £m | Bought £m | Sold £m | Bought £m | Sold £m |
| Government | 14,255 | 14,144 | 846 | (885) | 13,181 | 13,034 | 717 | (754) |
| Other banks | 3,202 | 3,327 | 272 | (244) | 3,537 | 3,488 | 163 | (139) |
| Other FI | 581 | 573 | 24 | (21) | 616 | 607 | 8 | (5) |
| Corporate | 2,643 | 2,251 | 61 | (51) | 2,580 | 2,295 | 28 | (20) |
| | 20,681 | 20,295 | 1,203 | (1,201) | 19,914 | 19,424 | 916 | (918) |

Appendix 3 Risk management supplement (continued)

Country risk: Eurozone periphery by country: Portugal

| 31 March 2013 | Lending | | REIL Provisions | AFS and LAR debt | | HFT debt | | Total debt securities | Net | | Balance sheet | Off-balance sheet |
|------------------------|---------|-----|--------------------|------------------------|----------|-------------|-------|--------------------------|-------------|-------|------------------|----------------------|
| | £m | £m | | securities | reserves | Long | Short | | Derivatives | Repos | | |
| Government | - | - | - | 78 | (16) | 58 | 17 | 119 | 16 | - | 135 | |
| Other banks | 1 | - | - | 72 | (9) | 1 | 2 | 71 | 350 | - | 422 | |
| Other FI | - | - | - | 1 | - | 24 | 13 | 12 | 41 | - | 53 | |
| Corporate | 257 | 161 | 98 | 42 | - | 11 | 9 | 44 | 79 | - | 380 | 22 |
| Personal | 7 | - | - | - | - | - | - | - | - | - | 7 | |
| | 265 | 161 | 98 | 193 | (25) | 94 | 41 | 246 | 486 | - | 997 | 23 |
| 31 December 2012 | | | | | | | | | | | | |
| Government | - | - | - | 72 | (18) | 28 | 15 | 85 | 17 | - | 102 | |
| Other banks | - | - | - | 66 | (12) | 5 | - | 71 | 380 | - | 451 | |
| Other FI | - | - | - | 1 | - | 21 | 11 | 11 | 38 | - | 49 | |
| Corporate | 336 | 253 | 188 | 41 | - | 7 | - | 48 | 79 | - | 463 | 24 |
| Personal | 7 | - | - | - | - | - | - | - | - | - | 7 | |
| | 343 | 253 | 188 | 180 | (30) | 61 | 26 | 215 | 514 | - | 1,072 | 25 |

| CDS by reference entity | 31 March 2013 | | | | 31 December 2012 | | | |
|-------------------------|---------------|------------|--------------|------------|------------------|------------|--------------|------------|
| | Notional | | Fair value | | Notional | | Fair value | |
| | Bought £m | Sold £m | Bought £m | Sold £m | Bought £m | Sold £m | Bought £m | Sold £m |

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| | | | | | | | | |
|-------------|-------|-------|-----|-------|-------|-------|-----|-------|
| Government | 3,486 | 3,435 | 287 | (264) | 3,182 | 3,134 | 302 | (275) |
| Other banks | 786 | 772 | 40 | (39) | 856 | 863 | 31 | (30) |
| Other FI | 8 | 5 | - | (1) | 8 | 5 | - | (1) |
| Corporate | 592 | 510 | 4 | (7) | 426 | 353 | 3 | (7) |
| | 4,872 | 4,722 | 331 | (311) | 4,472 | 4,355 | 336 | (313) |

Appendix 3 Risk management supplement (continued)

Country risk: Eurozone periphery by country: Greece

| | Lending | REIL | Provisions | AFS and LAR debt | AFS reserves | HFT debt | | Total debt | Net | Balance | Off-balance |
|------------------|---------|------|------------|------------------------|-----------------|-------------|-------|------------|-------------|---------|-------------|
| | £m | £m | £m | £m | £m | Long | Short | securities | Derivatives | sheet | sheet |
| 31 March 2013 | | | | | | | | | | | |
| Government | - | - | - | - | - | 8 | 8 | - | 17 | - | 17 |
| Other banks | 1 | - | - | - | - | - | - | - | 313 | - | 314 |
| Other FI | 1 | - | - | - | - | - | - | - | - | - | 1 |
| Corporate | 181 | 31 | 21 | - | - | - | - | - | 42 | - | 223 |
| Personal | 14 | - | - | - | - | - | - | - | - | - | 14 |
| | 197 | 31 | 21 | - | - | 8 | 8 | - | 372 | - | 569 |

31
December
2012

| | | | | | | | | | | | |
|-----------------|-----|----|----|---|---|---|---|-----|-----|---|-----|
| Government | - | - | - | - | - | 9 | - | 9 | 17 | - | 26 |
| Central bank | 7 | - | - | - | - | - | - | - | - | - | 7 |
| Other banks | - | - | - | - | - | - | - | - | 299 | - | 299 |
| Other FI | 1 | - | - | - | - | - | 8 | (8) | - | - | (7) |
| Corporate | 179 | 38 | 38 | - | - | - | - | - | 44 | - | 223 |
| Personal | 14 | - | - | - | - | - | - | - | - | - | 14 |
| | 201 | 38 | 38 | - | - | 9 | 8 | 1 | 360 | - | 562 |

| CDS by reference entity | 31 March 2013 | | | | 31 December 2012 | | | |
|-------------------------|---------------|------|------------|------|------------------|------|------------|------|
| | Notional | | Fair value | | Notional | | Fair value | |
| | Bought | Sold | Bought | Sold | Bought | Sold | Bought | Sold |
| | £m | £m | £m | £m | £m | £m | £m | £m |

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| | | | | | | | | |
|-------------|-----|-----|----|------|-----|-----|----|------|
| Other banks | 4 | 4 | 1 | (1) | 4 | 4 | 1 | (1) |
| Corporate | 271 | 274 | 23 | (24) | 319 | 317 | 31 | (33) |
| | 275 | 278 | 24 | (25) | 323 | 321 | 32 | (34) |

Appendix 3 Risk management supplement (continued)

Country risk: Eurozone periphery by country: Cyprus

| | Lending | REIL | Provisions | AFS and LAR debt | AFS reserves | HFT debt | | Total debt | Net | Balance | Off-balance |
|------------------------|---------|------|------------|------------------------|-----------------|-------------|-------|------------|-------------|---------|-------------|
| | £m | £m | £m | £m | £m | Long | Short | securities | Derivatives | sheet | sheet |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m |
| 31 March 2013 | | | | | | | | | | | |
| Government | - | - | - | - | - | 1 | - | 1 | - | - | 1 |
| Other banks | - | - | - | - | - | - | - | - | 10 | - | 10 |
| Other FI | - | - | - | - | - | - | - | - | - | - | - |
| Corporate | 289 | 168 | 56 | - | - | - | 1 | (1) | 24 | - | 312 |
| Personal | 14 | - | - | - | - | - | - | - | - | - | 14 |
| | 303 | 168 | 56 | - | - | 1 | 1 | - | 34 | - | 337 |
| 31 December 2012 | | | | | | | | | | | |
| Government | - | - | - | - | - | 3 | - | 3 | - | - | 3 |
| Other banks | - | - | - | - | - | - | - | - | 11 | - | 11 |
| Other FI | 2 | - | - | - | - | 1 | - | 1 | - | - | 3 |
| Corporate | 274 | 162 | 54 | - | - | - | - | - | 24 | - | 298 |
| Personal | 15 | - | - | - | - | - | - | - | - | - | 15 |
| | 291 | 162 | 54 | - | - | 4 | - | 4 | 35 | - | 330 |

Signatures

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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: 3 May 2013

THE ROYAL BANK OF
SCOTLAND GROUP plc
(Registrant)

By: /s/ Jan Cargill

Name: Jan Cargill
Title: Deputy Secretary