

ROYAL BANK OF SCOTLAND GROUP PLC  
Form 6-K  
November 01, 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 November 01, 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): \_\_\_\_\_

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

Yes  \_\_\_

No  X

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

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

Appendix 1

Risk management supplement

Appendix 1 Risk management supplement

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Capital and leverage ratios

CRR capital estimate

A reconciliation between capital as reported under IFRS and capital computed in accordance with the Capital Requirements Regulations (CRR) is set out below.

Although the CRR text has been finalised, many of the related technical standards (RTS) are still draft. The finalisation of these could have a material impact in a number of areas such as the scope of the deduction for insignificant financial holdings.

The 'year 1 transitional basis' applies the rules as if 2013 was year 1 of the transition period. The full basis shows the same calculation based on a complete implementation of CRR. This is based on the Group's current interpretation of the final text of the CRR, as published on 27 June 2013, and the draft RTSs.

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In the first year of transition, the regulatory adjustments will be calculated under the new rules. The CRR deductions are determined by applying the transitional percentage (20% in year 1)(1). The residual balance will be deducted according to the current rules, except where the PRA has specified a different treatment.

|   | 30 September 2013 |                    |            | 31 December 2012 |                    |            |
|---|-------------------|--------------------|------------|------------------|--------------------|------------|
|   | Current basis     | Transitional basis | Full basis | Current basis    | Transitional basis | Full basis |
| Common Equity Tier (CET) 1 capital RWAs | £47.5bn           | £53.1bn            | £41.1bn    | £47.3bn          | £54.0bn            | £37.9bn    |
| CET1 ratio                              | 11.6%             | 11.7%              | 9.1%       | 10.3%            | 10.9%              | 7.7%       |

Note:

- (1) The PRA issued its consultative paper on implementing CRD IV (CP5/13) in August 2013. Under the draft proposals, there would be no transition in respect of the changes to the prudential filters and deductions from Common Equity Tier 1. These proposals if fully implemented will come into effect from 1 January 2014.

Capital and leverage ratios (continued)

|   | 30 September 2013 |                    |            | 31 December 2012 |                    |            |
|---|-------------------|--------------------|------------|------------------|--------------------|------------|
|   | Current basis     | Transitional basis | Full basis | Current basis    | Transitional basis | Full basis |
|   | £m                | £m                 | £m         | £m               | £m                 | £m         |
| CET1 capital: instruments and reserves                          |                   |                    |            |                  |                    |            |
| Capital instruments and related share premium                   |                   |                    |            |                  |                    |            |
| - ordinary shares   | 31,794            | 31,794             | 31,794     | 30,864           | 30,864             | 30,864     |
| - B shares (1)  | 510               | 510                | 510        | 510              | 510                | -          |
| Retained earnings including current period loss                 | 10,144            | 10,144             | 10,144     | 10,596           | 10,596             | 10,596     |
| Accumulated other comprehensive income                          | 25,220            | 25,220             | 25,220     | 26,160           | 26,160             | 26,160     |
| Less innovative issues moved to Additional Tier 1 (AT1) capital | (979)             | (979)              | (979)      | (431)            | (431)              | (431)      |
| Less preference shares moved to AT1 capital                     | (4,313)           | (4,313)            | (4,313)    | (4,313)          | (4,313)            | (4,313)    |
| Non-controlling interests per accounting balance sheet          | 462               | 370                | -          | 2,318            | 2,318              | 2,318      |
| Less innovative issues moved to AT1 capital                     | -                 | -                  | -          | (548)            | (548)              | (548)      |
| Less minority interest deconsolidated                           | -                 | -                  | -          | (1,367)          | (1,367)            | (1,770)    |
| Minority interests allowable                                    | 462               | 370                | -          | 403              | 403                | -          |

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|  |          |         |          |          |         |          |
|--|----------|---------|----------|----------|---------|----------|
| CET1 (before regulatory adjustments)                   | 62,838   | 62,746  | 62,376   | 63,789   | 63,789  | 62,876   |
| CET1: regulatory adjustments                           |          |         |          |          |         |          |
| Additional value adjustments (2)                       | -        | (1,150) | (1,150)  | -        | (310)   | (310)    |
| Intangible assets (net of related tax liability)       | (13,742) | (2,744) | (13,720) | (13,545) | -       | (13,956) |
| Deferred tax assets (3)                                | -        | (229)   | (2,289)  | -        | (323)   | (3,231)  |
| Cash flow hedges - fair value                          | (447)    | (447)   | (447)    | (1,666)  | (1,666) | (1,666)  |
| Excess of expected loss over impairment provisions (4) | (1,801)  | (819)   | (4,094)  | (1,904)  | -       | (6,154)  |
| Own credit adjustments on fair valued liabilities (5)  | 762      | 729     | 598      | 691      | 691     | 493      |
| Defined benefit pension fund assets                    | 667      | (143)   | (143)    | 913      | (144)   | (144)    |
| Securitisation positions                               | (889)    | -       | -        | (1,107)  | -       | -        |
| Unrealised gains and losses                            | 252      | 202     | -        | 346      | 346     | -        |
| Of which:  |          |         |          |          |         |          |
| - unrealised losses on AFS debt securities             | 358      | 287     | -        | 409      | 409     | -        |
| - unrealised gains on AFS equity shares                | (106)    | (85)    | -        | (63)     | (63)    | -        |
| Other adjustments for regulatory purposes              | (115)    | (61)    | (61)     | (197)    | -       | -        |
| Qualifying exceeding AT1 capital (6)                   | -        | (4,958) | -        | -        | (8,420) | -        |
| CET1 (total regulatory adjustments)                    | (15,313) | (9,620) | (21,306) | (16,469) | (9,826) | (24,968) |
| CET1 capital   | 47,525   | 53,126  | 41,070   | 47,320   | 53,963  | 37,908   |

For the notes to this table refer to page 5.

Capital and leverage ratios (continued)

|  | 30 September 2013   |                          |                  | 31 December 2012    |                          |                  |
|--|---------------------|--------------------------|------------------|---------------------|--------------------------|------------------|
|  | Current basis<br>£m | Transitional basis<br>£m | Full basis<br>£m | Current basis<br>£m | Transitional basis<br>£m | Full basis<br>£m |
| AT1 capital: instruments                                 |                     |                          |                  |                     |                          |                  |
| Capital instruments and related share premium            | 5,074               | -                        | -                | 5,075               | -                        | -                |
| Qualifying Tier 1 capital and related share premium      |                     |                          |                  |                     |                          |                  |
| subject to phase out from AT1 capital                    | 4,196               | 4,409                    | -                | 4,125               | 4,571                    | -                |
| Qualifying Tier 1 capital included in consolidated AT1   |                     |                          |                  |                     |                          |                  |
| capital issued by subsidiaries and held by third parties | 292                 | 3,247                    | -                | 292                 | 4,042                    | -                |
| AT1 capital (before regulatory adjustments)              | 9,562               | 7,656                    | -                | 9,492               | 8,613                    | -                |
| AT1: regulatory adjustments                              |                     |                          |                  |                     |                          |                  |
| Deductions from AT1 capital during the transition        | -                   | (12,614)                 | -                | -                   | (17,033)                 | -                |
| - intangible assets                                      | -                   | (10,976)                 | -                | -                   | (13,956)                 | -                |
|  | -                   | (1,638)                  | -                | -                   | (3,077)                  | -                |

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|   |         |          |        |         |          |        |
|---|---------|----------|--------|---------|----------|--------|
| - excess of expected loss over impairment provisions                              |         |          |        |         |          |        |
| Other Basel II regulatory adjustments   | (457)   | -        | -      | 323     | -        | -      |
| AT1 (total regulatory adjustments)  | (457)   | (12,614) | -      | 323     | (17,033) | -      |
| AT1 capital   | 9,105   | (4,958)  | -      | 9,815   | (8,420)  | -      |
| Qualifying deductions exceeding AT1 capital (6)                                   | -       | 4,958    | -      | -       | 8,420    | -      |
| Tier 1 capital (7)  | 56,630  | 53,126   | 41,070 | 57,135  | 53,963   | 37,908 |
| Tier 2 capital: instruments and provisions  |         |          |        |         |          |        |
| Capital instruments and related share premium                                     | 13,999  | -        | -      | 15,614  | -        | -      |
| Qualifying items and related share premium  | -       | 1,006    | 5,025  | -       | 2,774    | 7,292  |
| Qualifying own funds instruments issued by subsidiaries and held by third parties | -       | 12,080   | 9,362  | -       | 12,605   | 5,185  |
| Unrealised gains on AFS equity shares   | 106     | -        | -      | 63      | -        | -      |
| Credit risk adjustments (8)   | 386     | -        | -      | 399     | 399      | 399    |
| Tier 2 capital (before regulatory adjustments)                                    | 14,491  | 13,086   | 14,387 | 16,076  | 15,778   | 12,876 |
| Tier 2 regulatory adjustments   |         |          |        |         |          |        |
| Residual amounts deducted during the transition                                   |         |          |        |         |          |        |
| - excess of expected loss over impairment provisions                              | -       | (1,637)  | -      | -       | (3,077)  | -      |
| Other Basel II regulatory adjustments   | (4,239) | -        | -      | (3,924) | -        | -      |
| Tier 2 (total regulatory adjustments)   | (4,239) | (1,637)  | -      | (3,924) | (3,077)  | -      |
| Tier 2 capital  | 10,252  | 11,449   | 14,387 | 12,152  | 12,701   | 12,876 |
| Total deductions  | (248)   | -        | -      | (2,487) | -        | -      |
| Total capital   | 66,634  | 64,575   | 55,457 | 66,800  | 66,664   | 50,784 |

For the notes to this table refer to page 5.

Capital and leverage ratios (continued)

Flow statement (CRR)

The table below analyses the movement in CET1 and Tier 2 capital during the nine months ended 30 September 2013.

|  | CET1<br>£m | Tier 2<br>£m | Total<br>£m |
|--|------------|--------------|-------------|
| At 1 January 2013  | 37,908     | 12,876       | 50,784      |
| Attributable loss net of movements in fair value of own credit | (188)      | -            | (188)       |
|  | 256        | -            | 256         |

## Share capital and reserve movements in respect of employee share schemes

|  |        |         |         |
|--|--------|---------|---------|
| Ordinary shares issued   | 205    | -       | 205     |
| Nominal value of B shares  | 510    | -       | 510     |
| Available-for-sale reserve                                       | (94)   | -       | (94)    |
| Foreign exchange reserve   | 110    | 243     | 353     |
| Increase in goodwill and intangibles                             | 236    | -       | 236     |
| Deferred tax assets (DTAs)                                       | 942    | -       | 942     |
| Excess of expected loss over impairment provisions               | 2,060  | -       | 2,060   |
| Grandfathered instruments under CRR text                         | -      | 3,096   | 3,096   |
| Dated subordinated debt issues                                   | -      | 652     | 652     |
| Dated subordinated debt maturities, redemptions and amortisation | -      | (2,293) | (2,293) |
| Additional value adjustments (AVA)                               | (840)  | -       | (840)   |
| Other movements  | (35)   | (187)   | (222)   |
| At 30 September 2013   | 41,070 | 14,387  | 55,457  |

## Notes:

## General:

Estimates, including RWAs, are based on the current interpretation, expectations, and understanding of the proposed CRR requirements, anticipated compliance with all necessary enhancements to model calibration and other refinements, as well as further regulatory clarity and implementation guidance from the UK and EU authorities. The actual CRR impact may differ from these estimates due to the finalisation of the technical standards and interpretive issues.

## Capital base:

- (1) Includes the nominal value of B shares (£0.5 billion) on the assumption that RBS will be privatised in the future and that they will count as permanent equity in some form by the end of 2017.
- (2) The AVA, arising from the application of the prudent valuation requirements to all assets measured at fair value, has been included in full in year one of transition in line with the guidance from the PRA and uses methodology discussed with the PRA pending the issue of the final RTS by the European Banking Authority.
- (3) The PRA requires firms to take a CET1 deduction in year one of transition equal to 10% of the DTAs which do not relate to temporary differences. The netting of deferred tax liabilities against DTAs reflects our interpretation of the final CRR text.
- (4) In our current interpretation of the CRR final rules, we have assumed that incurred CVA will be counted as eligible provisions in the determination of the deduction for expected losses.
- (5) The own credit risk adjustment for derivative liabilities (the debit valuation adjustment) is assumed to transition on the same basis as other regulatory changes (20% in year one of transition).
- (6) Where the deductions from AT1 capital exceed AT1 capital, the excess is deducted from CET1 capital. The excess of AT1 deductions over AT1 capital in year 1 transition is due to the application of the current rules to the transitional amounts.
- (7) Should the draft RTS relating to maturity restrictions on hedging be implemented without amendment, the full CRR CET1 capital position would reduce by c.£1.5 billion for insignificant investments based on our estimate of

current positions. The Group has already announced its intention to exit the equities businesses as part of Markets strategy; this will reduce positions to the extent that no deduction will be required. However there could be a modest short-term impact on the Group's transitional ratio.

- (8) Based on our current interpretations of the final draft of the RTS on credit risk adjustments, issued in July 2013, the Group's standardised latent provision has been reclassified to specific provision and is therefore no longer included in Tier 2 capital.

Risk-weighted assets:

- (1) Current securitisation positions are shown as RWAs risk weighted at 1,250%.
- (2) RWA uplifts include the impact of credit valuation adjustments and asset valuation correlation on banks and central counterparties.
- (3) RWAs assume implementation of the full internal model method suite, that existing waivers will continue and includes methodology changes that take effect immediately on CRR implementation.
- (4) Non-financial counterparties and sovereigns that meet the eligibility criteria under CRR are exempt from the CVA volatility charges.
- (5) The CRR final text includes a reduction in the risk weight relating to SMEs.

Capital and leverage ratios (continued)

CRR leverage estimate

The Group monitors and reports an internationally recognised leverage definition (assets/equity) based on funded tangible assets (total assets minus derivatives and intangible assets) divided by qualifying regulatory Tier 1 capital.

The Basel III agreement introduced a leverage ratio as a non-risk based backstop limit intended to supplement the risk-based capital requirements. It aims to constrain the build up of excess leverage in the banking sector, introducing additional safeguards against model risk and measurement errors.

On 19 March 2013, the Financial Policy Committee (FPC) of the Bank of England instructed the PRA to ensure that the major UK banks hold resources equivalent to at least 7% of RWAs by the end 2013 after reflecting adjustments recommended by the FPC. The PRA statement of 20 June 2013, indicated that meeting the 7% RWA capital standard will be sufficient for leverage ratios to be no less than 3%. The Group's estimated leverage ratios under both the CRR and Basel III texts are above 3%.

The leverage ratio set out below is based on:

Tier 1 capital as set out in the final CRR text; and

Exposure measure calculated using the final CRR text as well as the December 2010 Basel III text; further specificity being sourced from the instructions in the July 2012 Quantitative Impact Study and the related Frequently Asked Questions.

| Leverage ratio        | 30 September 2013 |                          |          |               | 31 December 2012 |                          |          |               |
|-----------------------|-------------------|--------------------------|----------|---------------|------------------|--------------------------|----------|---------------|
|                       | Exposure<br>£bn   | Tier 1<br>capital<br>£bn | Leverage | Leverage<br>% | Exposure<br>£bn  | Tier 1<br>capital<br>£bn | Leverage | Leverage<br>% |
| Assets/equity basis:  |                   |                          |          |               |                  |                          |          |               |
| Tier 1 leverage ratio | 792.0             | 56.6                     | 14x      | 7.1           | 856.9            | 57.1                     | 15x      | 6.7           |

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|                                       |         |      |     |     |         |      |     |     |
|---------------------------------------|---------|------|-----|-----|---------|------|-----|-----|
| Tangible equity leverage ratio<br>(1) | 792.0   | 48.6 | 16x | 6.1 | 856.9   | 49.8 | 17x | 5.8 |
| CRR basis:                            |         |      |     |     |         |      |     |     |
| Transitional measure                  | 1,133.1 | 53.1 | 21x | 4.7 | 1,205.2 | 54.0 | 22x | 4.5 |
| Full end point measure                | 1,131.0 | 41.1 | 28x | 3.6 | 1,202.3 | 37.9 | 32x | 3.1 |
| Adjusted end point measure<br>(2)     | 1,131.0 | 50.6 | 22x | 4.5 | 1,202.3 | 48.0 | 25x | 4.0 |
| Basel III basis:                      |         |      |     |     |         |      |     |     |
| Transitional measure                  | 1,172.5 | 53.1 | 22x | 4.5 | 1,225.8 | 54.0 | 23x | 4.4 |
| Full end point measure                | 1,170.4 | 41.1 | 29x | 3.5 | 1,222.9 | 37.9 | 32x | 3.1 |
| Adjusted end point measure<br>(2)     | 1,170.4 | 50.6 | 23x | 4.3 | 1,222.9 | 48.0 | 25x | 3.9 |

Notes:

- (1) Tangible equity leverage ratio is total tangible equity divided by total tangible assets (after netting derivatives).
- (2) Adjusted Tier 1 capital includes grandfathered ineligible capital instruments.

Capital and leverage ratios (continued)

| Exposure measure                                     | 30 September 2013              |                                     |   | 31 December 2012               |                                     |  |
|--|--------------------------------|-------------------------------------|---|--------------------------------|-------------------------------------|--|
|  | Assets/<br>equity basis<br>£bn | Pro forma<br>CRR<br>leverage<br>£bn | Pro forma<br>Basel III<br>leverage<br>£bn | Assets/<br>equity basis<br>£bn | Pro forma<br>CRR<br>leverage<br>£bn | Pro<br>forma<br>Basel III<br>leverage<br>£bn |
| Cash and balances at central banks                   | 87.1                           | 87.1                                | 87.1                                      | 79.3                           | 79.3                                | 79.3   |
| Debt securities                                      | 122.9                          | 122.9                               | 122.9                                     | 157.4                          | 157.4                               | 157.4  |
| Equity shares  | 10.4                           | 10.4                                | 10.4                                      | 15.2                           | 15.2                                | 15.2   |
| Derivatives  | 323.7                          | 323.7                               | 323.7                                     | 441.9                          | 441.9                               | 441.9  |
| Loans and advances to banks and customers            | 435.1                          | 435.1                               | 435.1                                     | 459.3                          | 459.3                               | 459.3  |
| Reverse repurchase agreements and<br>stock borrowing | 96.0                           | 96.0                                | 96.0                                      | 104.8                          | 104.8                               | 104.8  |
| Assets of disposal groups                            | 2.4                            | 2.4                                 | 2.4                                       | 14.0                           | 14.0                                | 14.0   |
| Goodwill and intangible assets                       | 13.7                           | 13.7                                | 13.7                                      | 13.5                           | 13.5                                | 13.5   |
| Other assets   | 38.1                           | 38.1                                | 38.1                                      | 26.9                           | 26.9                                | 26.9   |
| Total assets   | 1,129.4                        | 1,129.4                             | 1,129.4                                   | 1,312.3                        | 1,312.3                             | 1,312.3                                      |
| Netting: derivatives and SFTs (1)                    |                                | (319.6)                             | (278.9)                                   |                                | (415.7)                             | (392.9)                                      |
| Exclude derivatives                                  | (323.7)                        |                                     |   | (441.9)                        |                                     |  |
| Regulatory deductions and other adjustments<br>(2)   | (13.7)                         | (7.7)                               | (7.7)                                     | (13.5)                         | (14.9)                              | (14.9)                                       |
| Adjusted total tangible assets                       | 792.0                          |                                     |   | 856.9                          |                                     |  |
| Potential future exposure on derivatives (3)         |                                | 142.8                               | 141.5                                     |                                | 133.1                               | 130.9  |
| Undrawn commitments (4)                              |                                | 186.1                               | 186.1                                     |                                | 187.5                               | 187.5  |



|   |         |         |         |         |
|---|---------|---------|---------|---------|
| End point leverage exposure measure   | 1,131.0 | 1,170.4 | 1,202.3 | 1,222.9 |
| Transitional adjustments to assets<br>deducted from regulatory Tier 1 capital | 2.1     | 2.1     | 2.9     | 2.9     |
| Transitional leverage exposure measure  | 1,133.1 | 1,172.5 | 1,205.2 | 1,225.8 |

## Notes:

- (1) Under the Basel III view, the balance sheet value is reduced for allowable netting under the Basel II framework (excluding cross-product netting) which mainly relates to cash positions under a master netting agreement. In the CRR calculation, the balance sheet value is replaced with the related regulatory exposure value which has netting of both cash positions and related collateral of securities financing transactions (SFTs).
- (2) Regulatory deductions: to ensure consistency between the numerator and the denominator, items that are deducted from capital are also deducted from total assets (comprising goodwill and intangibles, £13.7 billion (31 December 2012 - £13.5 billion), deferred tax assets, £2.3 billion (31 December 2012 - £3.2 billion), additional valuation adjustments, £1.2 billion (31 December 2012 - £0.3 billion) and cash flow hedge reserves, £0.5 billion (31 December 2012 - £1.7 billion)). Other adjustments reflect the difference between the scope of the regulatory consolidation and the consolidation for financial reporting.
- (3) Potential future exposure on derivatives: the regulatory add-on which is calculated by assigning percentages based on the type of instrument and the residual maturity of the contract to the nominal amounts or underlying values of derivative contracts.
- (4) Undrawn commitments represent regulatory add-ons relating to off-balance sheet undrawn commitments based on a 10% credit conversion factor (CCF) for unconditionally cancellable commitments and 100% of other commitments. Off-balance sheet items comprise:

|                                   | UK<br>Retail | UK<br>Corporate | UK<br>International<br>Banking | US Retail &<br>Commercial | Markets | Other | Total |
|-----------------------------------|--------------|-----------------|--------------------------------|---------------------------|---------|-------|-------|
|                                   | £bn          | £bn             | £bn                            | £bn                       | £bn     | £bn   | £bn   |
| 30 September 2013                 |              |                 |                                |                           |         |       |       |
| Unconditionally cancellable items | 3.1          | 0.5             | 0.7                            | 1.8                       | -       | 0.2   | 6.3   |
| Other contingents and commitments | 9.9          | 34.5            | 96.2                           | 16.9                      | 9.7     | 12.6  | 179.8 |
|                                   | 13.0         | 35.0            | 96.9                           | 18.7                      | 9.7     | 12.8  | 186.1 |
| 31 December 2012                  |              |                 |                                |                           |         |       |       |
| Unconditionally cancellable items | 3.0          | 0.5             | 0.8                            | 1.8                       | -       | 0.6   | 6.7   |
| Other contingents and commitments | 9.3          | 33.9            | 102.6                          | 15.6                      | 12.3    | 7.1   | 180.8 |
|                                   | 12.3         | 34.4            | 103.4                          | 17.4                      | 12.3    | 7.7   | 187.5 |

International Banking facilities are primarily undrawn facilities to large multinational corporations, many of which are domiciled in the UK.

## 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 Group, Core and Non-Core.

| 30 September 2013                | Gross<br>loans<br>£m | REIL<br>£m | Provisions<br>£m | Credit metrics                           |                                      |   | Impairment<br>charge<br>YTD<br>£m | Amounts<br>written-off<br>YTD<br>£m |
|----------------------------------|----------------------|------------|------------------|--|--------------------------------------|---|-----------------------------------|-------------------------------------|
|                                  |                      |            |                  | REIL as a<br>% of<br>gross<br>loans<br>% | Provisions<br>as a %<br>of REIL<br>% | Provisions<br>as a % of<br>gross loans<br>% |                                   |                                     |
| Government (1)                   | 8,404                | -          | -                | -  | -                                    | -   | -                                 | -                                   |
| Finance                          | 36,439               | 430        | 237              | 1.2                                      | 55                                   | 0.7   | (33)                              | 12                                  |
| Personal - mortgages             | 148,553              | 6,237      | 1,870            | 4.2                                      | 30                                   | 1.3   | 323                               | 319                                 |
| - unsecured                      | 27,780               | 2,497      | 2,025            | 9.0                                      | 81                                   | 7.3   | 356                               | 666                                 |
| Property                         | 64,983               | 21,245     | 10,323           | 32.7                                     | 49                                   | 15.9  | 1,540                             | 1,076                               |
| Construction                     | 7,017                | 1,340      | 667              | 19.1                                     | 50                                   | 9.5   | 140                               | 122                                 |
| Manufacturing                    | 22,185               | 737        | 483              | 3.3                                      | 66                                   | 2.2   | 95                                | 84                                  |
| Finance leases (2)               | 14,501               | 280        | 190              | 1.9                                      | 68                                   | 1.3   | 2                                 | 103                                 |
| Retail, wholesale and<br>repairs | 21,601               | 1,231      | 656              | 5.7                                      | 53                                   | 3.0   | 111                               | 105                                 |
| Transport and storage            | 17,777               | 1,211      | 278              | 6.8                                      | 23                                   | 1.6   | 95                                | 154                                 |
| Health, education and<br>leisure | 16,718               | 1,391      | 651              | 8.3                                      | 47                                   | 3.9   | 194                               | 73                                  |
| Hotels and restaurants           | 7,555                | 1,537      | 666              | 20.3                                     | 43                                   | 8.8   | 43                                | 108                                 |
| Utilities                        | 5,770                | 260        | 109              | 4.5                                      | 42                                   | 1.9   | 59                                | 1                                   |
| Other                            | 30,123               | 1,894      | 999              | 6.3                                      | 53                                   | 3.3   | 148                               | 290                                 |
| Latent                           | -                    | -          | 2,198            | -  | -                                    | -   | 217                               | -                                   |
|                                  | 429,406              | 40,290     | 21,352           | 9.4                                      | 53                                   | 5.0   | 3,290                             | 3,113                               |
| of which:                        |                      |            |                  |  |                                      |   |                                   |                                     |
| UK                               |                      |            |                  |  |                                      |   |                                   |                                     |
| - residential mortgages          | 110,120              | 2,028      | 411              | 1.8                                      | 20                                   | 0.4   | 57                                | 113                                 |
| - personal lending               | 16,778               | 2,138      | 1,829            | 12.7                                     | 86                                   | 10.9  | 246                               | 530                                 |
| - property                       | 47,500               | 10,401     | 4,185            | 21.9                                     | 40                                   | 8.8   | 793                               | 741                                 |
| - construction                   | 5,767                | 967        | 478              | 16.8                                     | 49                                   | 8.3   | 119                               | 121                                 |
| - other                          | 116,709              | 3,765      | 2,383            | 3.2                                      | 63                                   | 2.0   | 222                               | 433                                 |
| Europe                           |                      |            |                  |  |                                      |   |                                   |                                     |
| - residential mortgages          | 17,745               | 3,217      | 1,311            | 18.1                                     | 41                                   | 7.4   | 177                               | 14                                  |
| - personal lending               | 1,168                | 147        | 142              | 12.6                                     | 97                                   | 12.2  | 16                                | 20                                  |
| - property                       | 13,493               | 10,558     | 5,993            | 78.2                                     | 57                                   | 44.4  | 755                               | 316                                 |
| - construction                   | 910                  | 331        | 174              | 36.4                                     | 53                                   | 19.1  | 14                                | -                                   |
| - other                          | 22,583               | 4,585      | 3,276            | 20.3                                     | 71                                   | 14.5  | 633                               | 420                                 |
| US                               |                      |            |                  |  |                                      |   |                                   |                                     |
| - residential mortgages          | 20,374               | 966        | 142              | 4.7                                      | 15                                   | 0.7   | 90                                | 191                                 |

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|                         |         |        |        |      |     |      |       |       |
|-------------------------|---------|--------|--------|------|-----|------|-------|-------|
| - personal lending      | 8,730   | 211    | 53     | 2.4  | 25  | 0.6  | 93    | 115   |
| - property              | 3,539   | 106    | 26     | 3.0  | 25  | 0.7  | (6)   | 19    |
| - construction          | 309     | 34     | 7      | 11.0 | 21  | 2.3  | 7     | 1     |
| - other                 | 28,985  | 336    | 661    | 1.2  | 197 | 2.3  | 67    | 64    |
| RoW                     |         |        |        |      |     |      |       |       |
| - residential mortgages | 314     | 26     | 6      | 8.3  | 23  | 1.9  | (1)   | 1     |
| - personal lending      | 1,104   | 1      | 1      | 0.1  | 100 | 0.1  | 1     | 1     |
| - property              | 451     | 180    | 119    | 39.9 | 66  | 26.4 | (2)   | -     |
| - construction          | 31      | 8      | 8      | 25.8 | 100 | 25.8 | -     | -     |
| - other                 | 12,796  | 285    | 147    | 2.2  | 52  | 1.1  | 9     | 13    |
|                         | 429,406 | 40,290 | 21,352 | 9.4  | 53  | 5.0  | 3,290 | 3,113 |
| Banks                   | 28,349  | 76     | 69     | 0.3  | 91  | 0.2  | (9)   | 40    |

For the notes to this table refer to page 13.

Credit risk: Sector and geographical regional analyses - Group (continued)

|                                  | Gross loans<br>£m | REIL<br>£m | Provisions<br>£m | Credit metrics                           |                                      |   | Impairment<br>charge YTD<br>£m | Amounts<br>written-off<br>YTD<br>£m |
|----------------------------------|-------------------|------------|------------------|--|--------------------------------------|---|--------------------------------|-------------------------------------|
|                                  |                   |            |                  | REIL as a<br>% of<br>gross<br>loans<br>% | Provisions<br>as a %<br>of REIL<br>% | Provisions<br>as a % of<br>gross loans<br>% |                                |                                     |
| 31 December 2012                 |                   |            |                  |  |                                      |   |                                |                                     |
| Government (1)                   | 9,853             | -          | -                | -  | -                                    | -   | -                              | -                                   |
| Finance                          | 42,198            | 592        | 317              | 1.4                                      | 54                                   | 0.8   | 145                            | 380                                 |
| Personal - mortgages             | 149,625           | 6,549      | 1,824            | 4.4                                      | 28                                   | 1.2   | 948                            | 461                                 |
| - unsecured                      | 32,212            | 2,903      | 2,409            | 9.0                                      | 83                                   | 7.5   | 631                            | 793                                 |
| Property                         | 72,219            | 21,223     | 9,859            | 29.4                                     | 46                                   | 13.7  | 2,212                          | 1,080                               |
| Construction                     | 8,049             | 1,483      | 640              | 18.4                                     | 43                                   | 8.0   | 94                             | 182                                 |
| Manufacturing                    | 23,787            | 755        | 357              | 3.2                                      | 47                                   | 1.5   | 134                            | 203                                 |
| Finance leases (2)               | 13,609            | 442        | 294              | 3.2                                      | 67                                   | 2.2   | 44                             | 263                                 |
| Retail, wholesale and<br>repairs | 21,936            | 1,143      | 644              | 5.2                                      | 56                                   | 2.9   | 230                            | 176                                 |
| Transport and storage            | 18,341            | 834        | 336              | 4.5                                      | 40                                   | 1.8   | 289                            | 102                                 |
| Health, education and<br>leisure | 16,705            | 1,190      | 521              | 7.1                                      | 44                                   | 3.1   | 144                            | 100                                 |
| Hotels and restaurants           | 7,877             | 1,597      | 726              | 20.3                                     | 45                                   | 9.2   | 176                            | 102                                 |
| Utilities                        | 6,631             | 118        | 21               | 1.8                                      | 18                                   | 0.3   | (4)                            | -                                   |
| Other                            | 30,057            | 2,177      | 1,240            | 7.2                                      | 57                                   | 4.1   | 323                            | 395                                 |
| Latent                           | -                 | -          | 1,960            | -  | -                                    | -   | (74)                           | -                                   |
|                                  | 453,099           | 41,006     | 21,148           | 9.1                                      | 52                                   | 4.7   | 5,292                          | 4,237                               |
| of which:                        |                   |            |                  |  |                                      |   |                                |                                     |
| UK                               |                   |            |                  |  |                                      |   |                                |                                     |
| - residential mortgages          | 109,530           | 2,440      | 457              | 2.2                                      | 19                                   | 0.4   | 122                            | 32                                  |
| - personal lending               | 20,498            | 2,477      | 2,152            | 12.1                                     | 87                                   | 10.5  | 479                            | 610                                 |

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|                         |         |        |        |      |     |      |       |       |
|-------------------------|---------|--------|--------|------|-----|------|-------|-------|
| - property              | 53,730  | 10,521 | 3,944  | 19.6 | 37  | 7.3  | 964   | 490   |
| - construction          | 6,507   | 1,165  | 483    | 17.9 | 41  | 7.4  | 100   | 158   |
| - other                 | 122,029 | 3,729  | 2,611  | 3.1  | 70  | 2.1  | 674   | 823   |
| Europe                  |         |        |        |      |     |      |       |       |
| - residential mortgages | 17,836  | 3,092  | 1,151  | 17.3 | 37  | 6.5  | 526   | 50    |
| - personal lending      | 1,905   | 226    | 208    | 11.9 | 92  | 10.9 | 38    | 13    |
| - property              | 14,634  | 10,347 | 5,766  | 70.7 | 56  | 39.4 | 1,264 | 441   |
| - construction          | 1,132   | 289    | 146    | 25.5 | 51  | 12.9 | (11)  | 12    |
| - other                 | 27,424  | 4,451  | 2,996  | 16.2 | 67  | 10.9 | 817   | 539   |
| US                      |         |        |        |      |     |      |       |       |
| - residential mortgages | 21,929  | 990    | 208    | 4.5  | 21  | 0.9  | 298   | 377   |
| - personal lending      | 8,748   | 199    | 48     | 2.3  | 24  | 0.5  | 109   | 162   |
| - property              | 3,343   | 170    | 29     | 5.1  | 17  | 0.9  | (11)  | 83    |
| - construction          | 388     | 8      | 1      | 2.1  | 13  | 0.3  | -     | 12    |
| - other                 | 29,354  | 352    | 630    | 1.2  | 179 | 2.1  | (86)  | 149   |
| RoW                     |         |        |        |      |     |      |       |       |
| - residential mortgages | 330     | 27     | 8      | 8.2  | 30  | 2.4  | 2     | 2     |
| - personal lending      | 1,061   | 1      | 1      | 0.1  | 100 | 0.1  | 5     | 8     |
| - property              | 512     | 185    | 120    | 36.1 | 65  | 23.4 | (5)   | 66    |
| - construction          | 22      | 21     | 10     | 95.5 | 48  | 45.5 | 5     | -     |
| - other                 | 12,187  | 316    | 179    | 2.6  | 57  | 1.5  | 2     | 210   |
|                         | 453,099 | 41,006 | 21,148 | 9.1  | 52  | 4.7  | 5,292 | 4,237 |
| Banks                   | 31,394  | 134    | 114    | 0.4  | 85  | 0.4  | 23    | 29    |

For the notes to this table refer to page 13.

Credit risk: Sector and geographical regional analyses - Core

|                               | Credit metrics |       |            |                            |                           |                                  |                       |                         |
|-------------------------------|----------------|-------|------------|----------------------------|---------------------------|----------------------------------|-----------------------|-------------------------|
|                               | Gross loans    | REIL  | Provisions | REIL as a % of gross loans | Provisions as a % of REIL | Provisions as a % of gross loans | Impairment charge YTD | Amounts written-off YTD |
| 30 September 2013             | £m             | £m    | £m         | %                          | %                         | %                                | £m                    | £m                      |
| Government (1)                | 7,216          | -     | -          | -                          | -                         | -                                | -                     | -                       |
| Finance                       | 35,162         | 196   | 105        | 0.6                        | 54                        | 0.3                              | 3                     | 4                       |
| Personal - mortgages          | 146,393        | 6,005 | 1,814      | 4.1                        | 30                        | 1.2                              | 320                   | 228                     |
| - unsecured                   | 27,405         | 2,401 | 1,979      | 8.8                        | 82                        | 7.2                              | 316                   | 627                     |
| Property                      | 43,696         | 5,569 | 1,873      | 12.7                       | 34                        | 4.3                              | 519                   | 335                     |
| Construction                  | 5,563          | 738   | 378        | 13.3                       | 51                        | 6.8                              | 90                    | 63                      |
| Manufacturing                 | 21,320         | 536   | 324        | 2.5                        | 60                        | 1.5                              | 60                    | 61                      |
| Finance leases (2)            | 10,637         | 128   | 81         | 1.2                        | 63                        | 0.8                              | 6                     | 26                      |
| Retail, wholesale and repairs | 20,516         | 858   | 440        | 4.2                        | 51                        | 2.1                              | 92                    | 93                      |
| Transport and storage         | 14,318         | 735   | 83         | 5.1                        | 11                        | 0.6                              | 47                    | 74                      |
| Health, education and leisure | 15,898         | 902   | 402        | 5.7                        | 45                        | 2.5                              | 173                   | 69                      |
| Hotels and restaurants        | 6,732          | 1,007 | 435        | 15.0                       | 43                        | 6.5                              | 31                    | 74                      |

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|                         |         |        |        |      |     |      |       |       |
|-------------------------|---------|--------|--------|------|-----|------|-------|-------|
| Utilities               | 4,876   | 151    | 62     | 3.1  | 41  | 1.3  | 59    | 1     |
| Other                   | 28,152  | 1,250  | 739    | 4.4  | 59  | 2.6  | 180   | 188   |
| Latent                  | -       | -      | 1,318  | -    | -   | -    | (45)  | -     |
|                         | 387,884 | 20,476 | 10,033 | 5.3  | 49  | 2.6  | 1,851 | 1,843 |
| of which:               |         |        |        |      |     |      |       |       |
| UK                      |         |        |        |      |     |      |       |       |
| - residential mortgages | 110,120 | 2,028  | 411    | 1.8  | 20  | 0.4  | 56    | 112   |
| - personal lending      | 16,748  | 2,110  | 1,809  | 12.6 | 86  | 10.8 | 242   | 526   |
| - property              | 35,801  | 3,120  | 889    | 8.7  | 28  | 2.5  | 292   | 302   |
| - construction          | 4,746   | 619    | 318    | 13.0 | 51  | 6.7  | 78    | 62    |
| - other                 | 106,753 | 2,941  | 1,667  | 2.8  | 57  | 1.6  | 271   | 321   |
| Europe                  |         |        |        |      |     |      |       |       |
| - residential mortgages | 17,540  | 3,198  | 1,292  | 18.2 | 40  | 7.4  | 178   | 14    |
| - personal lending      | 1,098   | 138    | 133    | 12.6 | 96  | 12.1 | 10    | 18    |
| - property              | 4,315   | 2,259  | 897    | 52.4 | 40  | 20.8 | 242   | 28    |
| - construction          | 478     | 77     | 45     | 16.1 | 58  | 9.4  | 4     | -     |
| - other                 | 18,783  | 2,550  | 1,874  | 13.6 | 73  | 10.0 | 344   | 208   |
| US                      |         |        |        |      |     |      |       |       |
| - residential mortgages | 18,450  | 755    | 105    | 4.1  | 14  | 0.6  | 87    | 101   |
| - personal lending      | 8,470   | 152    | 36     | 1.8  | 24  | 0.4  | 64    | 83    |
| - property              | 3,263   | 48     | 6      | 1.5  | 13  | 0.2  | (15)  | 5     |
| - construction          | 308     | 34     | 7      | 11.0 | 21  | 2.3  | 8     | 1     |
| - other                 | 28,178  | 225    | 413    | 0.8  | 184 | 1.5  | (10)  | 54    |
| RoW                     |         |        |        |      |     |      |       |       |
| - residential mortgages | 283     | 24     | 6      | 8.5  | 25  | 2.1  | (1)   | 1     |
| - personal lending      | 1,089   | 1      | 1      | 0.1  | 100 | 0.1  | -     | -     |
| - property              | 317     | 142    | 81     | 44.8 | 57  | 25.6 | -     | -     |
| - construction          | 31      | 8      | 8      | 25.8 | 100 | 25.8 | -     | -     |
| - other                 | 11,113  | 47     | 35     | 0.4  | 74  | 0.3  | 1     | 7     |
|                         | 387,884 | 20,476 | 10,033 | 5.3  | 49  | 2.6  | 1,851 | 1,843 |
| Banks                   | 27,922  | 75     | 68     | 0.3  | 91  | 0.2  | (9)   | 40    |

For the notes to this table refer to page 13.

Credit risk: Sector and geographical regional analyses - Core (continued)

|                      | Credit metrics |       |            |                            |                           |                                  |                       |                         |
|----------------------|----------------|-------|------------|----------------------------|---------------------------|----------------------------------|-----------------------|-------------------------|
|                      | Gross loans    | REIL  | Provisions | REIL as a % of gross loans | Provisions as a % of REIL | Provisions as a % of gross loans | Impairment charge YTD | Amounts written-off YTD |
| 31 December 2012     | £m             | £m    | £m         | %                          | %                         | %                                | £m                    | £m                      |
| Government (1)       | 8,485          | -     | -          | -                          | -                         | -                                | -                     | -                       |
| Finance              | 39,658         | 185   | 149        | 0.5                        | 81                        | 0.4                              | 54                    | 338                     |
| Personal - mortgages | 146,770        | 6,229 | 1,691      | 4.2                        | 27                        | 1.2                              | 786                   | 234                     |

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|                               |         |        |       |      |     |      |       |       |
|-------------------------------|---------|--------|-------|------|-----|------|-------|-------|
| - unsecured                   | 30,366  | 2,717  | 2,306 | 8.9  | 85  | 7.6  | 568   | 718   |
| Property                      | 43,602  | 4,672  | 1,674 | 10.7 | 36  | 3.8  | 748   | 214   |
| Construction                  | 6,020   | 757    | 350   | 12.6 | 46  | 5.8  | 119   | 60    |
| Manufacturing                 | 22,234  | 496    | 225   | 2.2  | 45  | 1.0  | 118   | 63    |
| Finance leases (2)            | 9,201   | 159    | 107   | 1.7  | 67  | 1.2  | 35    | 41    |
| Retail, wholesale and repairs | 20,842  | 791    | 439   | 3.8  | 55  | 2.1  | 181   | 129   |
| Transport and storage         | 14,590  | 440    | 112   | 3.0  | 25  | 0.8  | 72    | 21    |
| Health, education and leisure | 15,770  | 761    | 299   | 4.8  | 39  | 1.9  | 109   | 67    |
| Hotels and restaurants        | 6,891   | 1,042  | 473   | 15.1 | 45  | 6.9  | 138   | 56    |
| Utilities                     | 5,131   | 10     | 5     | 0.2  | 50  | 0.1  | -     | -     |
| Other                         | 26,315  | 1,374  | 794   | 5.2  | 58  | 3.0  | 190   | 175   |
| Latent                        | -       | -      | 1,325 | -    | -   | -    | (146) | -     |
|                               | 395,875 | 19,633 | 9,949 | 5.0  | 51  | 2.5  | 2,972 | 2,116 |
| of which:                     |         |        |       |      |     |      |       |       |
| UK                            |         |        |       |      |     |      |       |       |
| - residential mortgages       | 109,511 | 2,440  | 457   | 2.2  | 19  | 0.4  | 122   | 32    |
| - personal lending            | 19,562  | 2,454  | 2,133 | 12.5 | 87  | 10.9 | 474   | 594   |
| - property                    | 35,532  | 2,777  | 896   | 7.8  | 32  | 2.5  | 395   | 181   |
| - construction                | 5,101   | 671    | 301   | 13.2 | 45  | 5.9  | 109   | 47    |
| - other                       | 108,713 | 2,662  | 1,737 | 2.4  | 65  | 1.6  | 499   | 379   |
| Europe                        |         |        |       |      |     |      |       |       |
| - residential mortgages       | 17,446  | 3,060  | 1,124 | 17.5 | 37  | 6.4  | 521   | 24    |
| - personal lending            | 1,540   | 143    | 138   | 9.3  | 97  | 9.0  | 29    | 11    |
| - property                    | 4,896   | 1,652  | 685   | 33.7 | 41  | 14.0 | 350   | 6     |
| - construction                | 513     | 60     | 39    | 11.7 | 65  | 7.6  | 4     | 10    |
| - other                       | 22,218  | 2,280  | 1,711 | 10.3 | 75  | 7.7  | 362   | 267   |
| US                            |         |        |       |      |     |      |       |       |
| - residential mortgages       | 19,483  | 702    | 102   | 3.6  | 15  | 0.5  | 141   | 176   |
| - personal lending            | 8,209   | 119    | 34    | 1.4  | 29  | 0.4  | 65    | 112   |
| - property                    | 2,847   | 112    | 13    | 3.9  | 12  | 0.5  | 3     | 27    |
| - construction                | 384     | 5      | -     | 1.3  | -   | -    | 1     | 3     |
| - other                       | 28,267  | 252    | 432   | 0.9  | 171 | 1.5  | (111) | 90    |
| RoW                           |         |        |       |      |     |      |       |       |
| - residential mortgages       | 330     | 27     | 8     | 8.2  | 30  | 2.4  | 2     | 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 | 5     | -     |
| - other                       | 9,919   | 64     | 48    | 0.6  | 75  | 0.5  | 1     | 154   |
|                               | 395,875 | 19,633 | 9,949 | 5.0  | 51  | 2.5  | 2,972 | 2,116 |
| Banks                         | 28,881  | 133    | 113   | 0.5  | 85  | 0.4  | 23    | 29    |

For the notes to this table refer to page 13.

Credit risk: Sector and geographical regional analyses - Non-Core

| 30 September 2013             | Credit metrics |         |               |                              |                             |                                    |       | Impairment charge YTD £m | Amounts written-off YTD £m |
|-------------------------------|----------------|---------|---------------|------------------------------|-----------------------------|------------------------------------|-------|--------------------------|----------------------------|
|                               | Gross loans £m | REIL £m | Provisions £m | REIL as a % of gross loans % | Provisions as a % of REIL % | Provisions as a % of gross loans % |       |                          |                            |
| Government (1)                | 1,188          | -       | -             | -                            | -                           | -                                  | -     | -                        |                            |
| Finance                       | 1,277          | 234     | 132           | 18.3                         | 56                          | 10.3                               | (36)  | 8                        |                            |
| Personal - mortgages          | 2,160          | 232     | 56            | 10.7                         | 24                          | 2.6                                | 3     | 91                       |                            |
| - unsecured                   | 375            | 96      | 46            | 25.6                         | 48                          | 12.3                               | 40    | 39                       |                            |
| Property                      | 21,287         | 15,676  | 8,450         | 73.6                         | 54                          | 39.7                               | 1,021 | 741                      |                            |
| Construction                  | 1,454          | 602     | 289           | 41.4                         | 48                          | 19.9                               | 50    | 59                       |                            |
| Manufacturing                 | 865            | 201     | 159           | 23.2                         | 79                          | 18.4                               | 35    | 23                       |                            |
| Finance leases (2)            | 3,864          | 152     | 109           | 3.9                          | 72                          | 2.8                                | (4)   | 77                       |                            |
| Retail, wholesale and repairs | 1,085          | 373     | 216           | 34.4                         | 58                          | 19.9                               | 19    | 12                       |                            |
| Transport and storage         | 3,459          | 476     | 195           | 13.8                         | 41                          | 5.6                                | 48    | 80                       |                            |
| Health, education and leisure | 820            | 489     | 249           | 59.6                         | 51                          | 30.4                               | 21    | 4                        |                            |
| Hotels and restaurants        | 823            | 530     | 231           | 64.4                         | 44                          | 28.1                               | 12    | 34                       |                            |
| Utilities                     | 894            | 109     | 47            | 12.2                         | 43                          | 5.3                                | -     | -                        |                            |
| Other                         | 1,971          | 644     | 260           | 32.7                         | 40                          | 13.2                               | (32)  | 102                      |                            |
| Latent                        | -              | -       | 880           | -                            | -                           | -                                  | 262   | -                        |                            |
|                               | 41,522         | 19,814  | 11,319        | 47.7                         | 57                          | 27.3                               | 1,439 | 1,270                    |                            |
| of which:                     |                |         |               |                              |                             |                                    |       |                          |                            |
| UK                            |                |         |               |                              |                             |                                    |       |                          |                            |
| - residential mortgages       | -              | -       | -             | -                            | -                           | -                                  | 1     | 1                        |                            |
| - personal lending            | 30             | 28      | 20            | 93.3                         | 71                          | 66.7                               | 4     | 4                        |                            |
| - property                    | 11,699         | 7,281   | 3,296         | 62.2                         | 45                          | 28.2                               | 501   | 439                      |                            |
| - construction                | 1,021          | 348     | 160           | 34.1                         | 46                          | 15.7                               | 41    | 59                       |                            |
| - other                       | 9,956          | 824     | 716           | 8.3                          | 87                          | 7.2                                | (49)  | 112                      |                            |
| Europe                        |                |         |               |                              |                             |                                    |       |                          |                            |
| - residential mortgages       | 205            | 19      | 19            | 9.3                          | 100                         | 9.3                                | (1)   | -                        |                            |
| - personal lending            | 70             | 9       | 9             | 12.9                         | 100                         | 12.9                               | 6     | 2                        |                            |
| - property                    | 9,178          | 8,299   | 5,096         | 90.4                         | 61                          | 55.5                               | 513   | 288                      |                            |
| - construction                | 432            | 254     | 129           | 58.8                         | 51                          | 29.9                               | 10    | -                        |                            |
| - other                       | 3,800          | 2,035   | 1,402         | 53.6                         | 69                          | 36.9                               | 289   | 212                      |                            |
| US                            |                |         |               |                              |                             |                                    |       |                          |                            |
| - residential mortgages       | 1,924          | 211     | 37            | 11.0                         | 18                          | 1.9                                | 3     | 90                       |                            |
| - personal lending            | 260            | 59      | 17            | 22.7                         | 29                          | 6.5                                | 29    | 32                       |                            |
| - property                    | 276            | 58      | 20            | 21.0                         | 34                          | 7.2                                | 9     | 14                       |                            |
| - construction                | 1              | -       | -             | -                            | -                           | -                                  | (1)   | -                        |                            |
| - other                       | 807            | 111     | 248           | 13.8                         | 223                         | 30.7                               | 77    | 10                       |                            |
| RoW                           |                |         |               |                              |                             |                                    |       |                          |                            |
| - residential mortgages       | 31             | 2       | -             | 6.5                          | -                           | -                                  | -     | -                        |                            |
| - personal lending            | 15             | -       | -             | -                            | -                           | -                                  | 1     | 1                        |                            |
| - property                    | 134            | 38      | 38            | 28.4                         | 100                         | 28.4                               | (2)   | -                        |                            |

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|         |        |        |        |      |     |      |       |       |
|---------|--------|--------|--------|------|-----|------|-------|-------|
| - other | 1,683  | 238    | 112    | 14.1 | 47  | 6.7  | 8     | 6     |
|         | 41,522 | 19,814 | 11,319 | 47.7 | 57  | 27.3 | 1,439 | 1,270 |
| Banks   | 427    | 1      | 1      | 0.2  | 100 | 0.2  | -     | -     |

For the notes to this table refer to page 13.

Credit risk: Sector and geographical regional analyses - Non-Core (continued)

|                               | Credit metrics |        |                |       |            |            |            |             |
|-------------------------------|----------------|--------|----------------|-------|------------|------------|------------|-------------|
|                               | Gross          |        | REIL as a % of |       | Provisions | Provisions | Impairment | Amounts     |
|                               | loans          | REIL   | Provisions     | loans | as a %     | as a % of  | charge     | written-off |
| 31 December 2012              | £m             | £m     | £m             | %     | of REIL    | gross      | YTD        | YTD         |
|                               |                |        |                |       |            | loans      | £m         | £m          |
|                               |                |        |                |       |            | %          |            |             |
| Government (1)                | 1,368          | -      | -              | -     | -          | -          | -          | -           |
| Finance                       | 2,540          | 407    | 168            | 16.0  | 41         | 6.6        | 91         | 42          |
| Personal - mortgages          | 2,855          | 320    | 133            | 11.2  | 42         | 4.7        | 162        | 227         |
| - unsecured                   | 965            | 186    | 103            | 19.3  | 55         | 10.7       | 63         | 75          |
| Property                      | 28,617         | 16,551 | 8,185          | 57.8  | 49         | 28.6       | 1,464      | 866         |
| Construction                  | 2,029          | 726    | 290            | 35.8  | 40         | 14.3       | (25)       | 122         |
| Manufacturing                 | 1,553          | 259    | 132            | 16.7  | 51         | 8.5        | 16         | 140         |
| Finance leases (2)            | 4,408          | 283    | 187            | 6.4   | 66         | 4.2        | 9          | 222         |
| Retail, wholesale and repairs | 1,094          | 352    | 205            | 32.2  | 58         | 18.7       | 49         | 47          |
| Transport and storage         | 3,751          | 394    | 224            | 10.5  | 57         | 6.0        | 217        | 81          |
| Health, education and leisure | 935            | 429    | 222            | 45.9  | 52         | 23.7       | 35         | 33          |
| Hotels and restaurants        | 986            | 555    | 253            | 56.3  | 46         | 25.7       | 38         | 46          |
| Utilities                     | 1,500          | 108    | 16             | 7.2   | 15         | 1.1        | (4)        | -           |
| Other                         | 3,742          | 803    | 446            | 21.5  | 56         | 11.9       | 133        | 220         |
| Latent                        | -              | -      | 635            | -     | -          | -          | 72         | -           |
|                               | 56,343         | 21,373 | 11,199         | 37.9  | 52         | 19.9       | 2,320      | 2,121       |
| of which:                     |                |        |                |       |            |            |            |             |
| UK                            |                |        |                |       |            |            |            |             |
| - residential mortgages       | 19             | -      | -              | -     | -          | -          | -          | -           |
| - personal lending            | 55             | 23     | 19             | 41.8  | 83         | 34.5       | 5          | 16          |
| - property                    | 18,198         | 7,744  | 3,048          | 42.6  | 39         | 16.7       | 569        | 309         |
| - construction                | 1,406          | 494    | 182            | 35.1  | 37         | 12.9       | (9)        | 111         |
| - other                       | 13,316         | 1,067  | 874            | 8.0   | 82         | 6.6        | 175        | 444         |
| Europe                        |                |        |                |       |            |            |            |             |
| - residential mortgages       | 390            | 32     | 27             | 8.2   | 84         | 6.9        | 5          | 26          |
| - personal lending            | 365            | 83     | 70             | 22.7  | 84         | 19.2       | 9          | 2           |
| - property                    | 9,738          | 8,695  | 5,081          | 89.3  | 58         | 52.2       | 914        | 435         |
| - construction                | 619            | 229    | 107            | 37.0  | 47         | 17.3       | (15)       | 2           |



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|                         |        |        |        |      |     |      |       |       |
|-------------------------|--------|--------|--------|------|-----|------|-------|-------|
| - other                 | 5,206  | 2,171  | 1,285  | 41.7 | 59  | 24.7 | 455   | 272   |
| US                      |        |        |        |      |     |      |       |       |
| - residential mortgages | 2,446  | 288    | 106    | 11.8 | 37  | 4.3  | 157   | 201   |
| - personal lending      | 539    | 80     | 14     | 14.8 | 18  | 2.6  | 44    | 50    |
| - property              | 496    | 58     | 16     | 11.7 | 28  | 3.2  | (14)  | 56    |
| - construction          | 4      | 3      | 1      | 75.0 | 33  | 25.0 | (1)   | 9     |
| - other                 | 1,087  | 100    | 198    | 9.2  | 198 | 18.2 | 25    | 59    |
| RoW                     |        |        |        |      |     |      |       |       |
| - personal lending      | 6      | -      | -      | -    | -   | -    | 5     | 7     |
| - property              | 185    | 54     | 40     | 29.2 | 74  | 21.6 | (5)   | 66    |
| - other                 | 2,268  | 252    | 131    | 11.1 | 52  | 5.8  | 1     | 56    |
|                         | 56,343 | 21,373 | 11,199 | 37.9 | 52  | 19.9 | 2,320 | 2,121 |
| Banks                   | 477    | 1      | 1      | 0.2  | 100 | 0.2  | -     | -     |

Notes:

- (1) Includes central and local government.
- (2) Includes instalment credit.
- (3) The Core and Non-Core split for 31 December 2012 excludes balances in relation to Direct Line Group (loans to customers of £881 million and loans to banks of £2,036 million).
- (4) 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.

Credit risk  
(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<br>Retail<br>£m | UK<br>Corporate<br>£m | UK<br>Wealth<br>£m | International<br>Banking<br>£m | Ulster<br>Bank<br>£m | US Retail &<br>Commercial<br>£m | Markets<br>£m | Central<br>items<br>£m | Core<br>£m | Non-Core<br>£m | Total<br>£m |
|---|--------------------|-----------------------|--------------------|--------------------------------|----------------------|---------------------------------|---------------|------------------------|------------|----------------|-------------|
| At 1 January<br>2013                                | 4,569              | 5,452                 | 248                | 422                            | 7,533                | 1,146                           | 396           | -                      | 19,766     | 21,374         | 41,140      |
| Currency<br>translation<br>and other<br>adjustments | -                  | 12                    | 4                  | (10)                           | 162                  | 3                               | 4             | -                      | 175        | 313            | 488         |
| Disposal of<br>subsidiaries                         | -                  | -                     | -                  | -                              | -                    | -                               | -             | -                      | -          | (90)           | (90)        |
| Additions   | 973                | 3,476                 | 92                 | 298                            | 2,103                | 212                             | 13            | 1                      | 7,168      | 2,438          | 9,606       |

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|  |       |         |      |       |         |       |      |   |         |         |         |
|--|-------|---------|------|-------|---------|-------|------|---|---------|---------|---------|
| Transfers (1)                              | (396) | 400     | (5)  | 135   | -       | -     | -    | - | 134     | -       | 134     |
| Transfers to performing book               | -     | (45)    | (3)  | (21)  | -       | -     | -    | - | (69)    | (81)    | (150)   |
| Repayments                                 | (737) | (2,673) | (60) | (65)  | (1,109) | (70)  | (26) | - | (4,740) | (2,869) | (7,609) |
| Amounts written-off                        | (609) | (603)   | (15) | (239) | (154)   | (217) | (46) | - | (1,883) | (1,270) | (3,153) |
| At 30 September 2013                       | 3,800 | 6,019   | 261  | 520   | 8,535   | 1,074 | 341  | 1 | 20,551  | 19,815  | 40,366  |
| At 1 January 2012                          | 4,599 | 5,001   | 211  | 1,632 | 5,523   | 1,007 | 414  | - | 18,387  | 24,007  | 42,394  |
| Currency translation and other adjustments | 54    | 5       | (1)  | (45)  | (267)   | (43)  | (10) | - | (307)   | (715)   | (1,022) |
| Additions                                  | 1,174 | 3,036   | 92   | 156   | 3,025   | 391   | 39   | - | 7,913   | 4,405   | 12,318  |
| Transfers (1)                              | (12)  | 31      | (7)  | (69)  | -       | -     | -    | - | (57)    | 51      | (6)     |
| Transfers to performing book               | -     | (109)   | (8)  | (661) | -       | -     | (9)  | - | (787)   | (793)   | (1,580) |
| Repayments                                 | (780) | (2,083) | (33) | (94)  | (1,201) | -     | (18) | - | (4,209) | (3,548) | (7,757) |
| Amounts written-off                        | (472) | (389)   | (11) | (220) | (44)    | (298) | (23) | - | (1,457) | (1,388) | (2,845) |
| At 30 September 2012                       | 4,563 | 5,492   | 243  | 699   | 7,036   | 1,057 | 393  | - | 19,483  | 22,019  | 41,502  |

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

Credit risk: REIL flow statement (continued)

|  | Non-Core (by donating division) |                                |                      |                                 |             | Total<br>£m |
|--|---------------------------------|--------------------------------|----------------------|---------------------------------|-------------|-------------|
|  | UK Corporate<br>£m              | International<br>Banking<br>£m | Ulster<br>Bank<br>£m | US Retail &<br>Commercial<br>£m | Other<br>£m |             |
| At 1 January 2013                          | 2,622                           | 6,907                          | 11,399               | 418                             | 28          | 21,374      |
| Currency translation and other adjustments | (2)                             | 87                             | 237                  | 5                               | (14)        | 313         |
| Disposal of subsidiaries                   | -                               | -                              | (90)                 | -                               | -           | (90)        |
| Additions                                  | 1,020                           | 683                            | 666                  | 64                              | 5           | 2,438       |
| Transfers to performing book               | (4)                             | (75)                           | (2)                  | -                               | -           | (81)        |
| Repayments                                 | (1,043)                         | (1,219)                        | (573)                | (32)                            | (2)         | (2,869)     |
| Amounts written-off                        | (324)                           | (561)                          | (245)                | (136)                           | (4)         | (1,270)     |
| At 30 September 2013                       | 2,269                           | 5,822                          | 11,392               | 319                             | 13          | 19,815      |

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|  |         |       |         |       |      |         |
|--|---------|-------|---------|-------|------|---------|
| At 1 January 2012                          | 3,685   | 8,051 | 11,675  | 486   | 110  | 24,007  |
| Currency translation and other adjustments | (69)    | (109) | (439)   | (17)  | (81) | (715)   |
| Additions                                  | 1,135   | 1,678 | 1,450   | 131   | 11   | 4,405   |
| Transfers (1)                              | 8       | 43    | -       | -     | -    | 51      |
| Transfers to performing book               | (140)   | (653) | -       | -     | -    | (793)   |
| Repayments                                 | (1,307) | (902) | (1,339) | -     | -    | (3,548) |
| Amounts written-off                        | (383)   | (659) | (84)    | (250) | (12) | (1,388) |
| At 30 September 2012                       | 2,929   | 7,449 | 11,263  | 350   | 28   | 22,019  |

Note:

(1) Represents transfers between REIL and potential problem loans.

Credit risk  
(continued)

Impairment provisions flow  
statement

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

|   | UK<br>Retail<br>£m | UK<br>Corporate<br>£m | UK<br>Wealth<br>£m | International<br>Banking<br>£m | Ulster<br>Bank<br>£m | US<br>R&C<br>(1)<br>£m | Total<br>R&C<br>(1)<br>£m | Central<br>Markets<br>£m | Central<br>items<br>£m | Total<br>Core<br>£m | Total<br>Non-Core<br>£m | Total<br>Group<br>£m |
|---|--------------------|-----------------------|--------------------|--------------------------------|----------------------|------------------------|---------------------------|--------------------------|------------------------|---------------------|-------------------------|----------------------|
| 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 and other adjustments          | -                  | 11                    | -                  | (12)                           | 80                   | 23                     | 102                       | 6                        | 1                      | 109                 | 118                     | 227                  |
| Disposal of subsidiaries                            | -                  | -                     | -                  | -                              | -                    | -                      | -                         | -                        | -                      | -                   | (77)                    | (77)                 |
| Amounts written-off                                 | (609)              | (603)                 | (15)               | (239)                          | (154)                | (217)                  | (1,837)                   | (46)                     | -                      | (1,883)             | (1,270)                 | (3,153)              |
| Recoveries of amounts previously written-off        | 34                 | 10                    | -                  | 13                             | 1                    | 70                     | 128                       | 2                        | -                      | 130                 | 61                      | 191                  |
| Charged to income statement - continuing operations | 251                | 529                   | 8                  | 182                            | 707                  | 105                    | 1,782                     | (4)                      | 64                     | 1,842               | 1,439                   | 3,281                |
| Unwind of discount (2)                              | (58)               | (31)                  | (2)                | (3)                            | (65)                 | -                      | (159)                     | -                        | -                      | (159)               | (151)                   | (310)                |

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|                            |       |       |     |     |       |     |       |     |    |        |        |        |
|----------------------------|-------|-------|-----|-----|-------|-----|-------|-----|----|--------|--------|--------|
| At 30<br>September<br>2013 | 2,247 | 2,348 | 100 | 332 | 4,479 | 266 | 9,772 | 263 | 66 | 10,101 | 11,320 | 21,421 |
| Individually<br>assessed   |       |       |     |     |       |     |       |     |    |        |        |        |
| - banks                    | -     | -     | -   | 7   | -     | -   | 7     | 61  | -  | 68     | 1      | 69     |
| - customers                | -     | 967   | 87  | 207 | 1,438 | 62  | 2,761 | 193 | 66 | 3,020  | 9,885  | 12,905 |
| Collectively<br>assessed   | 2,079 | 1,077 | -   | -   | 2,436 | 103 | 5,695 | -   | -  | 5,695  | 554    | 6,249  |
| Latent                     | 168   | 304   | 13  | 118 | 605   | 101 | 1,309 | 9   | -  | 1,318  | 880    | 2,198  |
|                            | 2,247 | 2,348 | 100 | 332 | 4,479 | 266 | 9,772 | 263 | 66 | 10,101 | 11,320 | 21,421 |

For the notes to this table refer to page 18.

Credit risk: Impairment provisions flow  
statement (continued)

|  | UK<br>Retail<br>£m | UK<br>Corporate<br>£m | UK<br>Wealth<br>£m | International<br>Banking<br>£m | Ulster<br>Bank<br>£m | US<br>R&C<br>(1)<br>£m | Total<br>R&C<br>(1)<br>£m | Total<br>Markets<br>£m | Total<br>Core<br>£m | Total<br>Non-Core<br>£m | Total<br>Group<br>£m |
|--|--------------------|-----------------------|--------------------|--------------------------------|----------------------|------------------------|---------------------------|------------------------|---------------------|-------------------------|----------------------|
| At 1 January 2012  | 2,679              | 2,061                 | 81                 | 851                            | 2,749                | 455                    | 8,876                     | 311                    | 9,187               | 11,487                  | 20,674               |
| Currency<br>translation and<br>other adjustments             | 13                 | 116                   | 1                  | (63)                           | (129)                | 46                     | (16)                      | 4                      | (12)                | (520)                   | (532)                |
| Amounts<br>written-off                                       | (472)              | (389)                 | (11)               | (220)                          | (44)                 | (298)                  | (1,434)                   | (23)                   | (1,457)             | (1,388)                 | (2,845)              |
| Recoveries of<br>amounts<br>previously<br>written-off        | 82                 | 10                    | -                  | 7                              | -                    | 60                     | 159                       | 2                      | 161                 | 84                      | 245                  |
| Charged to income<br>statement<br>- continuing<br>operations | 436                | 604                   | 30                 | 74                             | 1,046                | 64                     | 2,254                     | 12                     | 2,266               | 1,647                   | 3,913                |
| Unwind of discount<br>(2)                                    | (68)               | (44)                  | (2)                | (5)                            | (58)                 | -                      | (177)                     | -                      | (177)               | (195)                   | (372)                |
| At 30 September<br>2012                                      | 2,670              | 2,358                 | 99                 | 644                            | 3,564                | 327                    | 9,662                     | 306                    | 9,968               | 11,115                  | 21,083               |
| Individually<br>assessed                                     |                    |                       |                    |                                |                      |                        |                           |                        |                     |                         |                      |
| - banks  | -                  | -                     | 2                  | 7                              | -                    | -                      | 9                         | 108                    | 117                 | 1                       | 118                  |
| - customers  | -                  | 963                   | 84                 | 474                            | 1,298                | 54                     | 2,873                     | 188                    | 3,061               | 9,953                   | 13,014               |
|  | 2,458              | 1,094                 | -                  | 2                              | 1,752                | 128                    | 5,434                     | -                      | 5,434               | 648                     | 6,082                |

|                       |       |       |    |     |       |     |       |     |       |        |        |
|-----------------------|-------|-------|----|-----|-------|-----|-------|-----|-------|--------|--------|
| Collectively assessed |       |       |    |     |       |     |       |     |       |        |        |
| Latent                | 212   | 301   | 13 | 161 | 514   | 145 | 1,346 | 10  | 1,356 | 513    | 1,869  |
|                       | 2,670 | 2,358 | 99 | 644 | 3,564 | 327 | 9,662 | 306 | 9,968 | 11,115 | 21,083 |

For the notes to this table refer to page 18.

Credit risk: Impairment provisions flow statement (continued)

|  | Non-Core (by donating division) |                                |                      |                        |      | Other<br>£m | Total<br>£m |
|--|---------------------------------|--------------------------------|----------------------|------------------------|------|-------------|-------------|
|  | UK<br>Corporate<br>£m           | International<br>Banking<br>£m | Ulster<br>Bank<br>£m | US<br>R&C<br>(1)<br>£m |      |             |             |
| At 1 January 2013                            | 1,167                           | 2,815                          | 6,933                | 257                    | 28   | 11,200      |             |
| Currency translation and other adjustments   | (9)                             | 26                             | 125                  | (21)                   | (3)  | 118         |             |
| Disposal of subsidiaries                     | -                               | -                              | (77)                 | -                      | -    | (77)        |             |
| Amounts written-off                          | (324)                           | (561)                          | (245)                | (136)                  | (4)  | (1,270)     |             |
| Recoveries of amounts previously written-off | 7                               | 20                             | -                    | 32                     | 2    | 61          |             |
| Charged to income statement                  |                                 |                                |                      |                        |      |             |             |
| - continuing operations                      | 181                             | 309                            | 829                  | 120                    | -    | 1,439       |             |
| Unwind of discount (2)                       | (13)                            | (38)                           | (100)                | -                      | -    | (151)       |             |
| At 30 September 2013                         | 1,009                           | 2,571                          | 7,465                | 252                    | 23   | 11,320      |             |
| Individually assessed                        |                                 |                                |                      |                        |      |             |             |
| - banks                                      | -                               | 1                              | -                    | -                      | -    | 1           |             |
| - customers                                  | 619                             | 2,358                          | 6,873                | 29                     | 6    | 9,885       |             |
| Collectively assessed                        | 335                             | -                              | 168                  | 36                     | 15   | 554         |             |
| Latent                                       | 55                              | 212                            | 424                  | 187                    | 2    | 880         |             |
|  | 1,009                           | 2,571                          | 7,465                | 252                    | 23   | 11,320      |             |
| At 1 January 2012                            | 1,633                           | 3,027                          | 6,363                | 416                    | 48   | 11,487      |             |
| Currency translation and other adjustments   | (130)                           | (70)                           | (214)                | (80)                   | (26) | (520)       |             |
| Amounts written-off                          | (383)                           | (657)                          | (84)                 | (250)                  | (14) | (1,388)     |             |
| Recoveries of amounts previously written-off | 14                              | 12                             | -                    | 54                     | 4    | 84          |             |
| Charged to income statement                  |                                 |                                |                      |                        |      |             |             |
| - continuing operations                      | 185                             | 705                            | 619                  | 133                    | 5    | 1,647       |             |
| Unwind of discount (2)                       | (32)                            | (30)                           | (132)                | -                      | (1)  | (195)       |             |
| At 30 September 2012                         | 1,287                           | 2,987                          | 6,552                | 273                    | 16   | 11,115      |             |

|                       |       |       |       |     |    |        |
|-----------------------|-------|-------|-------|-----|----|--------|
| Individually assessed |       |       |       |     |    |        |
| - banks               | -     | 1     | -     | -   | -  | 1      |
| - customers           | 819   | 2,751 | 6,360 | 23  | -  | 9,953  |
| Collectively assessed | 410   | 26    | 89    | 107 | 16 | 648    |
| Latent                | 58    | 209   | 103   | 143 | -  | 513    |
|                       | 1,287 | 2,987 | 6,552 | 273 | 16 | 11,115 |

Notes:

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

Credit risk  
(continued)

Impairment  
charge  
analysis

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

| Nine months<br>ended 30<br>September<br>2013 | UK<br>Retail | UK<br>Corporate | UK<br>Wealth | International<br>Banking | Ulster<br>Bank | US<br>R&C | Total<br>R&C | Markets | Central<br>items | Total<br>Core | Non-Core | Group |
|--|--------------|-----------------|--------------|--------------------------|----------------|-----------|--------------|---------|------------------|---------------|----------|-------|
|  | £m           | £m              | £m           | £m                       | £m             | £m        | £m           | £m      | £m               | £m            | £m       | £m    |
| Individually<br>assessed                     | -            | 349             | 9            | 181                      | 329            | 9         | 877          | 5       | 64               | 946           | 1,106    | 2,052 |
| Collectively<br>assessed                     | 273          | 173             | -            | -                        | 373            | 131       | 950          | -       | -                | 950           | 71       | 1,021 |
| Latent loss                                  | (22)         | 7               | (1)          | 1                        | 5              | (35)      | (45)         | -       | -                | (45)          | 262      | 217   |
| Loans to<br>customers                        | 251          | 529             | 8            | 182                      | 707            | 105       | 1,782        | 5       | 64               | 1,851         | 1,439    | 3,290 |
| Loans to banks                               | -            | -               | -            | -                        | -              | -         | -            | (9)     | -                | (9)           | -        | (9)   |
| Securities                                   | -            | -               | -            | -                        | -              | 5         | 5            | 62      | (1)              | 66            | (27)     | 39    |
| Charge to<br>income<br>statement             | 251          | 529             | 8            | 182                      | 707            | 110       | 1,787        | 58      | 63               | 1,908         | 1,412    | 3,320 |
| Nine months<br>ended 30<br>September<br>2012 |              |                 |              |                          |                |           |              |         |                  |               |          |       |

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|                            |     |      |    |    |       |       |       |    |     |       |       |       |
|----------------------------|-----|------|----|----|-------|-------|-------|----|-----|-------|-------|-------|
| Individually assessed      | -   | 390  | 27 | 50 | 396   | 18    | 881   | 12 | 1   | 894   | 1,457 | 2,351 |
| Collectively assessed      | 430 | 245  | -  | -  | 592   | 177   | 1,444 | -  | -   | 1,444 | 247   | 1,691 |
| Latent loss                | 6   | (31) | 3  | -  | 58    | (131) | (95)  | -  | (1) | (96)  | (57)  | (153) |
| Loans to customers         | 436 | 604  | 30 | 50 | 1,046 | 64    | 2,230 | 12 | -   | 2,242 | 1,647 | 3,889 |
| Loans to banks             | -   | -    | -  | 24 | -     | -     | 24    | -  | -   | 24    | -     | 24    |
| Securities                 | -   | -    | -  | -  | -     | 4     | 4     | 3  | 32  | 39    | (127) | (88)  |
| Charge to income statement | 436 | 604  | 30 | 74 | 1,046 | 68    | 2,258 | 15 | 32  | 2,305 | 1,520 | 3,825 |

Credit risk: Impairment charge analysis (continued)

|                                     | Non-Core (by donating division) |                                |                      |                 |             | Total<br>£m |
|-------------------------------------|---------------------------------|--------------------------------|----------------------|-----------------|-------------|-------------|
|                                     | UK Corporate<br>£m              | International<br>Banking<br>£m | Ulster<br>Bank<br>£m | US<br>R&C<br>£m | Other<br>£m |             |
| Nine months ended 30 September 2013 |                                 |                                |                      |                 |             |             |
| Individually assessed               | 175                             | 308                            | 621                  | 2               | -           | 1,106       |
| Collectively assessed               | 9                               | -                              | 15                   | 47              | -           | 71          |
| Latent loss                         | (3)                             | 1                              | 193                  | 71              | -           | 262         |
| Loans to customers                  | 181                             | 309                            | 829                  | 120             | -           | 1,439       |
| Securities                          | -                               | (27)                           | -                    | -               | -           | (27)        |
| Charge to income statement          | 181                             | 282                            | 829                  | 120             | -           | 1,412       |
| Nine months ended 30 September 2012 |                                 |                                |                      |                 |             |             |
| Individually assessed               | 166                             | 705                            | 616                  | (29)            | (1)         | 1,457       |
| Collectively assessed               | 56                              | -                              | 9                    | 175             | 7           | 247         |
| Latent loss                         | (37)                            | -                              | (6)                  | (13)            | (1)         | (57)        |
| Loans to customers                  | 185                             | 705                            | 619                  | 133             | 5           | 1,647       |
| Securities                          | -                               | (127)                          | -                    | -               | -           | (127)       |
| Charge to income statement          | 185                             | 578                            | 619                  | 133             | 5           | 1,520       |

Ulster Bank Group (Core and Non-Core)

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

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| Sector analysis        | Credit metrics    |            |                  |                                       |                                      |   |                                   |                                     |
|------------------------|-------------------|------------|------------------|---------------------------------------|--------------------------------------|---|-----------------------------------|-------------------------------------|
|                        | Gross loans<br>£m | REIL<br>£m | Provisions<br>£m | REIL as a<br>% of gross<br>loans<br>% | Provisions<br>as a % of<br>REIL<br>% | Provisions<br>as a % of<br>gross loans<br>% | Impairment<br>charge<br>YTD<br>£m | Amounts<br>written-off<br>YTD<br>£m |
| 30 September 2013      |                   |            |                  |                                       |                                      |   |                                   |                                     |
| Core                   |                   |            |                  |                                       |                                      |   |                                   |                                     |
| Mortgages              | 19,227            | 3,297      | 1,729            | 17.1                                  | 52                                   | 9.0   | 211                               | 21                                  |
| Commercial real estate |                   |            |                  |                                       |                                      |   |                                   |                                     |
| - investment           | 3,577             | 2,079      | 780              | 58.1                                  | 38                                   | 21.8  | 201                               | 23                                  |
| - development          | 716               | 448        | 225              | 62.6                                  | 50                                   | 31.4  | 38                                | 4                                   |
| Other corporate        | 7,130             | 2,513      | 1,552            | 35.2                                  | 62                                   | 21.8  | 237                               | 76                                  |
| Other lending          | 1,244             | 198        | 193              | 15.9                                  | 97                                   | 15.5  | 20                                | 30                                  |
|                        | 31,894            | 8,535      | 4,479            | 26.8                                  | 52                                   | 14.0  | 707                               | 154                                 |
| Non-Core               |                   |            |                  |                                       |                                      |   |                                   |                                     |
| Commercial real estate |                   |            |                  |                                       |                                      |   |                                   |                                     |
| - investment           | 3,378             | 3,107      | 1,566            | 92.0                                  | 50                                   | 46.4  | 158                               | 23                                  |
| - development          | 7,191             | 7,018      | 5,104            | 97.6                                  | 73                                   | 71.0  | 599                               | 207                                 |
| Other corporate        | 1,525             | 1,267      | 795              | 83.1                                  | 63                                   | 52.1  | 66                                | 6                                   |
|                        | 12,094            | 11,392     | 7,465            | 94.2                                  | 66                                   | 61.7  | 823                               | 236                                 |
| Ulster Bank Group      |                   |            |                  |                                       |                                      |   |                                   |                                     |
| Mortgages              | 19,227            | 3,297      | 1,729            | 17.1                                  | 52                                   | 9.0   | 211                               | 21                                  |
| Commercial real estate |                   |            |                  |                                       |                                      |   |                                   |                                     |
| - investment           | 6,955             | 5,186      | 2,346            | 74.6                                  | 45                                   | 33.7  | 359                               | 46                                  |
| - development          | 7,907             | 7,466      | 5,329            | 94.4                                  | 71                                   | 67.4  | 637                               | 211                                 |
| Other corporate        | 8,655             | 3,780      | 2,347            | 43.7                                  | 62                                   | 27.1  | 303                               | 82                                  |
| Other lending          | 1,244             | 198        | 193              | 15.9                                  | 97                                   | 15.5  | 20                                | 30                                  |
|                        | 43,988            | 19,927     | 11,944           | 45.3                                  | 60                                   | 27.2  | 1,530                             | 390                                 |

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

| Sector analysis        | Credit metrics    |            |                  |                                       |                                      |   |                                   |                                     |
|------------------------|-------------------|------------|------------------|---------------------------------------|--------------------------------------|---|-----------------------------------|-------------------------------------|
|                        | Gross loans<br>£m | REIL<br>£m | Provisions<br>£m | REIL as a<br>% of gross<br>loans<br>% | Provisions<br>as a % of<br>REIL<br>% | Provisions<br>as a % of<br>gross loans<br>% | Impairment<br>charge<br>YTD<br>£m | Amounts<br>written-off<br>YTD<br>£m |
| 31 December 2012       |                   |            |                  |                                       |                                      |   |                                   |                                     |
| Core                   |                   |            |                  |                                       |                                      |   |                                   |                                     |
| Mortgages              | 19,162            | 3,147      | 1,525            | 16.4                                  | 48                                   | 8.0   | 646                               | 22                                  |
| Commercial real estate |                   |            |                  |                                       |                                      |   |                                   |                                     |
| - investment           | 3,575             | 1,551      | 593              | 43.4                                  | 38                                   | 16.6  | 221                               | -                                   |
| - development          | 729               | 369        | 197              | 50.6                                  | 53                                   | 27.0  | 55                                | 2                                   |
| Other corporate        | 7,772             | 2,259      | 1,394            | 29.1                                  | 62                                   | 17.9  | 389                               | 15                                  |



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|                        |        |        |        |      |    |      |       |     |
|------------------------|--------|--------|--------|------|----|------|-------|-----|
| Other lending          | 1,414  | 207    | 201    | 14.6 | 97 | 14.2 | 53    | 33  |
|                        | 32,652 | 7,533  | 3,910  | 23.1 | 52 | 12.0 | 1,364 | 72  |
| Non-Core               |        |        |        |      |    |      |       |     |
| Commercial real estate |        |        |        |      |    |      |       |     |
| - investment           | 3,383  | 2,800  | 1,433  | 82.8 | 51 | 42.4 | 288   | 15  |
| - development          | 7,607  | 7,286  | 4,720  | 95.8 | 65 | 62.0 | 611   | 103 |
| Other corporate        | 1,570  | 1,230  | 711    | 78.3 | 58 | 45.3 | 77    | 23  |
|                        | 12,560 | 11,316 | 6,864  | 90.1 | 61 | 54.6 | 976   | 141 |
| Ulster Bank Group      |        |        |        |      |    |      |       |     |
| Mortgages              | 19,162 | 3,147  | 1,525  | 16.4 | 48 | 8.0  | 646   | 22  |
| Commercial real estate |        |        |        |      |    |      |       |     |
| - investment           | 6,958  | 4,351  | 2,026  | 62.5 | 47 | 29.1 | 509   | 15  |
| - development          | 8,336  | 7,655  | 4,917  | 91.8 | 64 | 59.0 | 666   | 105 |
| Other corporate        | 9,342  | 3,489  | 2,105  | 37.3 | 60 | 22.5 | 466   | 38  |
| Other lending          | 1,414  | 207    | 201    | 14.6 | 97 | 14.2 | 53    | 33  |
|                        | 45,212 | 18,849 | 10,774 | 41.7 | 57 | 23.8 | 2,340 | 213 |

Key points

- Ulster Bank Group's impairment charge for the nine months ended 30 September 2013 of £1.5 billion (year ended 31 December 2012 - £2.3 billion) was driven by a combination of new defaulting customers and higher charges on existing defaulted cases.
- Provisions as a percentage of REIL increased from 57% at year end to 60%, principally reflecting additional provisions in Q3 in respect of the commercial real estate development portfolio.
- REIL increased to £19.9 billion (31 December 2012 - £18.8 billion). This included new defaults of £2.8 billion and foreign exchange movements of £0.4 billion, offset by recoveries/cures of £1.7 billion and write-offs of £0.4 billion.

Credit risk (continued)

Debt securities: AFS reserves by issuer

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

|                | 30 September 2013 |          |                 |             | 31 December 2012 |          |                 |             |
|----------------|-------------------|----------|-----------------|-------------|------------------|----------|-----------------|-------------|
|                | UK<br>£m          | US<br>£m | Other (1)<br>£m | Total<br>£m | UK<br>£m         | US<br>£m | Other (1)<br>£m | Total<br>£m |
| Government (2) | 6,819             | 15,066   | 11,864          | 33,749      | 9,774            | 19,046   | 16,155          | 44,975      |

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|                              |       |        |        |        |        |        |         |        |
|------------------------------|-------|--------|--------|--------|--------|--------|---------|--------|
| Banks                        | 395   | 80     | 5,687  | 6,162  | 1,085  | 357    | 7,419   | 8,861  |
| Other financial institutions | 2,671 | 9,050  | 8,234  | 19,955 | 2,861  | 10,613 | 10,416  | 23,890 |
| Corporate                    | 26    | 70     | 84     | 180    | 1,318  | 719    | 1,130   | 3,167  |
| Total                        | 9,911 | 24,266 | 25,869 | 60,046 | 15,038 | 30,735 | 35,120  | 80,893 |
| Of which ABS (3)             | 2,828 | 13,441 | 10,944 | 27,213 | 3,558  | 14,209 | 12,976  | 30,743 |
| AFS reserves (gross)         | 172   | 178    | (564)  | (214)  | 667    | 763    | (1,277) | 153    |

Notes:

- (1) Includes eurozone countries as detailed in the section on Country risk in the main announcement.
- (2) Includes central and local government.
- (3) Asset-backed securities

Appendix 2

Income statement reconciliations and Segmental analysis

|                     | 30 September 2013             |                        |                 | Quarter ended<br>30 June 2013 |                        |                 | 30 September 2012             |                        |                 |
|---------------------|-------------------------------|------------------------|-----------------|-------------------------------|------------------------|-----------------|-------------------------------|------------------------|-----------------|
|                     | Managed<br>reallocation<br>£m | One-off<br>items<br>£m | Statutory<br>£m | Managed<br>reallocation<br>£m | One-off<br>items<br>£m | Statutory<br>£m | Managed<br>reallocation<br>£m | One-off<br>items<br>£m | Statutory<br>£m |
| Interest receivable | 4,207                         | -                      | 4,207           | 4,281                         | -                      | 4,281           | 4,456                         | -                      | 4,456           |
| Interest payable    | (1,424)                       | (3)                    | (1,427)         | (1,511)                       | (3)                    | (1,514)         | (1,645)                       | (2)                    | (1,647)         |

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|  |         |         |         |         |       |         |         |         |         |
|--|---------|---------|---------|---------|-------|---------|---------|---------|---------|
| Net interest income                    | 2,783   | (3)     | 2,780   | 2,770   | (3)   | 2,767   | 2,811   | (2)     | 2,809   |
| Fees and commissions receivable        | 1,382   | -       | 1,382   | 1,392   | -     | 1,392   | 1,400   | -       | 1,400   |
| Fees and commissions payable           | (238)   | -       | (238)   | (250)   | -     | (250)   | (209)   | -       | (209)   |
| Income from trading activities         | 599     | (155)   | 444     | 874     | 75    | 949     | 769     | (435)   | 334     |
| Gain/(loss) on redemption of own debt  | -       | 13      | 13      | -       | 242   | 242     | -       | (123)   | (123)   |
| Other operating income                 | 368     | (333)   | 35      | 661     | 59    | 720     | 787     | (1,039) | (252)   |
| Non-interest income                    | 2,111   | (475)   | 1,636   | 2,677   | 376   | 3,053   | 2,747   | (1,597) | 1,150   |
| Total income                           | 4,894   | (478)   | 4,416   | 5,447   | 373   | 5,820   | 5,558   | (1,599) | 3,959   |
| Staff costs                            | (1,758) | (137)   | (1,895) | (1,764) | (76)  | (1,840) | (1,882) | (105)   | (1,987) |
| Premises and equipment                 | (540)   | (4)     | (544)   | (526)   | (22)  | (548)   | (510)   | (40)    | (550)   |
| Other administrative expenses          | (683)   | (420)   | (1,103) | (801)   | (617) | (1,418) | (716)   | (477)   | (1,193) |
| Depreciation and amortisation          | (305)   | (33)    | (338)   | (308)   | (41)  | (349)   | (365)   | (56)    | (421)   |
| Operating expenses                     | (3,286) | (594)   | (3,880) | (3,399) | (756) | (4,155) | (3,473) | (678)   | (4,151) |
| Profit/(loss) before impairment losses | 1,608   | (1,072) | 536     | 2,048   | (383) | 1,665   | 2,085   | (2,277) | (192)   |
| Impairment losses                      | (1,170) | -       | (1,170) | (1,117) | -     | (1,117) | (1,176) | -       | (1,176) |
| Operating profit/(loss)                | 438     | (1,072) | (634)   | 931     | (383) | 548     | 909     | (2,277) | (1,368) |

|                                    | 30 September 2013 |                  |           | Quarter ended<br>30 June 2013 |                  |           | 30 September 2012 |                  |           |
|------------------------------------|-------------------|------------------|-----------|-------------------------------|------------------|-----------|-------------------|------------------|-----------|
|                                    | Managed           | One-off<br>items | Statutory | Managed                       | One-off<br>items | Statutory | Managed           | One-off<br>items | Statutory |
|                                    | £m                | £m               | £m        | £m                            | £m               | £m        | £m                | £m               | £m        |
| Operating profit/(loss)            | 438               | (1,072)          | (634)     | 931                           | (383)            | 548       | 909               | (2,277)          | (1,368)   |
| Own credit adjustments (1)         | (496)             | 496              | -         | 127                           | (127)            | -         | (1,455)           | 1,455            | -         |
| Payment Protection Insurance costs | (250)             | 250              | -         | (185)                         | 185              | -         | (400)             | 400              | -         |



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|                                 | One-off items reallocation |         |          | One-off items reallocation |         |          |
|---------------------------------|----------------------------|---------|----------|----------------------------|---------|----------|
|                                 | £m                         | £m      | £m       | £m                         | £m      | £m       |
| Interest receivable             | 12,767                     | -       | 12,767   | 14,091                     | -       | 14,091   |
| Interest payable                | (4,542)                    | (8)     | (4,550)  | (5,450)                    | (12)    | (5,462)  |
| Net interest income             | 8,225                      | (8)     | 8,217    | 8,641                      | (12)    | 8,629    |
| Fees and commissions receivable | 4,090                      | -       | 4,090    | 4,335                      | -       | 4,335    |
| Fees and commissions payable    | (698)                      | -       | (698)    | (589)                      | -       | (589)    |
| Income from trading activities  | 2,489                      | 19      | 2,508    | 2,962                      | (1,761) | 1,201    |
| Gain on redemption of own debt  | -                          | 204     | 204      | -                          | 454     | 454      |
| Other operating income          | 1,396                      | (29)    | 1,367    | 1,894                      | (2,586) | (692)    |
| Non-interest income             | 7,277                      | 194     | 7,471    | 8,602                      | (3,893) | 4,709    |
| Total income                    | 15,502                     | 186     | 15,688   | 17,243                     | (3,905) | 13,338   |
| Staff costs                     | (5,343)                    | (279)   | (5,622)  | (5,998)                    | (534)   | (6,532)  |
| Premises and equipment          | (1,619)                    | (29)    | (1,648)  | (1,572)                    | (68)    | (1,640)  |
| Other administrative expenses   | (2,162)                    | (1,122) | (3,284)  | (2,214)                    | (873)   | (3,087)  |
| Depreciation and amortisation   | (942)                      | (132)   | (1,074)  | (1,122)                    | (182)   | (1,304)  |
| Operating expenses              | (10,066)                   | (1,562) | (11,628) | (10,906)                   | (1,657) | (12,563) |
| Profit before impairment losses | 5,436                      | (1,376) | 4,060    | 6,337                      | (5,562) | 775      |
| Impairment losses               | (3,320)                    | -       | (3,320)  | (3,825)                    | -       | (3,825)  |
| Operating profit/(loss)         | 2,116                      | (1,376) | 740      | 2,512                      | (5,562) | (3,050)  |

|  | Nine months ended |                            |                 |                   |         |                 |
|--|-------------------|----------------------------|-----------------|-------------------|---------|-----------------|
|  | 30 September 2013 |                            |                 | 30 September 2012 |         |                 |
|  | One-off items     |                            | Statutory<br>£m | One-off items     |         | Statutory<br>£m |
| Managed reallocation<br>£m                               | £m                | Managed reallocation<br>£m |                 | £m                |         |                 |
| Operating profit/(loss)                                  | 2,116             | (1,376)                    | 740             | 2,512             | (5,562) | (3,050)         |
| Own credit adjustments (1)                               | (120)             | 120                        | -               | (4,429)           | 4,429   | -               |
| Payment Protection Insurance costs                       | (435)             | 435                        | -               | (660)             | 660     | -               |
| Interest Rate Hedging Products redress and related costs | (50)              | 50                         | -               | -                 | -       | -               |
| Regulatory and legal actions                             | (484)             | 484                        | -               | -                 | -       | -               |
| Integration and restructuring costs                      | (476)             | 476                        | -               | (848)             | 848     | -               |
| Gain on redemption of own debt                           | 204               | (204)                      | -               | 454               | (454)   | -               |
| Asset Protection Scheme (2)                              | -                 | -                          | -               | (44)              | 44      | -               |

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|  |       |       |       |         |       |         |
|--|-------|-------|-------|---------|-------|---------|
| Amortisation of purchased intangible assets      | (118) | 118   | -     | (146)   | 146   | -       |
| Strategic disposals                              | (7)   | 7     | -     | 129     | (129) | -       |
| RFS Holdings minority interest                   | 110   | (110) | -     | (18)    | 18    | -       |
| Profit/(loss) before tax                         | 740   | -     | 740   | (3,050) | -     | (3,050) |
| Tax charge                                       | (759) | -     | (759) | (402)   | -     | (402)   |
| Loss for continuing operations                   | (19)  | -     | (19)  | (3,452) | -     | (3,452) |
| Profit from discontinued operations, net of tax  | 133   | -     | 133   | 173     | -     | 173     |
| Profit/(loss) for the period                     | 114   | -     | 114   | (3,279) | -     | (3,279) |
| Non-controlling interests                        | (123) | -     | (123) | 28      | -     | 28      |
| Preference share and other dividends             | (284) | -     | (284) | (186)   | -     | (186)   |
| Loss attributable to ordinary and B shareholders | (293) | -     | (293) | (3,437) | -     | (3,437) |

Notes:

- (1) Reallocation of £20 million gain (nine months ended 30 September 2012 - £1,715 million loss) to income from trading activities and £140 million loss (nine months ended 30 September 2012 - £2,714 million loss) to other operating income.
- (2) Reallocation to income from trading activities.

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 27 to 65 of the main announcement reflect certain presentational reallocations as described in the notes below. These do not affect the overall operating profit/(loss).

The ceding of control which resulted from the partial disposal of the Group's shareholding in Direct Line Group (DLG) has resulted in the Group no longer treating DLG as an operating segment. Comparative data for 2012 have been restated.

| Quarter ended 30 September 2013 | Net interest income<br>£m | Non-interest income<br>£m | Total income<br>£m | Operating expenses<br>£m | Impairment losses<br>£m | Operating profit/(loss)<br>£m |
|---------------------------------|---------------------------|---------------------------|--------------------|--------------------------|-------------------------|-------------------------------|
| UK Retail                       | 1,013                     | 254                       | 1,267              | (668)                    | (82)                    | 517                           |
| UK Corporate                    | 725                       | 387                       | 1,112              | (540)                    | (150)                   | 422                           |
| Wealth                          | 169                       | 102                       | 271                | (210)                    | (1)                     | 60                            |
| International Banking           | 166                       | 288                       | 454                | (343)                    | (28)                    | 83                            |
| Ulster Bank                     | 154                       | 60                        | 214                | (142)                    | (204)                   | (132)                         |
| US Retail & Commercial          | 493                       | 263                       | 756                | (555)                    | (59)                    | 142                           |

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|   |       |       |       |         |         |       |
|---|-------|-------|-------|---------|---------|-------|
| Markets                                     | 41    | 793   | 834   | (625)   | 1       | 210   |
| Central items                               | 65    | 40    | 105   | (58)    | (66)    | (19)  |
| Core  | 2,826 | 2,187 | 5,013 | (3,141) | (589)   | 1,283 |
| Non-Core (1)                                | (43)  | (76)  | (119) | (145)   | (581)   | (845) |
| Managed basis                               | 2,783 | 2,111 | 4,894 | (3,286) | (1,170) | 438   |
| Reconciling items                           |       |       |       |         |         |       |
| Own credit adjustments (2)                  | -     | (496) | (496) | -       | -       | (496) |
| Payment Protection Insurance costs          | -     | -     | -     | (250)   | -       | (250) |
| Regulatory and legal actions                | -     | -     | -     | (99)    | -       | (99)  |
| Integration and restructuring costs         | -     | -     | -     | (205)   | -       | (205) |
| Gain on redemption of own debt              | -     | 13    | 13    | -       | -       | 13    |
| Amortisation of purchased intangible assets | -     | -     | -     | (39)    | -       | (39)  |
| Strategic disposals                         | -     | (7)   | (7)   | -       | -       | (7)   |
| RFS Holdings minority interest              | (3)   | 15    | 12    | (1)     | -       | 11    |
| Statutory basis                             | 2,780 | 1,636 | 4,416 | (3,880) | (1,170) | (634) |

Notes:

- (1) Reallocation of £10 million between net interest income and non-interest income in respect of funding costs of rental assets, £9 million, and to record interest on financial assets and liabilities designated as at fair value through profit or loss, £1 million.
- (2) Comprises £155 million loss included in 'Income from trading activities' and £341 million loss included in 'Other operating income' on a statutory basis.

Segmental analysis (continued)

| Quarter ended 30 June 2013         | Net interest income<br>£m | Non-interest income<br>£m | Total operating income<br>£m | Operating expenses<br>£m | Impairment losses<br>£m | Operating profit/(loss)<br>£m |
|------------------------------------|---------------------------|---------------------------|------------------------------|--------------------------|-------------------------|-------------------------------|
| UK Retail                          | 987                       | 225                       | 1,212                        | (646)                    | (89)                    | 477                           |
| UK Corporate                       | 715                       | 427                       | 1,142                        | (553)                    | (194)                   | 395                           |
| Wealth                             | 162                       | 110                       | 272                          | (214)                    | (2)                     | 56                            |
| International Banking              | 177                       | 291                       | 468                          | (327)                    | (99)                    | 42                            |
| Ulster Bank                        | 154                       | 88                        | 242                          | (144)                    | (263)                   | (165)                         |
| US Retail & Commercial             | 473                       | 278                       | 751                          | (545)                    | (32)                    | 174                           |
| Markets (1)                        | 25                        | 797                       | 822                          | (686)                    | (43)                    | 93                            |
| Central items                      | 58                        | 207                       | 265                          | (128)                    | 3                       | 140                           |
| Core                               | 2,751                     | 2,423                     | 5,174                        | (3,243)                  | (719)                   | 1,212                         |
| Non-Core (2)                       | 19                        | 254                       | 273                          | (156)                    | (398)                   | (281)                         |
| Managed basis                      | 2,770                     | 2,677                     | 5,447                        | (3,399)                  | (1,117)                 | 931                           |
| Reconciling items                  |                           |                           |                              |                          |                         |                               |
| Own credit adjustments (3)         | -                         | 127                       | 127                          | -                        | -                       | 127                           |
| Payment Protection Insurance costs | -                         | -                         | -                            | (185)                    | -                       | (185)                         |

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|   |       |       |       |         |         |       |
|---|-------|-------|-------|---------|---------|-------|
| Regulatory and legal actions                | -     | -     | -     | (385)   | -       | (385) |
| Integration and restructuring costs         | -     | -     | -     | (149)   | -       | (149) |
| Gain on redemption of own debt              | -     | 242   | 242   | -       | -       | 242   |
| Amortisation of purchased intangible assets | -     | -     | -     | (38)    | -       | (38)  |
| Strategic disposals                         | -     | 6     | 6     | -       | -       | 6     |
| RFS Holdings minority interest              | (3)   | 1     | (2)   | 1       | -       | (1)   |
| Statutory basis                             | 2,767 | 3,053 | 5,820 | (4,155) | (1,117) | 548   |

Notes:

- (1) Reallocation of £1 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) Reallocation of £11 million between net interest income and non-interest income in respect of funding costs of rental assets, £10 million, and to record interest on financial assets and liabilities designated as at fair value through profit or loss, £1 million.
- (3) Comprises £76 million gain included in 'Income from trading activities' and £51 million gain included in 'Other operating income' on a statutory basis.

Segmental analysis (continued)

| Quarter ended 30 September 2012             | Net interest income<br>£m | Non-interest income<br>£m | Total income<br>£m | Operating expenses<br>£m | Impairment losses<br>£m | Operating profit/(loss)<br>£m |
|---|---------------------------|---------------------------|--------------------|--------------------------|-------------------------|-------------------------------|
| UK Retail                                   | 990                       | 252                       | 1,242              | (637)                    | (141)                   | 464                           |
| UK Corporate                                | 729                       | 409                       | 1,138              | (523)                    | (247)                   | 368                           |
| Wealth                                      | 185                       | 107                       | 292                | (221)                    | (8)                     | 63                            |
| International Banking                       | 227                       | 308                       | 535                | (348)                    | (12)                    | 175                           |
| Ulster Bank                                 | 163                       | 50                        | 213                | (126)                    | (329)                   | (242)                         |
| US Retail & Commercial                      | 488                       | 292                       | 780                | (536)                    | (21)                    | 223                           |
| Markets (1)                                 | 14                        | 1,028                     | 1,042              | (753)                    | 6                       | 295                           |
| Central items                               | (64)                      | 330                       | 266                | (117)                    | -                       | 149                           |
| Core  | 2,732                     | 2,776                     | 5,508              | (3,261)                  | (752)                   | 1,495                         |
| Non-Core (2)                                | 79                        | (29)                      | 50                 | (212)                    | (424)                   | (586)                         |
| Managed basis                               | 2,811                     | 2,747                     | 5,558              | (3,473)                  | (1,176)                 | 909                           |
| Reconciling items                           |                           |                           |                    |                          |                         |                               |
| Own credit adjustments (3)                  | -                         | (1,455)                   | (1,455)            | -                        | -                       | (1,455)                       |
| Payment Protection Insurance costs          | -                         | -                         | -                  | (400)                    | -                       | (400)                         |
| Integration and restructuring costs         | -                         | -                         | -                  | (229)                    | -                       | (229)                         |
| Loss on redemption of own debt              | -                         | (123)                     | (123)              | -                        | -                       | (123)                         |
| Asset Protection Scheme (4)                 | -                         | 1                         | 1                  | -                        | -                       | 1                             |
| Amortisation of purchased intangible assets | -                         | -                         | -                  | (47)                     | -                       | (47)                          |
| Strategic disposals                         | -                         | (23)                      | (23)               | -                        | -                       | (23)                          |
| RFS Holdings minority interest              | (2)                       | 3                         | 1                  | (2)                      | -                       | (1)                           |
| Statutory basis                             | 2,809                     | 1,150                     | 3,959              | (4,151)                  | (1,176)                 | (1,368)                       |



## Notes:

- (1) Reallocation of £3 million between net interest income and non-interest income in respect of funding costs of rental assets.
- (2) Reallocation of £7 million between net interest income and non-interest income in respect of funding costs of rental assets, £12 million, and to record interest on financial assets and liabilities designated as at fair value through profit or loss, £5 million.
- (3) Comprises £435 million loss included in 'Income from trading activities' and £1,020 million loss included in 'Other operating income' on a statutory basis.
- (4) Included in 'Income from trading activities' on a statutory basis.

## Segmental analysis (continued)

| Nine months ended 30 September 2013                      | Net      | Non-     | Total Operating |          | Impairment | Operating     |
|--|----------|----------|-----------------|----------|------------|---------------|
|  | interest | interest | income          | expenses | losses     | profit/(loss) |
|  | £m       | £m       | £m              | £m       | £m         | £m            |
| UK Retail  | 2,965    | 705      | 3,670           | (1,948)  | (251)      | 1,471         |
| UK Corporate Wealth                                      | 2,146    | 1,192    | 3,338           | (1,634)  | (529)      | 1,175         |
| International Banking                                    | 500      | 316      | 816             | (636)    | (8)        | 172           |
| Ulster Bank  | 540      | 864      | 1,404           | (1,003)  | (182)      | 219           |
| US Retail & Commercial Markets (1)                       | 462      | 202      | 664             | (418)    | (707)      | (461)         |
| Central items  | 1,437    | 833      | 2,270           | (1,655)  | (110)      | 505           |
|  | 96       | 2,600    | 2,696           | (2,057)  | (58)       | 581           |
|  | 140      | 257      | 397             | (249)    | (63)       | 85            |
| Core   | 8,286    | 6,969    | 15,255          | (9,600)  | (1,908)    | 3,747         |
| Non-Core (2)   | (61)     | 308      | 247             | (466)    | (1,412)    | (1,631)       |
| Managed basis  | 8,225    | 7,277    | 15,502          | (10,066) | (3,320)    | 2,116         |
| Reconciling items  |          |          |                 |          |            |               |
| Own credit adjustments (3)                               | -        | (120)    | (120)           | -        | -          | (120)         |
| Payment Protection Insurance costs                       | -        | -        | -               | (435)    | -          | (435)         |
| Interest Rate Hedging Products redress and related costs | -        | -        | -               | (50)     | -          | (50)          |
| Regulatory and legal actions                             | -        | -        | -               | (484)    | -          | (484)         |
| Integration and restructuring costs                      | -        | -        | -               | (476)    | -          | (476)         |
| Gain on redemption of own debt                           | -        | 204      | 204             | -        | -          | 204           |
| Amortisation of purchased intangible assets              | -        | -        | -               | (118)    | -          | (118)         |
| Strategic disposals                                      | -        | (7)      | (7)             | -        | -          | (7)           |
| RFS Holdings minority interest                           | (8)      | 117      | 109             | 1        | -          | 110           |
| Statutory basis  | 8,217    | 7,471    | 15,688          | (11,628) | (3,320)    | 740           |

## Notes:

- (1) Reallocation of £1 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) Reallocation of £30 million between net interest income and non-interest income in respect of funding costs of rental assets, £28 million, and to record interest on financial assets and liabilities designated as at fair value through profit or loss, £2 million.
- (3) Comprises £20 million gain included in 'Income from trading activities' and £140 million loss included in 'Other operating income' on a statutory basis.

## Segmental analysis (continued)

| Nine months ended 30 September 2012         | Net      | Non-     | Total   | Operating | Impairment | Operating |
|---|----------|----------|---------|-----------|------------|-----------|
|   | interest | interest |         |           |            |           |
|   | £m       | £m       | £m      | £m        | £m         | £m        |
| UK Retail                                   | 2,979    | 760      | 3,739   | (1,925)   | (436)      | 1,378     |
| UK Corporate                                | 2,257    | 1,293    | 3,550   | (1,574)   | (604)      | 1,372     |
| Wealth                                      | 542      | 343      | 885     | (688)     | (30)       | 167       |
| International Banking (1)                   | 712      | 926      | 1,638   | (1,125)   | (74)       | 439       |
| Ulster Bank                                 | 488      | 145      | 633     | (384)     | (1,046)    | (797)     |
| US Retail & Commercial                      | 1,467    | 884      | 2,351   | (1,729)   | (68)       | 554       |
| Markets (2)                                 | 62       | 3,780    | 3,842   | (2,457)   | (15)       | 1,370     |
| Central items                               | (57)     | 342      | 285     | (287)     | (32)       | (34)      |
| Core  | 8,450    | 8,473    | 16,923  | (10,169)  | (2,305)    | 4,449     |
| Non-Core (3)                                | 191      | 129      | 320     | (737)     | (1,520)    | (1,937)   |
| Managed basis                               | 8,641    | 8,602    | 17,243  | (10,906)  | (3,825)    | 2,512     |
| Reconciling items                           |          |          |         |           |            |           |
| Own credit adjustments (4)                  | -        | (4,429)  | (4,429) | -         | -          | (4,429)   |
| Payment Protection Insurance costs          | -        | -        | -       | (660)     | -          | (660)     |
| Integration and restructuring costs         | -        | -        | -       | (848)     | -          | (848)     |
| Gain on redemption of own debt              | -        | 454      | 454     | -         | -          | 454       |
| Asset Protection Scheme (5)                 | -        | (44)     | (44)    | -         | -          | (44)      |
| Amortisation of purchased intangible assets | -        | -        | -       | (146)     | -          | (146)     |
| Strategic disposals                         | -        | 129      | 129     | -         | -          | 129       |
| RFS Holdings minority interest              | (12)     | (3)      | (15)    | (3)       | -          | (18)      |
| Statutory basis                             | 8,629    | 4,709    | 13,338  | (12,563)  | (3,825)    | (3,050)   |

## 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 £5 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) Reallocation of £96 million between net interest income and non-interest income in respect of funding costs of rental assets, £103 million, and to record interest on financial assets and liabilities designated as at fair value through profit or loss, £7 million.
- (4) Comprises £1,715 million loss included in 'Income from trading activities' and £2,714 million loss included in 'Other operating income' on a statutory basis.
- (5) Included in 'Income from trading activities' on a statutory basis.

Signatures

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

Date: 01 November 2013

THE ROYAL BANK OF  
SCOTLAND GROUP plc  
(Registrant)

By: /s/ Jan Cargill

Name: Jan Cargill  
Title: Deputy Secretary