

ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
May 06, 2011

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

Report of Foreign Private Issuer

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

For May 6, 2011

Commission File Number: 001-10306

The Royal Bank of Scotland Group plc

RBS, Gogarburn, PO Box 1000
Edinburgh EH12 1HQ

(Address of principal executive offices)

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

Form 20-F X

Form 40-F ____

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

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

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

Yes ____

No X

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

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

Appendix 2

Asset Protection Scheme

Appendix 2 Asset Protection Scheme

Covered assets roll forward

The table below shows the movement in covered assets.

| | Covered amount £bn |
|--|--------------------------|
| Covered assets at 30 September 2010 | 205.4 |
| Disposals | (3.0) |
| Maturities, amortisation and early repayments | (8.3) |
| Effect of foreign currency movements and other adjustments | 0.6 |
| Covered assets at 31 December 2010 | 194.7 |
| Disposals | (1.4) |
| Maturities, amortisation and early repayments | (10.6) |
| Effect of foreign currency movements and other adjustments | (0.9) |
| Covered assets at 31 March 2011 | 181.8 |

Key points

- The reduction in covered assets was due to run-off of the portfolio, disposals, early repayments, maturing loans and the amortisation of consumer finance assets in line with the Scheme rules.
- The Group took advantage of market conditions and executed sales from a number of its portfolios.

Credit impairments and write downs

The table below analyses the cumulative credit impairment losses and adjustments to par value (including available-for-sale reserves) relating to the covered assets.

| | 31 March 2011 £m | 31 December 2010 £m |
|--------------------|---------------------------|------------------------------|
| Loans and advances | 18,799 | 18,033 |

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| | | |
|--------------------------|--------|--------|
| Debt securities | 11,085 | 11,747 |
| Derivatives | 1,826 | 2,043 |
| | 31,710 | 31,823 |
| By division: | | |
| UK Retail | 3,053 | 2,964 |
| UK Corporate | 1,703 | 1,382 |
| Ulster Bank | 1,040 | 804 |
| Retail & Commercial | 5,796 | 5,150 |
| Global Banking & Markets | 1,445 | 1,496 |
| Core | 7,241 | 6,646 |
| Non-Core | 24,469 | 25,177 |
| | 31,710 | 31,823 |

Key point

- Cumulative credit impairments and write-downs decreased by £0.1 billion in the quarter, primarily reflecting a decrease due to exchange rate movements (£0.4 billion) and Non-Core disposals (£0.1 billion) partially offset by an increase in further impairments and write-downs (£0.4 billion).

Appendix 2 Asset Protection Scheme (continued)

First loss utilisation

Definitions of triggered amounts and other related aspects are set out in the Group's 2010 Annual Report and Accounts. The table below summarises the triggered amount and related cash recoveries by division.

| | 31 March 2011 | | | 31 December 2010 | | |
|--------------------------|------------------------|-------------------------------|----------------------------|------------------------|-------------------------------|----------------------------|
| | Triggered amount £m | Cash recoveries to date £m | Net triggered amount £m | Triggered amount £m | Cash recoveries to date £m | Net triggered amount £m |
| UK Retail | 3,789 | 514 | 3,275 | 3,675 | 455 | 3,220 |
| UK Corporate | 5,573 | 1,404 | 4,169 | 4,640 | 1,115 | 3,525 |
| Ulster Bank | 1,659 | 216 | 1,443 | 1,500 | 160 | 1,340 |
| Retail & Commercial | 11,021 | 2,134 | 8,887 | 9,815 | 1,730 | 8,085 |
| Global Banking & Markets | 2,692 | 808 | 1,884 | 2,547 | 749 | 1,798 |
| Core | 13,713 | 2,942 | 10,771 | 12,362 | 2,479 | 9,883 |
| Non-Core | 31,991 | 5,269 | 26,722 | 32,138 | 4,544 | 27,594 |
| | 45,704 | 8,211 | 37,493 | 44,500 | 7,023 | 37,477 |

| | | |
|--------------|--------|--------|
| Loss credits | 1,468 | 1,241 |
| | 38,961 | 38,718 |

Key points

- The Group received loss credits in relation to some of the withdrawals and disposals of £0.2 billion during Q1 2011. The Group and the Asset Protection Agency remain in discussion with regard to loss credits in relation to the withdrawal of £0.5 billion of derivative assets during Q2 2010 and the disposal of £0.6 billion of structured finance and leveraged finance assets.
- The Group currently expects recoveries on triggered amounts to be approximately 45% over the life of the relevant assets. On this basis, the expected loss on triggered assets at 31 March 2011 is approximately £25 billion (42%) of the £60 billion first loss threshold under APS.

Risk-weighted assets

The table below analyses by division, risk-weighted assets (RWAs) covered by APS.

| | 31 March 2011 £bn | 31 December 2010 £bn |
|--------------------------|----------------------------|-------------------------------|
| UK Retail | 11.4 | 12.4 |
| UK Corporate | 21.5 | 22.9 |
| Ulster Bank | 7.4 | 7.9 |
| Retail & Commercial | 40.3 | 43.2 |
| Global Banking & Markets | 11.1 | 11.5 |
| Core | 51.4 | 54.7 |
| Non-Core | 47.0 | 50.9 |
| APS RWAs | 98.4 | 105.6 |

Key point

- The decrease of £7.2 billion in APS RWAs principally reflects pool movements, partially offset by changes in risk parameters.

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: 6 May 2011

THE ROYAL BANK OF
SCOTLAND GROUP plc
(Registrant)

By: /s/ Jan Cargill

Name: Jan Cargill
Title: Deputy Secretary