ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
November 04, 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 November 4, 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:

Risk and balance sheet management

Key terms and acronyms used in this section are defined in the glossary of terms.

Balance sheet management

Capital

The Group aims to maintain an appropriate level of capital to meet its business needs and regulatory requirements as capital adequacy and risk management are closely aligned. The Group's risk asset ratios calculated in accordance with Financial Services Authority (FSA) definitions are set out below.

Risk-weighted assets (RWAs)	30 September 2011 £bn	30 June 2011 £bn	31 December 2010 £bn
Credit risk	346.8	366.1	385.9
Counterparty risk	72.2	66.1	68.1
Market risk	55.0	58.6	80.0
Operational risk	37.9	37.9	37.1
	511.9	528.7	571.1
Benefit of Asset Protection Scheme	(88.6)	(95.2)	(105.6)
	423.3	433.5	465.5

Risk asset ratio	%	%	%
Core Tier 1	11.3	11.1	10.7
Tier 1	13.8	13.5	12.9
Total	14.7	14.4	14.0

Key points

- The Core Tier 1 ratio increased in the quarter, due to a reduction in RWAs.

- Credit risk RWAs decreased by £19.3 billion principally driven by asset run-off, disposals and restructurings.

· Market risk RWAs decreased by £3.6 billion reflecting de-risking of the Non-Core portfolio and a reduction in VaR.

· The reduction in APS RWA benefit mainly reflects the run-off of covered assets.

Risk and balance sheet management (continued)

Balance sheet management: Capital (continued)

The Group's capital resources in accordance with FSA definitions were as follows:

Composition of regulatory capital	30 September 2011 £m	30 June 2011 £m	31 December 2010 £m
Tier 1			
Ordinary and B shareholders' equity	72,699	70,000	70,388
Non-controlling interests	1,433	1,498	1,719
Adjustments for:			
- goodwill and other intangible assets - continuing businesses	(14,744)	(14,592)	(14,448)
- unrealised losses on available-for-sale (AFS) debt securities	379	1,103	2,061
- reserves arising on revaluation of property and unrealised gains on AFS equities	(88)	(76)	(25)
- reallocation of preference shares and innovative securities	(548)	(548)	(548)
- other regulatory adjustments*	(3,465)	(1,014)	(1,097)
Less excess of expected losses over provisions net of tax	(2,127)	(2,156)	(1,900)
Less securitisation positions	(2,164)	(2,404)	(2,321)
Less APS first loss	(3,545)	(3,810)	(4,225)
Core Tier 1 capital	47,830	48,001	49,604
Preference shares	5,398	5,372	5,410
Innovative Tier 1 securities	4,644	4,564	4,662
Tax on the excess of expected losses over provisions	767	777	758
Less material holdings	(303)	(327)	(310)
Total Tier 1 capital	58,336	58,387	60,124
Tier 2			
Reserves arising on revaluation of property and unrealised gains on AFS equities	88	76	25
Collective impairment provisions	728	715	778

Perpetual subordinated debt	1,837	1,858	1,852
Term subordinated debt	14,999	15,697	16,745
Non-controlling and other interests in Tier 2 capital	11	11	11
Less excess of expected losses over provisions	(2,894)	(2,933)	(2,658)
Less securitisation positions	(2,164)	(2,404)	(2,321)
Less material holdings	(303)	(327)	(310)
Less APS first loss	(3,545)	(3,810)	(4,225)
Total Tier 2 capital	8,757	8,883	9,897
Supervisory deductions			
Unconsolidated investments			
- RBS Insurance	(4,292)	(4,176)	(3,962)
- other investments	(262)	(354)	(318)
Other deductions	(311)	(419)	(452)
Deductions from total capital	(4,865)	(4,949)	(4,732)
Total regulatory capital	62,228	62,321	65,289
* Includes reduction for own liabilities carried at fair value	(2,931)	(1,112)	(1,182)

Risk and balance sheet management (continued)

Balance sheet management: Capital(continued)

Movement in Core Tier 1 capital	£m
At 1 January 2011	49,604
Attributable loss net of movement in fair value of own debt	(1,355)
Foreign currency reserves	(304)
Decrease in capital deductions including APS first loss	76
Decrease in non-controlling interests	(221)
Other movements	201
At 30 June 2011	48,001
Attributable loss net of movement in fair value of own debt	(593)
Foreign currency reserves	13
Decrease in capital deductions including APS first loss	534
Decrease in non-controlling interests	(65)
Other movements	(60)
At 30 September 2011	47,830

Balance sheet management: Capital: Risk-weighted assets by division
Risk-weighted assets by risk category and division are set out below.

30 September 2011	Credit risk £bn	Counterparty risk £bn	Market risk £bn	Operational risk £bn	Gross RWAs £bn	APS relief £bn	Net RWAs £bn
UK Retail	41.4	-	-	7.3	48.7	(9.9)	38.8
UK Corporate	69.0	-	-	6.7	75.7	(16.9)	58.8
Wealth	11.0	-	0.1	1.9	13.0	-	13.0
Global Transaction Services	13.7	-	-	4.9	18.6	-	18.6
Ulster Bank	32.0	0.5	0.1	1.8	34.4	(6.7)	27.7
US Retail & Commercial	51.0	1.1	-	4.4	56.5	-	56.5
Retail & Commercial	218.1	1.6	0.2	27.0	246.9	(33.5)	213.4
Global Banking & Markets	46.1	35.1	37.6	15.5	134.3	(10.4)	123.9
Other	8.8	0.3	-	0.7	9.8	-	9.8
Core	273.0	37.0	37.8	43.2	391.0	(43.9)	347.1
Non-Core	71.0	35.2	17.2	(5.5)	117.9	(44.7)	