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

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

Report of Foreign Private Issuer

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

For February 25, 2010

Commission File Number: 001-10306

The Royal Bank of Scotland Group plc

RBS, Gogarburn, PO Box 1000
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(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 ___

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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-________

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 3

The Asset Protection Scheme

Appendix 3 The Asset Protection Scheme

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Appendix 3 The Asset Protection Scheme

1. Key aspects of the Scheme

On 22 December 2009, the Group acceded to the Asset Protection Scheme ('APS' or 'the Scheme') with HM Treasury acting on behalf of the UK Government. Under the Scheme, the Group purchased credit protection over a portfolio of specified assets and exposures ("covered assets") from HM Treasury. The portfolio of covered assets had a par value of approximately £282 billion as at 31 December 2008 and .the protection is subject to a first loss of £60 billion and covers 90% of, subsequent losses. Once through the first loss, when a covered asset has experienced a trigger event[(1)] losses and recoveries in respect of that asset are included in the balance receivable under the APS. Receipts from HM Treasury will, over time, amount to 90% of cumulative losses (net of cumulative recoveries) on the portfolio of covered assets less the first loss amount.

The Group has the right to terminate the Scheme at any time provided that the Financial Services Authority has confirmed in writing to HM Treasury that it has no objection to the proposed termination. On termination, the Group is liable to pay HM Treasury a termination fee. The termination fee would be the difference between £2.5 billion (or, if higher, a sum related to the economic benefit of regulatory capital relief obtained as a result of having entered APS) and the aggregate fees paid. In addition, the Group would have to repay any amounts received from HM Treasury under the terms of the APS (or as otherwise agreed with HM Treasury). In consideration for the protection provided by the APS, the Group paid an initial premium of £1.4 billion on 31 December 2009 for the years 2009 and 2010. A further premium of £700 million is payable on 1 January 2011 and subsequently annual premiums of £500 million until the earlier of 31 December 2099 or the termination of the agreement.

The APS is a single contract providing credit protection in respect of a portfolio of financial assets: the unit of account is the contract as a whole. Under IFRS, credit protection is either treated as a financial guarantee contract ('FGC') or a derivative depending on the terms of the agreement and the nature of the protected assets and exposures. The portfolio contains more than an insignificant element of derivatives and limited recourse assets, and hence the contract does not meet the definition of an FGC. The APS contract is therefore treated as a derivative and is recognised at fair value, with changes in fair value recognised in profit or loss. The APS derivative did not have any effect on the Group's 2009 income statement; however in future period's changes in value of the APS derivative will have an effect on the Group's profit or loss.

There is no change in the recognition and measurement of the covered assets as a result of the APS. Impairment provisions on covered assets measured at amortised cost are assessed and charged in accordance with the Group's accounting policy; held-for-trading assets, assets designated at fair value and available-for-sale assets within the APS portfolio continue to be measured at fair value with no adjustments to reflect the protection provided by the APS. There is no change in how gains and losses on the covered assets are recognised in the income statement or in other comprehensive income.

- Trigger events (subject to specific rules detailed in the terms of the APS) comprise:
  - failure to pay: the counterparty to the covered asset has (subject to specified grace periods) failed to pay an amount due under the terms of its agreement with the Group.
  - bankruptcy: the counterparty is subject to a specified insolvency or bankruptcy-related event.
  - restructuring: a covered asset which is individually impaired and is subject to a restructuring.

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Appendix 3 The Asset Protection Scheme

2. Basis of asset selection

The selection of assets was carried out primarily between February and April 2009 and was driven by three principal criteria:

(1) Risk and degree of impairment in base case and stressed scenarios;

(2) Liquidity of exposure; and

(3) Capital intensity under procyclicality.

The approach for high volume commercial and retail exposures was on a portfolio basis. Selection for large corporates and GBM was at the counterparty/asset level.
Set out below are the selection criteria for the contributing divisions.

Global Banking & Markets (GBM)*	Banking book: selection by individual asset pool (corporate loans, real estate finance, and leveraged finance), Global Restructuring Group work-out unit counterparties/assets and high risk counterparties/assets. Additional counterparties/assets were selected through an individual risk review of the total portfolio. Trading book: selection by individual assets (monolines, derivatives, mortgage trading).
UK Corporate*	Commercial & Corporate real estate: all defaulted assets in the work-out/restructuring unit or in high risk bands. Corporate: all defaulted assets in the work-out/restructuring unit. Corporate banking clients in high risk sectors or with high concentration risk. Business Banking: portfolios in the work out/restructuring unit or in high risk bands.
UK Retail*	Mortgages: assets with a higher loan-to-value (LTV) and in higher risk segments (e.g. LTV >97% on general book, LTV >85% on buy-to-let book), and those assets in arrears (at 31 December 2008). Loans and overdrafts: higher risk customers based on internal bandings, and those assets in arrears (at 31 December 2008).
Ulster Bank* (Corporate & Retail)	Mortgages: assets with a greater than 85% LTV, broker mortgages and interest only with a higher probability of default. Retail: portfolios of accounts in default, >1 month arrears, <2 years old and a higher probability of default. Corporate:

counterparties/assets in work-out/restructuring groups or in high risk bands, and other assets identified as part of an individual review of cases.

* including assets transferred to Non-Core division

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Appendix 3 The Asset Protection Scheme

3. Covered assets

3.1 Roll forward to 31 December 2009

The table below details the movement in covered assets in the year.

	£bn
Covered assets at 31 December 2008 - at accession to the Scheme	282.0
Disposals	(3.0)
Non-contractual early repayments	(8.9)
Amortisations	(9.4)
Maturities	(16.7)
Rollovers and covered amount cap adjustments	(1.7)
Effect of foreign currency movements	(11.8)
Covered assets at 31 December 2009	230.5

Note:

(1) The covered amount at 31 December 2009 above includes approximately £2.1 billion of assets in the derivatives and structured finance asset classes which, for technical reasons, do not currently satisfy, or are anticipated at some stage not to satisfy, the eligibility requirements of the Scheme. HMT and the Group continue to negotiate in good faith whether (and, if so, to what extent) coverage should extend to these assets. Also, the Group and HMT are in discussion over the HMT classifications of some structured credit assets and this may result in adjustments to amounts for some asset classes; however underlying risks will be unchanged.

Key point

- The majority of the reduction (68%) in the covered assets reflects repayments by customers.

- Additionally the Group took advantage of market conditions and executed a number of loan sales.

Appendix 3 The Asset Protection Scheme

3. Covered assets
(continued)

3.2 Credit impairments and write downs

The table below analyses the cumulative credit impairment losses and adjustments to par value (including AFS reserves) relating to covered assets:

	2009	2008
	£m	£m
Loans and advances	**14,240**	7,705
Debt securities	**7,816**	7,942
Derivatives	**6,834**	6,575
	28,890	22,222
By division:		
UK Retail	**2,431**	1,492
UK Corporate	**1,007**	285
Global Banking & Markets	**1,628**	1,640
Ulster Bank	**486**	234
Non-Core	**23,338**	18,571
	28,890	22,222

Note:

(1) Total available-for-sale reserves on debt securities of £1,113 million at 31 December 2009 (£1,315 million as at 31 December 2008 was previously included in undrawn commitments and other adjustments).

Key point

- Of the increase in cumulative losses of £6,668 million, the largest was loan impairments in Non-Core.

Appendix 3 The Asset Protection Scheme

3. Covered assets
(continued)

3.3 First loss utilisation

The triggered amount is equivalent to the aggregate outstanding principal amount on the trigger date excluding interest, fees, premium or any other non-principal sum that is accrued or payable, except where it was capitalised on or before 31 December 2008. At trigger date, in economic terms, there is an exchange of assets, with the Group receiving a two year interest bearing government receivable in exchange for the asset.

APS recoveries include any return of value on a triggered asset, although these are only recognised for Scheme reporting purposes when they are realised in cash. The net triggered amount at any point in time, therefore, only takes into account cash recoveries to date. The capturing of triggered amounts has required extensive new processes and controls to be put in place. These continue to be work in progress. Additionally, as with any bespoke and highly complex legal agreement there are various areas of interpretation which still need to be clarified and agreed between the Group and the Asset Protection Agency ('APA'), some of which could have a material impact on the triggered amount identified to date. Also as part of the APS terms and conditions it was agreed to re-characterise certain assets and their closely related hedges under the scheme and the Group continues to negotiate with APA in good faith to finalise this.

The Scheme Rules are designed to allow for data correction over the life of the scheme, and the Group has a grace period during 2010 to implement processes to capture triggers and restate quarterly claims statements to HMT retrospectively.

The table below summarises the total triggered amount and related cash recoveries by division at 31 December 2009.

	Triggered amount	**Cash recoveries to date**	**Net triggered amount**
	£m	**£m**	**£m**
UK Retail	**3,340**	**129**	**3,211**
UK Corporate	**3,570**	**604**	**2,966**
Global Banking & Markets	**1,748**	**108**	**1,640**
Ulster Bank	**704**	**47**	**657**
Non-Core	**18,905**	**777**	**18,128**
	28,267	**1,665**	

26,602

Note:

(1) The triggered amount on a covered asset is calculated when an asset is triggered (due to bankruptcy, failure to pay after a grace period, and restructuring with an impairment) and is the lower of the covered amount and the outstanding amount for each covered asset. Given the grace period for triggering assets, the Group expects additional assets to trigger based on the current risk rating and level of impairments on covered assets.

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Appendix 3 The Asset Protection Scheme

3. Covered assets
(continued)

3.3 First loss utilisation
(continued)

Key points

- APS recoveries include almost any return of value on a triggered asset but are only recognised when they are realised in cash, hence there will be a time lag for the realisation of recoveries.

- The Group expects recoveries on triggered amounts to be approximately 45% over the life of the relevant assets.

- On this basis, expected loss on triggered assets at 31 December 2009 is approximately £15 billion (25%) of the £60 billion first loss threshold under the APS.

- In case the net triggered amount exceeds a specified threshold level for each covered asset class, HMT retains step-in rights as defined in the Scheme rules.

3.4 Risk weighted assets

Risk-weighted assets were as follows:

	2009	2008

	£m	£m
APS	**127.6**	158.7
Non-APS	**438.2**	419.1
Group before APS benefit	**565.8**	577.8

	31 December 2009		
	APS	**Non APS**	**Total**
Risk-weighted assets by division:	**£m**	**£m**	**£m**
UK Retail	**16.3**	**35.0**	**51.3**
UK Corporate	**31.0**	**59.2**	**90.2**
Global Banking & Markets	**19.9**	**103.8**	**123.7**
Ulster	**8.9**	**21.0**	**29.9**
Non-Core	**51.5**	**119.8**	**171.3**
Other divisions	**n/a**	**99.4**	**99.4**
Group before APS benefit	**127.6**	**438.2**	**565.8**

Key points

· Over the year RWAs covered by APS declined overall due to the restructuring of certain exposures,, including monoline related assets, and decrease in covered amount partly off-set by credit downgrade and procyclicality,

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Appendix 3 The Asset Protection Scheme

3. Covered assets
(continued)

3.5 Divisional analysis
The following table analyses covered assets by the asset classes defined by the Scheme conditions and by division:

	UK Retail	**UK Corporate**	**Global Banking & Markets**	**Ulster Bank**	**Non-Core**	**Covered amount**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**

2009						
Residential mortgages	**9,646**	**-**	**113**	**2,512**	**1,934**	**14,205**
Consumer finance	**11,596**	**24,818**	**-**	**5,538**	**11,309**	**53,261**
Commercial real estate finance	**-**	**9,143**	**-**	**1,073**	**21,921**	**32,137**
Leveraged finance	**-**	**4,899**	**621**	**291**	**17,465**	**23,276**
Lease finance	**-**	**449**	**-**	**-**	**1,080**	**1,529**
Project finance	**-**	**-**	**255**	**-**	**1,562**	**1,817**
Structured finance	**-**	**-**	4,114	**-**	**11,061**	**15,175**
Loans	**-**	**9,918**	**25,815**	**2,237**	**16,972**	**54,942**
Bonds	**-**	**-**	**153**	**-**	**545**	**698**
Derivatives	**-**	**-**	**12,946**	**218**	**20,326**	**33,490**
	21,242	**49,227**	**44,017**	**11,869**	**104,175**	**230,530**
2008						
Residential mortgages	10,280	-	128	2,837	2,182	15,427
Consumer finance	11,609	25,031	-	5,776	12,127	54,543
Commercial real estate finance	-	12,436	-	1,268	26,146	39,850
Leveraged finance	-	4,978	993	329	21,434	27,734
Lease finance	-	594	-	-	1,844	2,438
Project finance	-	-	425	-	1,818	2,243
Structured finance	-	-	6,897	-	12,294	19,191
Loans	-	9,097	45,610	2,663	22,607	79,977
Bonds	-	-	455	-	1,108	1,563
Derivatives	-	-	16,349	229	22,415	38,993
	21,889	52,136	70,857	13,102	123,975	281,959
Movements						
Residential mortgages	(634)	-	(15)	(325)	(248)	(1,222)
Consumer finance	(13)	(213)	-	(238)	(818)	(1,282)
Commercial real estate finance	-	(3,293)	-	(195)	(4,225)	(7,713)
Leveraged finance	-	(79)	(372)	(38)	(3,969)	(4,458)
Lease finance	-	(145)	-	-	(764)	(909)
Project finance	-	-	(170)	-	(256)	(426)
Structured finance	-	-	(2,783)	-	(1,233)	(4,016)
Loans	-	821	(19,795)	(426)	(5,635)	(25,035)
Bonds	-	-	(302)	-	(563)	(865)
Derivatives	-	-	(3,403)	(11)	(2,089)	(5,503)
	(647)	(2,909)	(26,840)	(1,233)	(19,800)	(51,429)

Notes:

(1) Per the Scheme rules, the definition of consumer finance includes personal loans, as well as business and commercial loans to SMEs

(2)

UK Corporate leveraged finance does not include lending to sponsors but, reflects certain loans to corporate customers per Scheme rules.
(3) The net increase in UK Corporate loans reflects transfers of shipping assets from GBM.
(4) There have been some minor divisional refinements to 31 December 2008 data, primarily between Core businesses and Non-Core division.

Appendix 3 The Asset Protection Scheme

3. Covered assets
(continued)

3.6 Asset classes
The following tables detail the balances by asset classes, as defined by the Scheme, with underlying product categories, at 31 December 2009 and 31 December 2008.

2009	Carrying value (2) £m (a)	Provisions and adjustments to par value (3) £m (b)	Par value (4) £m (a)+(b)=(c)	Undrawn commitments and other adjustments (5) £m (d)	Covered Amount £m (c)+(d)=(e)
Residential mortgages	**14,092**	**253**	**14,345**	**(140)**	**14,205**
Consumer finance	**38,101**	**4,574**	**42,675**	**10,586**	**53,261**
- personal loans	**7,986**	**2,610**	**10,596**	**2,613**	**13,209**
- business and commercial loans	**30,115**	**1,964**	**32,079**	**7,973**	**40,052**
Commercial real estate finance	**28,777**	**1,656**	**30,433**	**1,704**	**32,137**
Leveraged finance	**16,045**	**4,425**	**20,470**	**2,806**	**23,276**
Lease finance	**1,229**	**232**	**1,461**	**68**	**1,529**
Project finance	**1,601**	**44**	**1,645**	**172**	**1,817**
Structured finance	**6,884**	**7,677**	**14,561**	**614**	**15,175**
- structured loans	**625**	**17**	**642**	**29**	**671**
- RMBS	**1,251**	**1,657**	**2,908**	**55**	**2,963**
- CMBS	**1,281**	**466**	**1,747**	**(6)**	**1,741**
- CDOs & CLOs	**1,568**	**4,641**	**6,209**	**119**	**6,328**
- other ABS	**2,159**	**896**	**3,055**	**417**	**3,472**
Loans	**34,375**	**3,039**	**37,414**	**17,528**	**54,942**

Bonds (6)	**545**	**156**	**701**	**(3)**	**698**
Derivatives	**12,510**	**6,834**	**19,344**	**14,146**	**33,490**
- monoline insurers	**2,607**	**6,335**	**8,942**	**10,852**	**19,794**
- other counterparties	**9,903**	**499**	**10,402**	**3,294**	**13,696**
	154,159	**28,890**	**183,049**	**47,481**	**230,530**
Further analysed:					
Loans and advances	**134,845**	**14,240**	**149,085**	**32,753**	**181,838**
Debt securities	**6,804**	**7,816**	**14,620**	**582**	**15,202**
Derivatives	**12,510**	**6,834**	**19,344**	**14,146**	**33,490**
	154,159	**28,890**	**183,049**	**47,481**	**230,530**
By division:					
UK Retail	**16,599**	**2,431**	**19,030**	**2,212**	**21,242**
UK Corporate	**37,710**	**1,007**	**38,717**	**10,510**	**49,227**
Global Banking & Markets	**26,141**	**1,628**	**27,769**	**16,248**	**44,017**
Ulster Bank	**10,152**	**486**	**10,638**	**1,231**	**11,869**
Non-Core	**63,557**	**23,338**	**86,895**	**17,280**	**104,175**
	154,159	**28,890**	**183,049**	**47,481**	**230,530**

Appendix 3 The Asset Protection Scheme

3. Covered assets (continued)

3.6 Asset classes (continued)

2008	Carrying value (2) £m (a)	Provisions and adjustments to par value (3) £m (b)	Par value (4) £m (a)+(b)=(c)	Undrawn Commitments and other adjustments (5) £m (d)	Covered amount £m (c)+(d)=(e)
Residential mortgages	15,283	144	15,427	-	15,427
Consumer finance	45,691	2,346	48,037	6,506	54,543

- personal loans	10,267	1,687	11,954	1,440	13,394
- business and commercial loans	35,424	659	36,083	5,066	41,149
Commercial real estate finance	32,131	847	32,978	6,872	39,850
Leveraged finance	19,792	2,875	22,667	5,067	27,734
Lease finance	2,012	138	2,150	288	2,438
Project finance	1,761	58	1,819	424	2,243
Structured finance	10,370	8,012	18,382	809	19,191
- structured loans	2,761	155	2,916	597	3,513
- RMBS	1,232	1,547	2,779	-	2,779
- CMBS	1,481	371	1,852	-	1,852
- CDOs & CLOs	2,390	5,168	7,558	212	7,770
- other ABS	2,506	771	3,277	-	3,277
Loans	50,563	1,142	51,705	28,272	79,977
Bonds (6)	1,467	85	1,552	11	1,563
Derivatives	21,093	6,575	27,668	11,325	38,993
- monoline insurers	5,620	5,892	11,512	10,758	22,270
- other counterparties	15,473	683	16,156	567	16,723
	200,163	22,222	222,385	59,574	281,959
Further analysed:					
Loans and advances	169,994	7,705	177,699	48,026	225,725
Debt securities	9,076	7942	17,018	223	17,241
Derivatives	21,093	6,575	27,668	11,325	38,993
	200,163	22,222	222,385	59,574	281,959
By division:					
UK Retail	18,982	1,492	20,474	1,415	21,889
UK Corporate	39,608	285	39,893	12,243	52,136
Global Banking & Markets	47,230	1,640	48,870	21,987	70,857
Ulster Bank	11,705	234	11,939	1,163	13,102
Non-Core	82,638	18,571	101,209	22,766	123,975
	200,163	22,222	222,385	59,574	281,959

Appendix 3 The Asset Protection Scheme

3. Covered assets
(continued)

3.6 Asset classes
(continued)

Notes:

(1) The balances at 31 December 2008 and 31 December 2009 within specific asset classes reflect the Group's application of the asset class definitions in the Scheme rules, particularly in relation to consumer finance, commercial real estate finance and loans.

(2) Carrying value represents the amounts recorded on the balance sheet and includes assets classified as loans and receivables (LAR), fair valued through profit or loss (FVTPL) and available-for-sale (AFS).

(3) Provisions and adjustments to par value comprises:

- impairments on LAR and AFS debt securities;
- credit valuation adjustments relating to derivatives;
- adjustment to par value on other FVTPL assets;
- add-back of write-offs of £6,079 million, as these are covered by the Scheme rules; and
- available-for-sale reserves on debt securities of £1,113 million (2008 - £1,315 million).

(4) Undrawn commitments and other adjustments include:

- undrawn commitments and other contingent liabilities;
- potential future exposures and other adjustments to covered amount relating to derivative contracts; and
- adjustments to covered amount in accordance with the Scheme rules (restriction of cover for rollovers (loans and commercial real estate), maintenance of covered amount as at 31 December 2008 for two years (consumer finance).

(5) Comprises non asset-backed securities.

Appendix 3 The Asset Protection Scheme

3. Covered assets

(continued)

3.7 Sector analysis

The tables below analyse covered assets by sector and division; and by sector and HMT asset class at 31 December 2009 and 31 December 2008.

	2009						
	UK Retail	UK Corporate	GBM	Ulster Bank	Non-Core	Covered amount	2008
	£m	£m	£m	£m	£m	£m	£m
Financial institutions	**-**	**1,427**	**11,303**	**35**	**35,985**	**48,750**	64,027
Manufacturing	**-**	**1,673**	**6,849**	**230**	**8,127**	**16,879**	20,053
Natural resources	**-**	**629**	**2,530**	**45**	**2,117**	**5,321**	8,122
Property	**-**	**9,990**	**8,349**	**1,550**	**27,931**	**47,820**	60,217
Retail and leisure	**-**	**4,292**	**4,608**	**964**	**4,305**	**14,169**	17,975
Services	**-**	**1,885**	**1,159**	**324**	**2,689**	**6,057**	8,484
TMT	**-**	**608**	**3,985**	**263**	**5,852**	**10,708**	14,535
Transport	**-**	**3,962**	**5,118**	**116**	**3,579**	**12,775**	15,726
Personal and SME	**21,242**	**24,761**	**116**	**8,342**	**13,590**	**68,051**	72,820
	21,242	**49,227**	**44,017**	**11,869**	**104,175**	**230,530**	281,959

	Residential mortgage	Consumer finance	Commercial real estate	Leveraged finance	Lease finance	Project finance	Structured finance	Loan	Bonds	Derivative	Cove amo
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
2009											
Financial institutions	**-**	**-**	**818**	**1,620**	**18**	**-**	**13,769**	**9,741**	**337**	**22,447**	**48**
Manufacturing	**-**	**-**	**-**	**5,906**	**120**	**6**	**6**	**9,782**	**48**	**1,011**	**16**
c Natural resources	**-**	**-**	**-**	**1,260**	**41**	**1,065**	**9**	**2,458**	**46**	**442**	**5**
Property	**-**	**-**	**30,636**	**1,810**	**564**	**298**	**486**	**9,058**	**53**	**4,915**	**47**
Retail and leisure	**-**	**-**	**616**	**3,510**	**40**	**142**	**369**	**7,819**	**74**	**1,599**	**14**
Services	**-**	**-**	**29**	**3,213**	**320**	**104**	**191**	**1,572**	**6**	**622**	**6**
TMT	**-**	**-**	**-**	**5,490**	**9**	**-**	**3**	**3,908**	**11**	**1,287**	**10**

Transport	**-**	**-**	**35**	**465**	**273**	**202**	**342**	**10,171**	**123**	**1,164**	**12**
Personal and SME	**14,205**	**53,261**	**3**	**2**	**144**	**-**	**-**	**433**	**-**	**3**	**68**
	14,205	**53,261**	**32,137**	**23,276**	**1,529**	**1,817**	**15,175**	**54,942**	**698**	**33,490**	**230**
2008											
Financial Institutions	-	-	638	4,196	28	138	17,288	15,478	514	25,747	64
Manufacturing	-	-	-	4,895	196	14	7	13,233	60	1,648	20
Natural resources	-	-	-	1,484	60	1,261	11	4,699	53	554	8
Property	-	-	38,467	2,188	876	388	550	12,289	128	5,331	60
Retail and leisure	-	-	679	4,067	63	151	443	10,417	165	1,990	17
Services	-	-	31	3,773	556	66	519	2,832	13	694	8
TMT	-	-	-	6,591	13	-	3	5,918	406	1,604	14
Transport	-	-	35	537	369	225	370	12,619	149	1,422	15
Personal and SME	15,427	54,543	-	3	277	-	-	2,492	75	3	72
	15,427	54,543	39,850	27,734	2,438	2,243	19,191	79,977	1,563	38,993	281

Appendix 3 Asset Protection Scheme

3. Covered assets (continued)

3.8 Geographical breakdown

The table below provides a geographical breakdown of covered assets, based on the country of domicile or incorporation of the obligor, and by HM Treasury asset class.

	Residential mortgage	Consumer finance	Commercial real estate	Leveraged finance	Lease finance	Project finance	Structured finance	Loan	Bonds	Derivative	Covere amoun
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£
2009											
United Kingdom	**10,102**	**46,027**	**15,285**	**8,406**	**997**	**167**	**2,433**	**15,879**	**53**	**8,379**	**107,72**
Western Europe	**3,971**	**6,814**	**12,080**	**9,448**	**485**	**904**	**2,963**	**21,273**	**105**	**2,369**	**60,41**

North America	**118**	**46**	**1,702**	**4,039**	**2**	**228**	**3,406**	**8,019**	**25**	**17,325**	**34,91**
Latin America	**1**	**282**	**2,042**	**476**	**17**	**40**	**5,628**	**2,593**	**7**	**4,068**	**15,15**
Other	**13**	**92**	**1,028**	**907**	**28**	**478**	**745**	**7,178**	**508**	**1,349**	**12,32**
	14,205	**53,261**	**32,137**	**23,276**	**1,529**	**1,817**	**15,175**	**54,942**	**698**	**33,490**	**230,53**
2008											
United Kingdom	10,799	46,459	20,127	9,617	1,537	264	2,778	21,050	115	10,074	122,82
Western Europe	4,468	7,654	13,848	11,685	845	1,004	4,226	31,461	370	3,231	78,79
North America	139	46	2,381	4,880	4	261	4,187	12,493	499	19,567	44,45
Latin America	1	287	2,201	601	19	45	6,550	4,365	18	4,486	18,57
Other	20	97	1,293	951	33	669	1,450	10,608	561	1,635	17,31
	15,427	54,543	39,850	27,734	2,438	2,243	19,191	79,977	1,563	38,993	281,95

3.9 Currency breakdown

	2009 **£m**	2008 £m
GBP	**107,731**	121,440
Euro	**56,586**	72,989
USD	**58,489**	77,298
AUD	**3,276**	3,981
JPY	**1,725**	2,157
Other	**2,723**	4,094
	230,530	281,959

This analysis by currency does not reflect any hedges that the Group may have in place.

Appendix 3 Asset Protection Scheme

3. Covered assets
(continued)

3.10 Risk elements in lending and potential problem loans
Risk elements in lending (REIL) and potential problem loans (PPL) for the Group and the amount relating to assets in the Scheme are set out below.

	2009		2008	
	Group	**APS**	Group	APS
	£m	**£m**	£m	£m
Non-performing loans	**31,811**	**22,335**	17,082	12,679
Other REIL	**3,178**	**2,092**	1,709	1,498
Total REIL	**34,989**	**24,427**	18,791	14,177
PPL	**924**	**580**	226	187
REIL and PPL	**35,913**	**25,007**	19,017	14,364
Core	**12,361**	**7,170**		
Non-Core	**23,552**	**17,837**		
REIL and PPL	**35,913**	**25,007**		

Key point

· Approximately 70% of the Group and 76% of Non-Core REIL and PPL loans are covered by the scheme.

3.11 Credit quality of loans

The table below analyses the credit quality of the Group's credit risk assets by risk bands and the proportion relating to assets in the Scheme.

		2009		**2008**	
Asset quality band	Probability of default	**Group**	**% relating to assets in scheme**	**Group**	**% relating to assets in scheme**
AQ1	0% - 0.034%	**95**	**2%**	127	3%
AQ2	0.034% - 0.048%	**12**	**9%**	26	16%
AQ3	0.048% - 0.095%	**29**	**7%**	38	17%
AQ4	0.095% - 0.381%	**97**	**12%**	150	15%
AQ5	0.381% - 1.076%	**130**	**24%**	148	28%

AQ6	1.076% - 2.153%	**95**	**28%**	103	36%
AQ7	2.153% - 6.089%	**55**	**37%**	46	52%
AQ8	6.089% - 17.222%	**23**	**44%**	26	46%
AQ9	17.222% - 100%	**15**	**66%**	12	69%
AQ10	100%	**38**	**76%**	18	72%
Other (1)		**41**	**5%**	41	8%
		630	**23%**	735	24%

Note:

(1) 'Other' largely comprises assets covered by the standardised approach for which a probability of default (PD) equivalent to those assigned to assets covered by the internal ratings based approach is not available.
Reverse repurchase agreements, carrying value relating to net derivative positions and debt securities are excluded from both Group numbers and APS covered assets above.

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: 25 February 2010

THE ROYAL BANK OF SCOTLAND GROUP plc (Registrant)

By: /s/ A N Taylor

Name: A N Taylor
Title: Head of Group Secretariat