



Q1 2018 Pillar 3 Supplement

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Presentation of information

- RBS's main risks are described in the Capital and risk management section and in the Risk factors section of the 2017 Annual Report and Accounts and the 2017 Pillar 3 Report; also refer to the glossary in both documents.
- The disclosures in this document complement those in the Q1 2018 Interim Management Statement: Business performance summary – Capital and leverage ratios.
- For basis of preparation and other aspects refer to Presentation of information on page 4 of the 2017 Pillar 3 Report.

Forward-looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, including (but not limited to) those related to RBS and its subsidiaries' regulatory capital position and requirements, financial position, future pension funding and contribution requirements, ongoing litigation and regulatory investigations, profitability and financial performance (including financial performance targets), structural reform and the implementation of the UK ring-fencing regime, the implementation of RBS's restructuring and transformation programme, impairment losses and credit exposures under certain specified scenarios, increasing competition from new incumbents and disruptive technologies and RBS's exposure to political risks, operational risk, conduct risk, cyber and IT risk and credit rating risk. In addition, forward-looking statements may include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as RBS's future economic results, business plans and current strategies. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations and general economic conditions. These and other factors, risks and uncertainties that may impact any forward-looking statement or RBS's actual results are discussed in RBS's UK 2017 Annual Report and Accounts (ARA) and materials filed with, or furnished to, the US Securities and Exchange Commission, including, but not limited to, RBS's most recent Annual Report on Form 20-F and Reports on Form 6-K. The forward-looking statements contained in this document speak only as of the date of this document and RBS does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise, except to the extent legally required.

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Capital requirements and leverage

KM1: BCBS 2 & EBA IFRS 9-FL: Key metrics – RBS

The table below reflects the key metrics template in the BCBS consolidated Pillar 3 framework and the EBA's IFRS 9 template for RBS. Capital and leverage ratios presented are based on end point CRR rules.

EBA			2018		2017			
BCBS2 IFRS			31 March	1 January	31 December	30 September	30 June	31 March
KM1	9 - FL	Capital - end point	£m	£m	£m	£m	£m	£m
1	1	Common equity tier 1 (CET1)	33,334	32,478	31,957	32,558	31,874	31,252
	2	Common equity tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	33,334	32,478	n/a	n/a	n/a	n/a
2	3	Tier 1	37,375	36,519	35,998	36,599	35,915	35,293
	4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	37,375	36,519	n/a	n/a	n/a	n/a
3	5	Total capital	43,756	43,284	42,763	43,440	43,022	42,663
	6	Total capital as if IFRS 9 transitional arrangements had not been applied	43,756	43,284	n/a	n/a	n/a	n/a
Risk-weighted assets (amounts)			£m	£m	£m	£m	£m	£m
4	7	Total risk-weighted assets (RWA)	202,700	200,824	200,923	210,643	215,422	221,732
	8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	202,700	200,824	n/a	n/a	n/a	n/a
Risk-based capital ratios as a percentage of RWA			%	%	%	%	%	%
5	9	Common equity tier 1 ratio	16.4	16.2	15.9	15.5	14.8	14.1
	10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.4	16.2	n/a	n/a	n/a	n/a
6	11	Tier 1 ratio	18.4	18.2	17.9	17.4	16.7	15.9
	12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.4	18.2	n/a	n/a	n/a	n/a
7	13	Total capital ratio	21.6	21.6	21.3	20.6	20.0	19.2
	14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	21.6	21.6	n/a	n/a	n/a	n/a
Additional CET1 buffer requirements as a percentage of RWA			%	%	%	%	%	%
8		Capital conservation buffer requirement (2.5% from 2019)	2.5	2.5	2.5	2.5	2.5	2.5
9		Countercyclical buffer requirement	—	—	—	—	—	—
10		Bank GSIB and/or DSIB additional requirements	1.0	1.0	1.0	1.0	1.0	1.0
11		Total of CET1 specific buffer requirements (8 + 9 + 10)	3.5	3.5	3.5	3.5	3.5	3.5
12		CET1 available after meeting the bank's minimum capital requirements	11.9	11.7	11.4	11.0	10.3	9.6
Leverage ratio			£m	£m	£m	£m	£m	£m
13	15	CRR leverage ratio exposure measure	693,181	679,767	679,120	691,401	701,795	700,716
		UK leverage ratio exposure measure	602,489	587,742	587,095	609,276	618,689	622,237
			%	%	%	%	%	%
14	16	CRR leverage ratio	5.4	5.4	5.3	5.3	5.1	5.0
	17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied	5.4	5.4	n/a	n/a	n/a	n/a
		UK leverage ratio	6.2	6.2	6.1	6.0	5.8	5.7
Liquidity coverage ratio			£m	£m	£m	£m	£m	£m
		Liquidity buffer	127,084	n/a	122,900	116,996	111,786	107,845
16		Total net cash outflows	87,640	n/a	87,600	87,460	87,872	88,929
17		LCR ratio (%)	145	140	140	134	127	122
Net stable funding ratio (NSFR)			%	%	%	%	%	%
20		Net stable funding ratio (1)	137	132	132	126	123	120

Note:

(1) In November 2016, the European Commission published its proposal for NSFR rules within the EU as part of its CRR2 package of regulatory reforms. CRR2 NSFR is expected to become the regulatory requirement in future within the EU and the UK. RBS has changed its policy on the NSFR to align with its interpretation of the CRR2 proposals with effect from 1 January 2018. The pro forma CRR2 NSFR at 31 December 2017 under CRR2 proposals is estimated to be 139%.

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EBA IFRS 9-FL: EBA Key metrics – significant subsidiaries

The table below shows key metrics as required by the EBA relating to IFRS 9 for RBS and its significant subsidiaries.

Capital measures are on a CRR transitional basis.

		31 March 2018			
		RBS	RBS plc	NWB Plc	UBI DAC
		£m	£m	£m	£m
Available capital (amounts) - transitional					
1	Common equity tier 1	33,334	14,541	13,208	4,030
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	33,334	14,541	13,208	4,030
3	Tier 1	40,899	16,348	13,208	4,030
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	40,899	16,348	13,208	4,030
5	Total capital	48,804	19,977	17,054	4,474
6	Total capital as if IFRS 9 transitional arrangements had not been applied	48,804	19,977	17,054	4,474
Risk-weighted assets (amounts)					
7	Total risk-weighted assets	202,700	111,604	62,735	16,714
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	202,700	111,604	62,735	16,714
Risk-based capital ratios as a percentage of RWA					
		%	%	%	%
9	Common equity tier 1 ratio	16.4	13.0	21.1	24.1
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.4	13.0	21.1	24.1
11	Tier 1 ratio	20.2	14.6	21.1	24.1
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.2	14.6	21.1	24.1
13	Total capital ratio	24.1	17.9	27.2	26.8
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.1	17.9	27.2	26.8

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CAP 1: Capital and leverage ratios – RBS and significant subsidiaries

Capital, RWAs and leverage on a PRA transitional basis for RBS and its significant subsidiaries (Central Bank of Ireland basis for UBI DAC) are set out below. End point metrics and measures are also included for RBS. The key driver of the movements in RBS plc and NWB Plc was the annual phasing-in of the CRR transition rules relating to the capital deduction for significant investment in financial institutions. At 31 March 2018, 90% was treated as capital deduction and 10% as RWAs compared with 80% and 20% respectively at 31 December 2017.

	31 March 2018				31 December 2017			
	RBS	RBS plc	NWB Plc	UBI DAC	RBS	RBS plc	NWB Plc	UBI DAC
	%	%	%	%	%	%	%	%
Capital adequacy ratios - transitional (1)								
CET1	16.4	13.0	21.1	24.1	15.9	14.7	23.5	31.2
Tier 1	20.2	14.6	21.1	24.1	19.7	16.1	23.5	31.2
Total	24.1	17.9	27.2	26.8	23.9	18.7	30.9	33.8
Capital adequacy ratios - end point								
CET1	16.4				15.9			
Tier 1	18.4				17.9			
Total	21.6				21.3			
Capital - transitional								
	£m	£m	£m	£m	£m	£m	£m	£m
CET1	33,334	14,541	13,208	4,030	31,957	20,169	13,301	5,481
Tier 1	40,899	16,348	13,208	4,030	39,554	21,966	13,301	5,481
Total	48,804	19,977	17,054	4,474	47,931	25,600	17,536	5,941
Capital - end point								
CET1	33,334				31,957			
Tier 1	37,375				35,998			
Total	43,756				42,763			
RWAs								
Credit risk (including counterparty risk)								
- non-counterparty	145,416	67,031	52,909	15,422	144,676	94,259	48,575	16,079
- counterparty	15,257	14,824	251	293	15,395	13,691	266	321
Market risk	19,636	18,232	138	62	17,012	15,809	136	68
Operational risk	22,391	11,517	9,437	937	23,840	13,052	7,724	1,101
	202,700	111,604	62,735	16,714	200,923	136,811	56,701	17,569
CRR leverage - transitional (2)								
Tier 1 capital	40,899	16,348	13,208	4,030	39,554	21,966	13,301	5,481
Exposure	693,181	370,984	235,793	25,611	679,120	390,055	213,474	27,857
Leverage ratio (%)	5.9	4.4	5.6	15.7	5.8	5.6	6.2	19.7
CRR leverage - end point								
Tier 1 capital	37,375				35,998			
Exposure	693,181				679,120			
Leverage ratio (%)	5.4				5.3			
Average Tier 1 capital	36,782				36,360			
Average exposure (4)	719,571				692,507			
Average leverage ratio (%)	5.1				5.3			
UK leverage - end point (3)								
Tier 1 capital	37,375				35,998			
Exposure	602,489				587,095			
Leverage ratio (%)	6.2				6.1			
Average Tier 1 capital	36,782				36,360			
Average exposure (4)	632,418				602,984			
Average leverage ratio (%)	5.8				6.0			
UK GSIB leverage								
Tier 1 capital (£m)	1,582				1,027			

Notes:

- (1) CRR end-point for UK banks set by the PRA is 10.50% minimum total capital ratio, with a minimum CET1 ratio of 7.00%. The UK countercyclical capital buffer is currently 0.00%; in June 2017 the Financial Policy Committee (FPC) increased the rate to 0.5% effective June 2018; subsequently in November 2017 the FPC announced a further increase to 1.0% effective November 2018. These minimum ratios exclude the GSIB buffer and any bank specific buffers, including Pillar 2A and PRA buffer. The Central Bank of Ireland (CBI) has set a minimum total capital ratio of 10.50% with a minimum CET1 ratio of 7.00%; the countercyclical buffer is currently 0.00%.
- (2) Leverage exposure is broadly aligned to the accounting value of on and off-balance sheet exposures albeit subject to specific adjustments for derivatives, securities financing transactions and off-balance sheet exposures.
- (3) The PRA minimum leverage ratio requirement is supplemented with a G-SII additional leverage ratio buffer rate, currently 0.2625% under transitional arrangements (2017 – 0.175%) increasing to 0.525% at the end point.
- (4) Based on the daily average of on-balance sheet items and three month-end average of off-balance sheet items (2017 - three month-end average of both on and off-balance sheet items).

CAP 1: Capital and leverage ratios - RBS and significant subsidiaries continued

RBS

- The CET1 ratio increased by 50 basis points to 16.4% as a result of the £792 million attributable profit and the 30 basis point impact at 1 January 2018 on the implementation of IFRS 9.
- RWAs increased by £1.8 billion driven by increases in market risk (£2.6 billion) and credit risk, excluding counterparty credit risk, (£0.7 billion) partly offset by a decrease in operational risk following the annual recalculation (£1.4 billion). The market risk increase primarily reflects higher interest rate sensitivities in NatWest Markets. Revisions to the LGD models for both the mid-corporate and quasi-government portfolios have offset reductions in exposures, resulting in an overall increase to credit risk RWAs.
- The CRR end-point leverage ratio increased marginally to 5.4%. The UK leverage ratio improved from 6.1% to 6.2%, reflecting higher central bank balances that are excluded from the UK framework.
- Average leverage ratios, both CRR and UK, were lower than the period end ratios, reflecting increased trading and market-making activities in NatWest Markets following significant reduction prior to 2017 year end. Funded assets in NatWest Markets increased by £16.5 billion to £135.2 billion in the quarter.
- The Basel I floor minimum capital requirement no longer applies with effect from 1 January 2018.

RBS plc

- The CET1 ratio decreased by 170 basis points to 13.0%.
- The impact of the annual phasing in of the CRR end-point rules (refer to page 4 for more details) relating to significant investments was a reduction of 250 basis points in the CET 1 ratio. The impact was partially offset by attributable profit of £137 million in the quarter.
- RWAs decreased by £25.2 billion to £111.6 billion, mainly as a result of the CRR phase-in relating to significant investments which reduced standardised credit risk RWAs by £24.3 billion.
- The leverage ratio on a PRA transitional basis was adversely impacted by lower CET1 capital.

NWB Plc

- The CET1 ratio decreased by 240 basis points to 21.1%, mainly due to increased RWAs.
- RWAs increased by £6.0 billion due to higher exposures in Commercial Banking reflecting transfers from RBS plc, revisions to the LGD models and the annual recalculation of operational risk, partly offset by phasing-in of CRR end-point rules relating to significant investments which reduced standardised credit risk RWAs by £1.0 billion.
- The leverage ratio on a PRA transitional basis was adversely impacted by lower CET1 capital.

UBI DAC

- The CET1 ratio decreased to 24.1% following capital repatriation as part of ring-fencing implementation in January 2018.
- RWAs decreased by £0.9 billion mainly due to exposure reductions, including the tracker mortgage book.
- The leverage ratio decreased as a result of the capital repatriation exercise.

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CAP 2: Capital resources – RBS and significant subsidiaries

Capital resources based on the relevant local regulatory capital transitional arrangements for the significant legal entities within RBS are set out below.

Capital	31 March 2018				31 December 2017			
	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m
Tangible equity	35,644	44,879	14,782	4,242	35,164	44,522	14,865	5,684
Expected loss less impairment provisions	(708)	(402)	(228)	(73)	(1,286)	(579)	(511)	(133)
Prudential valuation adjustment	(555)	(520)	(2)	—	(496)	(471)	(1)	—
Deferred tax assets	(825)	(26)	(538)	(256)	(849)	(50)	(537)	(259)
Own credit adjustments	(166)	(55)	—	(1)	(90)	10	—	(1)
Pension fund assets	(299)	(196)	(11)	(48)	(287)	(196)	(11)	(49)
Significant investment in financial institutions	—	(28,817)	(708)	—	—	(22,539)	(456)	—
Cash flow hedging reserve	204	221	—	—	(227)	49	—	—
Other adjustments for regulatory purposes	39	(543)	(87)	166	28	(577)	(48)	239
Total deductions	(2,310)	(30,338)	(1,574)	(212)	(3,207)	(24,353)	(1,564)	(203)
CET1 capital	33,334	14,541	13,208	4,030	31,957	20,169	13,301	5,481
AT1 capital before regulatory adjustments	7,565	1,807	117	—	7,597	1,877	140	(13)
Regulatory adjustments to AT1 capital	—	—	(117)	—	—	(80)	(140)	13
AT1 capital	7,565	1,807	—	—	7,597	1,797	—	—
Tier 1 capital	40,899	16,348	13,208	4,030	39,554	21,966	13,301	5,481
Tier 2 capital before regulatory adjustments	7,905	4,068	4,140	444	8,377	4,353	4,412	473
Regulatory adjustments to Tier 2 capital	—	(439)	(294)	—	—	(719)	(177)	(13)
Tier 2 capital	7,905	3,629	3,846	444	8,377	3,634	4,235	460
Total regulatory capital	48,804	19,977	17,054	4,474	47,931	25,600	17,536	5,941

CAP 3: Leverage exposure summary - RBS and significant subsidiaries

Leverage exposure based on the relevant local regulatory capital transitional arrangements are set out below.

Leverage exposure	31 March 2018				31 December 2017			
	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m
Cash and balances at central banks	95,376	44,080	49,825	167	98,337	61,625	34,763	286
Derivatives	149,859	153,008	2,086	463	160,843	164,179	2,277	517
Loans and advances	334,743	153,731	206,803	21,407	339,438	154,953	216,467	23,065
Reverse repos	37,886	27,080	—	316	40,732	34,224	—	764
Other assets	120,645	131,985	6,135	2,307	98,706	110,908	6,210	2,217
Total assets	738,509	509,884	264,849	24,660	738,056	525,889	259,717	26,849
Derivatives								
- netting and variation margin	(148,673)	(150,884)	(1,544)	(55)	(161,653)	(164,101)	(1,696)	(76)
- potential future exposures	48,085	50,313	276	238	49,429	51,654	287	255
Securities financing transactions gross up	2,681	2,921	—	—	2,262	2,958	—	—
Undrawn commitments	52,528	26,288	16,334	992	53,062	33,714	10,466	1,066
Regulatory deductions and other adjustments	51	(29,856)	(2,183)	(224)	(2,036)	(24,372)	(2,188)	(237)
Exclusion of core UK-group exposures	—	(37,682)	(41,939)	—	—	(35,687)	(53,112)	—
CRR leverage exposure	693,181	370,984	235,793	25,611	679,120	390,055	213,474	27,857
Claims on central banks	(90,692)				(92,025)			
UK leverage exposure	602,489				587,095			

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EU OV1: RWAs and MCR summary – RBS and significant subsidiaries

The table below summarises RWAs and minimum capital requirements (MCR) by risk type for RBS and its significant subsidiaries. MCR is calculated as 8% of RWAs.

	RBS		RBS plc		NWB Plc		UBI DAC	
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
31 March 2018 ⁽¹⁾								
1 Credit risk (excluding counterparty credit risk)	141,001	11,281	61,808	4,945	46,865	3,750	15,410	1,233
2 <i>Standardised (STD) approach</i>	21,645	1,732	17,974	1,438	2,494	200	818	65
4 <i>Advanced IRB approach ⁽²⁾</i>	118,151	9,453	43,817	3,506	44,371	3,550	14,592	1,168
5 <i>Equity IRB under the simple risk-weight or the internal model approach (IMA)</i>	1,205	96	17	1	—	—	—	—
6 Counterparty credit risk (CCR)	14,791	1,183	14,555	1,164	251	20	293	23
6a <i>of which: securities financing transactions</i>	3,092	247	2,458	197	35	3	179	14
7 <i>of which: marked to market</i>	1,804	144	998	80	—	—	1	—
10 <i>of which: internal model method (IMM)</i>	7,353	589	8,672	693	216	17	112	9
11 <i>of which: risk exposure amount for contributions to the default fund of a CCP</i>	62	5	53	4	—	—	—	—
12 <i>of which: CVA</i>	2,480	198	2,374	190	—	—	1	—
13 Settlement risk	—	—	—	—	—	—	—	—
14 Securitisation exposures in banking book	2,678	214	1,286	103	1,151	92	—	—
15 <i>IRB approach</i>	2,664	213	1,272	102	1,151	92	—	—
17 <i>Internal assessment approach</i>	14	1	14	1	—	—	—	—
19 Market risk	19,636	1,571	18,232	1,459	138	11	62	5
20 <i>STD approach</i>	2,679	214	1,585	127	136	11	62	5
21 <i>IMA</i>	16,957	1,357	16,647	1,332	2	—	—	—
23 Operational risk - STD approach	22,391	1,791	11,517	921	9,437	755	937	75
27 Amounts below the thresholds for deduction (subject to 250% risk-weight)	2,203	176	4,206	336	4,893	391	12	1
29 Total	202,700	16,216	111,604	8,928	62,735	5,019	16,714	1,337
31 December 2017 ⁽¹⁾								
1 Credit risk (excluding counterparty credit risk)	140,003	11,200	89,140	7,131	42,726	3,418	16,067	1,286
2 <i>STD approach</i>	22,099	1,768	43,111	3,449	3,055	244	714	57
4 <i>Advanced IRB approach ⁽²⁾</i>	116,695	9,335	46,012	3,681	39,671	3,174	15,353	1,229
5 <i>Equity IRB under the simple risk-weight or the IMA</i>	1,209	97	17	1	—	—	—	—
6 Counterparty credit risk (CCR)	14,842	1,187	13,393	1,071	266	22	321	26
6a <i>of which: securities financing transactions</i>	1,476	118	786	63	—	—	4	—
7 <i>of which: marked to market</i>	3,159	253	2,387	191	33	3	191	16
10 <i>of which: internal model method (IMM)</i>	7,590	607	7,753	619	232	19	123	10
11 <i>of which: risk exposure amounts for contributions to the default fund of a CCP</i>	61	5	58	5	—	—	—	—
12 <i>of which: CVA</i>	2,556	204	2,409	193	1	—	3	—
13 Settlement risk	21	2	21	2	—	—	—	—
14 Securitisation exposures in banking book	2,830	227	1,431	115	1,080	86	—	—
15 <i>IRB approach</i>	2,819	226	1,420	114	1,080	86	—	—
17 <i>Internal assessment approach</i>	11	1	11	1	—	—	—	—
19 Market risk	17,012	1,361	15,809	1,265	136	11	68	5
20 <i>STD approach</i>	2,994	240	2,090	167	134	11	68	5
21 <i>IMA</i>	14,018	1,121	13,719	1,098	2	—	—	—
23 Operational risk - STD approach	23,840	1,907	13,052	1,044	7,724	618	1,101	88
27 Amounts below the thresholds for deduction (subject to 250% risk-weight)	2,375	190	3,965	317	4,769	381	12	1
28 Floor adjustment ⁽³⁾	—	1,981	—	—	—	2,092	—	—
29 Total	200,923	18,055	136,811	10,945	56,701	6,628	17,569	1,406

Notes:

- (1) RWA approaches not used by RBS, such as Credit risk Foundation IRB, Counterparty credit risk original exposure and STP approach, Securitisation IRB supervisory formula and STD approaches and Operational risk basic indicator and AMA approaches are not included in this table.
(2) Of which £785 million RWAs (31 December 2017 - £752 million) relates to equity IRB under the PD/LGD approach.
(3) The Basel I floor adjustment represents the additional capital requirement when comparing the Basel III Pillar 1 approach (sum of capital requirements from individual risk types) to the Basel I floor (calculated as 80% of Basel I capital requirement adjusted for excess expected loss).

Refer to the commentary following CAP 1 for explanations relating to RWA movements for RBS and its significant subsidiaries. This commentary is based on credit and counterparty credit risk as managed internally within RBS whereby securitisations, thresholds and CVA are included within credit and counterparty credit risk as relevant. OV1_a provides a bridge between the two RWA approaches. Refer also to the commentary relating to RWA flow statements EU CR8, EU CCR7 and EU MR 2_B for individual components in OV1_a.

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OV1_a: Bridge between EU OV1 and credit risk RWAs

The table below provides a bridge between the EU OV1 RWA summary, the RWA categorisation used by RBS for capital management, and detailed tables within this report. The principal reasons for the presentational differences relate to securitisations, thresholds and CVA.

	RWAs	
	31 March 2018 £m	31 December 2017 £m
Credit risk excluding counterparty credit risk (EU OV1 row 1)	141,001	140,003
Securitisations (banking book only)	2,212	2,298
Threshold (EU OV1 row 27)	2,203	2,375
Credit risk including securitisations (EU CR8)	145,416	144,676
Counterparty risk total (EU OV1 row 6)	14,791	14,842
Less: CVA capital charge (EU OV1 row 12)	(2,480)	(2,556)
Settlement risk (EU OV1 row 13)	—	21
Securitisations (banking book only)	466	532
Counterparty risk (EU CCR7 row 9)	12,777	12,839
Total STD (EU OV1 row 2)	21,645	22,099
Threshold (EU OV1 row 27)	2,203	2,375
Total STD credit risk (EU CR8)	23,848	24,474
Total AIRB credit risk (EU OV1 row 4)	118,151	116,695
Equity (EU OV1 row 5)	1,205	1,209
Securitisations in credit risk (subset of EU OV1)	2,212	2,298
Total AIRB credit risk (EU CR8)	121,568	120,202

RWA and MCR movement tables

EU CR8: IRB and STD: Credit risk RWAs and MCR flow statement

The table below presents the drivers of movements in credit risk RWAs and MCR. RWAs include securitisations, deferred tax assets and significant investments to align with the capital management approaches of RBS and its segments. There were no methodology or policy changes in Q1 2018. Additionally there were no acquisitions or disposals of subsidiaries during the quarter.

	a			b
	RWAs			MCR
	IRB £m	STD £m	Total RWAs £m	£m
1 1 January 2018	120,202	24,474	144,676	11,574
IFRS 9 impact	—	(99)	(99)	(8)
Opening position post IFRS 9 impact	120,202	24,375	144,577	11,566
2 Asset size (1)	(1,818)	(279)	(2,097)	(168)
3 Asset quality (2)	(719)	28	(691)	(55)
4 Model updates (3)	4,626	—	4,626	370
7 Foreign exchange movements (4)	(723)	(276)	(999)	(80)
9 31 March 2018	121,568	23,848	145,416	11,633

Notes:

- (1) Organic changes in book size and composition (including the origination of new business and maturing loans) and changes due to acquisitions and disposals of portfolios and exposures.
- (2) Changes in the assessed quality of assets due to changes in borrower risk, such as rating grade migration or similar effects.
- (3) Updates to the model to reflect recent experience or changes to model scope.
- (4) Changes arising from foreign currency retranslation movements.

Key points

- The increase in RWAs mainly reflected revisions to LGD models for both the UK mid-corporate and quasi-government portfolios.
- This was partly offset by reductions in RWAs due to regular model re-calibration in certain retail portfolios, mainly mortgages.
- Over the period, sterling strengthened against the US dollar, the euro and the Saudi riyal, which also offset the overall increase.
- In addition, there was a reduction in asset size due to repayments and limit reductions.

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EU CCR7: CCR: IMM and Non-IMM: Counterparty credit risk RWAs and MCR flow statement

The table below presents the drivers of movements in counterparty credit risk RWAs and MCR (excluding CVA and exposures cleared through a central counterparty). There were no IMM methodology or policy changes or any IMM model updates in Q1 2018. Additionally there were no acquisitions or disposals of subsidiaries during the quarter.

	a RWAs			b MCR		
	IMM £m	Non-IMM £m	Total £m	IMM £m	Non-IMM £m	Total £m
1 1 January 2018	7,709	5,130	12,839	617	410	1,027
2 Asset size (1)	(128)	297	169	(10)	24	14
3 Credit quality of counterparties (2)	—	(70)	(70)	—	(6)	(6)
7 Foreign exchange movements (3)	(116)	(45)	(161)	(9)	(4)	(13)
9 31 March 2018	7,465	5,312	12,777	598	424	1,022

Notes:

- (1) Organic changes in book size and composition (including the origination of new business) and changes due to acquisitions and disposal of portfolios and exposures.
- (2) Changes in the assessed quality of counterparties as measured under RBS's credit risk framework, including changes due to IRB models. Changes due to IMM model changes are presented separately when relevant.
- (3) Changes arising from foreign currency retranslation movements.

Key points

- Total RWAs were broadly unchanged over the quarter.
- A rise in asset size – chiefly reflecting increased trading activity in securities financing transactions – was partly offset by sterling strengthening against the US dollar and, less so, against the euro.

EU MR2_B: MR IMA and STD: Market risk RWAs and MCR flow statement

The table below presents the drivers of movements in market risk RWAs and MCR. There were no IMA methodology or any policy changes or any IMA model updates in Q1 2018. Additionally there were no acquisitions or disposals of subsidiaries during the quarter. Changes in market risk arising from foreign currency retranslation are included within 'Movement in risk levels' as they are managed together with portfolio changes.

	IMA RWAs (1)						STD		Total	
	a	b	c	e	f	g	RWAs £m	MCR £m	RWAs £m	MCR £m
	VaR £m	SVaR £m	IRC £m	Other (RNIV) £m	Total £m	MCR £m				
1 At 1 January 2018	2,769	4,990	3,715	2,544	14,018	1,121	2,994	240	17,012	1,361
2 Movement in risk levels (2)	717	2,892	(567)	(103)	2,939	235	(315)	(25)	2,624	210
8 At 31 March 2018	3,486	7,882	3,148	2,441	16,957	1,356	2,679	215	19,636	1,571

Notes:

- (1) RBS does not use the Comprehensive risk measure to calculate market risk RWAs.
- (2) Due to position changes.

Key points

- The increase in total market risk RWAs over the quarter was driven by exposures under the internal model approach, notably increases in the VaR and SVaR-based requirements, partly offset by a decrease in the incremental risk charge.
- The VaR and SVaR increases chiefly reflected higher interest rate sensitivities in NatWest Markets.
- The lower incremental risk charge largely reflected a reduction in eurozone government bond positions.
- The decrease in RWAs associated with exposures under the standardised approach was mainly driven by disposals and expiries in trading book securitisations and a lower banking book foreign exchange charge.