

Q3 2019
Pillar 3 Supplement
NatWest Holdings Group

Pillar 3 Supplement Q3 2019

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Forward-looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that 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 NatWest Holdings Limited (NWH) and its parent The Royal Bank of Scotland plc (RBSG's or RBSG plc) future economic results, business plans and current strategies. In particular, this document may include forward-looking statements relating to NWH (or RBSG) in respect of, but not limited to: its regulatory capital position and related requirements, its financial position, profitability and financial performance (including financial, capital and operational targets), its access to adequate sources of liquidity and funding, increasing competition from new incumbents and disruptive technologies, its exposure to third party risks, its ongoing compliance with the UK ring-fencing regime and ensuring operational continuity in resolution, its impairment losses and credit exposures under certain specified scenarios, substantial regulation and oversight, ongoing legal, regulatory and governmental actions and investigations, LIBOR, EURIBOR and other benchmark reform and its exposure to economic and political risks (including with respect to Brexit and climate change), operational risk, conduct risk, cyber and IT risk, key person risk and credit rating risk. 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, the final number of PPI claims and their amounts, 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 NWH's and RBSG's actual results are discussed in RBSG's UK 2018 Annual Report and Accounts (ARA), RBSG's Interim Results for H1 2019 and materials filed with, or furnished to, the US Securities and Exchange Commission, including, but not limited to, RBSG'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 RBSG and NWH do 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.

Presentation of information

- The UK ring-fencing legislation required the separation of essential banking services from investment banking services from 1 January 2019. The Royal Bank of Scotland Group plc and its subsidiaries (RBS) has placed the majority of the banking business in ring-fenced entities under an intermediate holding company, NatWest Holdings Limited (NWH). Therefore, in this report, consolidated disclosures for NWH and its subsidiaries (together NWHG) are presented from 31 March 2019 onwards.
- The Pillar 3 disclosures made by NWHG are designed to comply with the Capital Requirements Regulation (CRR). NWHG's significant subsidiaries at 30 September 2019, based on 5% of RBS consolidated risk-weighted assets (RWAs), are:
 - National Westminster Bank Plc (NWB Plc)
 - Royal Bank of Scotland plc (RBS plc)
 - Ulster Bank Ireland Designated Activity Company (UBI DAC)
- For the basis of preparation and disclosure framework, refer to RBS's 2018 Pillar 3 Report. Refer to the glossary on RBS.com and in RBS's 2018 Pillar 3 Report for explanations of the terms used.
- Within this supplement the row and column references are based on those prescribed in the EBA templates. Any rows or columns which are not applicable or do not have a value have not been shown.

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Capital, liquidity and funding

CAP 1: CAP and LR: Capital and leverage ratios – NWHG and significant subsidiaries

Capital, RWAs and leverage on a PRA transitional basis for NWHG and its significant subsidiaries (Central Bank of Ireland basis for UBI DAC) are set out below. The capital and RWA measures are on an end-point basis for the significant investment in financial institutions capital deduction at 30 September 2019 compared with 90% capital deduction and 10% RWAs at 31 December 2018. There continues to be CRR transition applied to grandfathered capital instruments.

	30 September 2019				31 December 2018		
	NWHG %	NWB Plc %	RBS plc %	UBI DAC %	NWB Plc %	RBS plc %	UBI DAC %
Capital adequacy ratios – transitional (1)							
CET1	15.2	15.6	14.0	30.2	17.4	13.2	27.5
Tier 1	17.9	18.2	17.2	30.2	20.4	16.0	27.5
Total	21.0	20.9	22.1	32.8	24.5	20.2	30.4
Capital adequacy ratios – end point							
CET1	15.2						
Tier 1	17.8						
Total	20.6						
Capital – transitional							
	£m	£m	£m	£m	£m	£m	£m
CET1	21,167	12,758	4,296	3,963	13,138	4,569	3,996
Tier 1	24,931	14,953	5,265	3,963	15,389	5,538	3,996
Total	29,284	17,152	6,768	4,303	18,490	6,984	4,414
Capital – end point							
CET1	21,167						
Tier 1	24,843						
Total	28,796						
RWAs							
Credit risk	118,778	68,657	24,862	11,889	63,548	28,683	13,387
Counterparty credit risk	1,050	603	—	179	325	—	122
Market risk	159	7	7	133	50	23	47
Operational risk	19,590	12,669	5,714	934	11,660	5,819	958
	139,577	81,936	30,583	13,135	75,583	34,525	14,514
CRR leverage – transitional							
Tier 1 capital	24,931	14,953	5,265	3,963	15,389	5,538	3,996
Exposure	450,318	299,425	92,553	27,613	295,483	98,264	27,259
Leverage ratio (%)	5.5	5.0	5.7	14.4	5.2	5.6	14.7
CRR leverage – end point							
Tier 1 capital	24,843						
Exposure	450,318						
Leverage ratio (%)	5.5						
UK leverage – end point							
Tier 1 capital	24,843						
Exposure	393,992						
Leverage ratio (%)	6.3						
Average tier 1 capital	25,178						
Average exposure (2)	395,347						
Average leverage ratio (%)	6.4						
Systemic risk leverage buffer (3)							
	2,068						
Countercyclical leverage ratio buffer (3)							
	1,275						

Notes:

- (1) The NWHG total capital requirement (TCR) as set by the PRA is 11.6%. The TCR is the sum of Pillar 1 and Pillar 2A and does not include any capital buffers.
- (2) Based on the three month-end average of on and off-balance sheet items.
- (3) The PRA minimum leverage ratio requirement is supplemented with a global-systemically important institution (G-SII) additional leverage ratio buffer rate, currently 0.35% (31 December 2018 – 0.2625%) and countercyclical leverage ratio buffer of 0.3237%.

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

The table below reflects the key metrics template in the BCBS consolidated Pillar 3 framework and the EBA's IFRS 9 template. NWHG has selected to take advantage of the transitional capital rules in respect of expected credit losses. This has a negligible effect on CET1 and would mitigate the impact on capital in adverse conditions. The transitional rules reduce the full CET1 effect by 95%, 85%, 70%, 50% and 25% in each of the first five years of IFRS 9 adoption. The capital and leverage ratios presented are based on end point CRR rules.

BCBS2 KM1	EBA IFRS 9 - FL	Capital	30 September	30 June	31 March
			2019	2019	2019
			£m	£m	£m
1	1	Common equity tier 1	21,167	21,390	22,269
1a	2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	21,167	21,390	22,269
2	3	Tier 1 capital	24,843	25,066	25,945
2a	4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	24,843	25,066	25,945
3	5	Total capital	28,796	28,892	29,679
3a	6	Total capital as if IFRS 9 transitional arrangements had not been applied	28,796	28,892	29,679
Risk-weighted assets					
4	7	Total risk-weighted assets	139,577	140,571	140,029
4a	8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	139,577	140,571	140,029
Risk-based capital ratios as a percentage of RWAs			%	%	%
5	9	Common equity tier 1 ratio	15.2	15.2	15.9
5a	10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.2	15.2	15.9
6	11	Tier 1 ratio	17.8	17.8	18.5
6a	12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.8	17.8	18.5
7	13	Total capital ratio	20.6	20.6	21.2
7a	14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	20.6	20.6	21.2
Additional CET1 buffer requirements as a percentage of RWAs					
8		Capital conservation buffer requirement	2.5	2.5	2.5
9		Countercyclical buffer requirement (1)	0.9	0.8	0.8
10		Bank G-SIB and/or D-SIB additional requirements (2)	1.5	—	—
11		Total of CET1 specific buffer requirements (8 + 9 + 10)	4.9	3.3	3.3
12		CET1 available after meeting the bank's minimum capital requirements (3)	10.7	10.7	11.4
Leverage ratio			£m	£m	£m
13	15	CRR leverage ratio exposure measure	450,318	448,004	445,810
		UK leverage ratio exposure measure	393,992	390,028	387,768
			%	%	%
14	16	CRR leverage ratio	5.5	5.6	5.8
14a	17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied	5.5	5.6	5.8
		UK leverage ratio	6.3	6.4	6.7
Liquidity coverage ratio			£m	£m	£m
15		Total high-quality liquid assets	100,457	99,472	98,543
16		Total net cash outflows	71,326	70,953	71,563
17		LCR ratio (%) (4)	141	140	138
Net stable funding ratio (NSFR)					
18		Total available stable funding	314,935	313,007	303,479
19		Total required stable funding	229,402	226,121	227,385
20		NSFR (%) (5)	137	138	133

Notes:

- (1) The institution specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures. The Financial Policy Committee sets the UK countercyclical capital buffer, which is currently 1.0% (effective November 2018). The Republic of Ireland countercyclical capital buffer is currently 1.0% (effective July 2019).
- (2) NWH is subject to a Systemic Risk Buffer of 1.5% effective from 1 August 2019. Where the Systemic Risk Buffer is greater than the G-SII buffer, the PRA may require the consolidated group to hold a higher level of capital through the PRA buffer and Leverage Ratio Group add-on.
- (3) This represents the CET1 ratio less the CRR minimum of 4.5%.
- (4) The liquidity coverage ratio (LCR) uses the simple average of the preceding monthly periods ending on the quarterly reporting date as specified in the table which will incrementally increase each quarter as history builds.
- (5) NSFR is reported in line with CRR2 regulations finalised in June 2019.

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Key points

Capital and leverage

NWHG – 30 September 2019 compared with 30 June 2019

- The CET1 ratio remained at 15.2%.
- RWAs decreased by £1.0 billion. This was primarily driven by a £0.8 billion reduction in credit risk driven by PD calibration and risk parameter improvements, primarily driven by UBI DAC.
- The leverage ratio decreased to 5.5% due to the reduction in capital and the increase in balance sheet exposures. These factors also caused the decrease in the average UK leverage ratio to 6.4%.

NWB Plc – 30 September 2019 compared with 31 December 2018

- The CET1 ratio decreased to 15.6% from 17.4% primarily due to a £6.4 billion increase in RWAs. CET1 reflects the attributable profit offset by dividend paid to the entity's parent and the impact of IFRS 16 for leases.
- NWB Plc redeemed £0.7 billion internal Tier 2 Notes in March 2019.
- RWAs increased by £6.4 billion primarily due to the credit risk increase of £5.1 billion. This was driven by increased asset size due to lending growth, the uplift due to the adoption of IFRS 16 Leases from 1 January 2019 and the transfer in of lending portfolios from RBS plc. Counterparty credit risk RWAs increased by £0.3 billion primarily due to increased exposures. There was a £1.0 billion increase in operational risk RWAs due to the annual recalculation.
- The leverage ratio has decreased to 5.0% due to the reduction in capital and the increase in balance sheet exposures.

RBS plc – 30 September 2019 compared with 31 December 2018

- The CET1 ratio increased to 14.0% from 13.2% reflecting attributable profit offset by dividend paid to the entity's parent and a decrease in RWAs of £3.9 billion.
- The decrease in RWAs was primarily due to reduced asset size driven by repayments and the transfer-out of lending portfolios to NWB Plc.
- The leverage ratio increased to 5.7% predominantly due to decreased leverage exposure driven by undrawn commitments.

UBI DAC – 30 September 2019 compared with 31 December 2018

- The CET1 ratio increased to 30.2% from 27.5% as a result of a decrease in credit risk RWAs.
- RWAs decreased by £1.4 billion primarily due to asset quality improvements.
- The leverage ratio decreased to 14.4% driven by the increase in balance sheet exposure.

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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 NWHG and its significant subsidiaries. NWHG has elected to take advantage of the transitional capital rules in respect of expected credit losses. This has a negligible effect on CET1, and would mitigate the impact on capital in adverse conditions. The transitional rules reduce the full CET1 effect by 95%, 85%, 70%, 50% and 25% in each of the first five years of IFRS 9 adoption. Capital measures are on a CRR transitional basis.

	30 September 2019			
	NWHG £m	NWB Plc £m	RBS plc £m	UBI DAC £m
Available capital – transitional				
1 Common equity tier 1	21,167	12,758	4,296	3,963
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	21,167	12,758	4,296	3,963
3 Tier 1 capital	24,931	14,953	5,265	3,963
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	24,931	14,953	5,265	3,963
5 Total capital	29,284	17,152	6,768	4,303
6 Total capital as if IFRS 9 transitional arrangements had not been applied	29,284	17,152	6,768	4,303
Risk-weighted assets				
7 Total risk-weighted assets	139,577	81,936	30,583	13,135
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	139,577	81,936	30,583	13,135
Risk-based capital ratios as a percentage of RWAs				
	%	%	%	%
9 Common equity tier 1 ratio	15.2	15.6	14.0	30.2
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.2	15.6	14.0	30.2
11 Tier 1 ratio	17.9	18.2	17.2	30.2
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.9	18.2	17.2	30.2
13 Total capital ratio	21.0	20.9	22.1	32.8
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	21.0	20.9	22.1	32.8
Leverage ratio				
15 CRR leverage ratio exposure measure (£m)	450,318	299,425	92,553	27,613
16 CRR leverage ratio (%)	5.5	5.0	5.7	14.4
17 CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.5	5.0	5.7	14.4

	30 June 2019			
	NWHG £m	NWB Plc £m	RBS plc £m	UBI DAC £m
Available capital – transitional				
1 Common equity tier 1	21,390	12,985	4,351	3,941
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	21,390	12,985	4,351	3,941
3 Tier 1 capital	25,154	15,180	5,320	3,941
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	25,154	15,180	5,320	3,941
5 Total capital	29,381	17,406	6,775	4,309
6 Total capital as if IFRS 9 transitional arrangements had not been applied	29,381	17,406	6,775	4,309
Risk-weighted assets				
7 Total risk-weighted assets	140,571	80,919	31,619	13,947
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	140,571	80,919	31,619	13,947
Risk-based capital ratios as a percentage of RWAs				
	%	%	%	%
9 Common equity tier 1 ratio	15.2	16.0	13.8	28.3
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.2	16.0	13.8	28.3
11 Tier 1 ratio	17.9	18.8	16.8	28.3
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.9	18.8	16.8	28.3
13 Total capital ratio	20.9	21.5	21.4	30.9
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	20.9	21.5	21.4	30.9
Leverage ratio				
15 CRR leverage ratio exposure measure (£m)	448,004	297,016	93,148	27,988
16 CRR leverage ratio (%)	5.6	5.1	5.7	14.1
17 CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.6	5.1	5.7	14.1

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

	31 March 2019			
	NWHG £m	NWB Plc £m	RBS plc £m	UBI DAC £m
Available capital – transitional				
1 Common equity tier 1	22,269	13,327	4,750	3,837
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	22,269	13,327	4,750	3,837
3 Tier 1 capital	26,033	15,522	5,719	3,837
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	26,033	15,522	5,719	3,837
5 Total capital	30,167	17,743	7,139	4,221
6 Total capital as if IFRS 9 transitional arrangements had not been applied	30,167	17,743	7,139	4,221
Risk-weighted assets				
7 Total risk-weighted assets	140,029	79,664	32,654	13,825
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	140,029	79,664	32,654	13,825
Risk-based capital ratios as a percentage of RWAs				
	%	%	%	%
9 Common equity tier 1 ratio	15.9	16.7	14.5	27.8
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.9	16.7	14.5	27.8
11 Tier 1 ratio	18.6	19.5	17.5	27.8
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.6	19.5	17.5	27.8
13 Total capital ratio	21.5	22.3	21.9	30.5
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	21.5	22.3	21.9	30.5
Leverage ratio				
15 CRR leverage ratio exposure measure (£m)	445,810	295,787	94,550	26,285
16 CRR leverage ratio (%)	5.8	5.2	6.0	14.6
17 CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.8	5.2	6.0	14.6
	31 December 2018			
	NWB Plc £m	RBS plc £m	UBI DAC £m	
Available capital – transitional				
1 Common equity tier 1	13,138	4,569	3,996	
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	13,138	4,569	3,996	
3 Tier 1 capital	15,389	5,538	3,996	
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	15,389	5,538	3,996	
5 Total capital	18,490	6,984	4,414	
6 Total capital as if IFRS 9 transitional arrangements had not been applied	18,490	6,984	4,414	
Risk-weighted assets				
7 Total risk-weighted assets	75,583	34,525	14,514	
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	75,583	34,525	14,514	
Risk-based capital ratios as a percentage of RWAs				
	%	%	%	
9 Common equity tier 1 ratio	17.4	13.2	27.5	
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.4	13.2	27.5	
11 Tier 1 ratio	20.4	16.0	27.5	
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.4	16.0	27.5	
13 Total capital ratio	24.5	20.2	30.4	
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.5	20.2	30.4	
Leverage ratio				
15 CRR leverage ratio exposure measure (£m)	295,483	98,264	27,259	
16 CRR leverage ratio (%)	5.2	5.6	14.7	
17 CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.2	5.6	14.7	

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

	30 September 2018		
	NWB Plc £m	RBS plc £m	UBI DAC £m
Available capital – transitional			
1 Common equity tier 1	12,170	6,090	3,958
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	12,170	6,090	3,958
3 Tier 1 capital	14,453	7,059	3,958
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	14,453	7,059	3,958
5 Total capital	16,097	8,477	4,397
6 Total capital as if IFRS 9 transitional arrangements had not been applied	16,097	8,477	4,397
Risk-weighted assets			
7 Total risk-weighted assets	73,628	36,623	16,356
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	73,628	36,623	16,356
Risk-based capital ratios as a percentage of RWAs			
	%	%	%
9 Common equity tier 1 ratio	16.5	16.6	24.2
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.5	16.6	24.2
11 Tier 1 ratio	19.6	19.3	24.2
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.6	19.3	24.2
13 Total capital ratio	21.9	23.1	26.9
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	21.9	23.1	26.9
Leverage ratio			
15 CRR leverage ratio exposure measure (£m)	304,444	98,752	27,902
16 CRR leverage ratio (%)	4.7	7.1	14.2
17 CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	4.7	7.1	14.2

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EU LIQ1: Liquidity coverage ratio

The table below shows the breakdown of high-quality liquid assets, cash inflows and cash outflows, on both an unweighted and weighted basis, that are used to derive the liquidity coverage ratio. The weightings applied reflect the stress factors applicable under the EBA LCR rules. The values presented are the simple average of the preceding monthly periods ending on the quarterly reporting date as specified in the table.

LCR outflows do not capture all liquidity risks (e.g. intra-day liquidity). NWHG assesses these risks as part of its Individual Liquidity Adequacy Assessment Process and maintains appropriate levels of liquidity.

	Total unweighted value (average)			
	30 September 2019	30 June 2019	31 March 2019	
Number of data points used in the calculation of averages	9	6	3	
	£m	£m	£m	
High-quality liquid assets				
1	Total high-quality liquid assets ⁽¹⁾			
Cash outflows				
2	Retail deposits and deposits from small business customers	200,381	199,042	197,589
3	of which: stable deposits	128,814	128,129	127,056
4	of which: less stable deposits	71,210	70,582	70,215
5	Unsecured wholesale funding	120,296	119,314	119,920
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	50,355	49,922	49,581
7	Non-operational deposits (all counterparties)	69,804	69,303	70,279
8	Unsecured debt	137	89	60
9	Secured wholesale funding			
10	Additional requirements	54,561	54,801	54,979
11	Outflows related to derivative exposures and other collateral requirements	1,237	1,039	898
12	Outflows related to loss of funding on debt products	—	—	—
13	Credit and liquidity facilities	53,324	53,763	54,081
14	Other contractual funding obligations	512	511	509
15	Other contingent funding obligations	40,525	40,057	40,275
16	Total cash outflows			
17	Secured lending (e.g. reverse repos)	7,594	7,308	7,949
18	Inflows from fully performing exposures	10,250	10,275	10,034
19	Other cash inflows	11,306	11,301	11,169
EU-19a	Difference between total weighted inflows and outflows	—	—	—
EU-19b	Excess inflows from a related specialised credit institution	—	—	—
20	Total cash inflows	29,150	28,884	29,152
EU-20a	Fully exempt inflows	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—
EU-20c	Inflows subject to 75% cap	29,150	28,884	29,152
21	Liquidity buffer ⁽¹⁾			
22	Total net cash outflows ⁽¹⁾			
23	Liquidity coverage ratio (%) ⁽¹⁾			

Note:

(1) Only disclosed for total weighted value.

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EU LIQ1: Liquidity coverage ratio continued

		Total weighted value (average)		
		30 September	30 June	31 March
		2019	2019	2019
Number of data points used in the calculation of averages		9	6	3
		£m	£m	£m
High-quality liquid assets				
1	Total high-quality liquid assets	100,457	99,472	98,543
Cash outflows				
2	Retail deposits and deposits from small business customers	15,754	15,628	15,519
3	of which: stable deposits	6,441	6,406	6,353
4	of which: less stable deposits	8,957	8,891	8,848
5	Unsecured wholesale funding	53,528	53,282	54,322
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	12,276	12,168	12,083
7	Non-operational deposits (all counterparties)	41,115	41,025	42,180
8	Unsecured debt	137	89	60
9	Secured wholesale funding	459	667	
10	Additional requirements	7,577	7,480	7,400
11	Outflows related to derivative exposures and other collateral requirements	1,237	1,039	898
12	Outflows related to loss of funding on debt products	—	—	—
13	Credit and liquidity facilities	6,340	6,441	6,502
14	Other contractual funding obligations	15	14	12
15	Other contingent funding obligations	3,360	3,270	3,369
16	Total cash outflows	80,693	80,341	80,623
17	Secured lending (e.g. reverse repos)	—	—	—
18	Inflows from fully performing exposures	6,973	6,980	6,687
19	Other cash inflows	2,394	2,408	2,373
EU-19a	Difference between total weighted inflows and outflows	—	—	—
EU-19b	Excess inflows from a related specialised credit institution	—	—	—
20	Total cash inflows	9,367	9,387	9,060
EU-20a	Fully exempt inflows	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—
EU-20c	Inflows subject to 75% cap	9,367	9,387	9,060
21	Liquidity buffer	100,457	99,472	98,543
22	Total net cash outflows	71,326	70,953	71,563
23	Liquidity coverage ratio (%)	141	140	138

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CAP 2: Capital resources (CRR own funds template) – NWHG and significant subsidiaries

Capital resources based on the relevant local regulatory capital transitional arrangements are set out below.

	30 September 2019				31 December 2018		
	NWHG £m	NWB Plc £m	RBS plc £m	UBI DAC £m	NWB Plc £m	RBS plc £m	UBI DAC £m
Capital							
Tangible equity	22,726	14,514	4,717	4,452	14,940	6,506	4,389
Expected loss less impairment provisions	(293)	(191)	(26)	(56)	(193)	(81)	(1)
Prudential valuation adjustment	(30)	(18)	(11)	—	(18)	(7)	—
Deferred tax assets	(732)	(448)	(77)	(188)	(462)	—	(261)
Own credit adjustments	(1)	—	—	(1)	—	—	(2)
Pension fund assets	(136)	—	—	(132)	(11)	—	(129)
Instruments of financial sector entities where the institution has a significant/non significant investment	—	(1,093)	—	—	(1,112)	—	—
Cash flow hedging reserve	(361)	—	(307)	(74)	—	(49)	—
Foreseeable ordinary dividend	—	—	—	—	—	(1,800)	—
Other adjustments for regulatory purposes	(6)	(6)	—	(38)	(6)	—	—
Total deductions	(1,559)	(1,756)	(421)	(489)	(1,802)	(1,937)	(393)
CET1 capital	21,167	12,758	4,296	3,963	13,138	4,569	3,996
AT1 capital before regulatory adjustments	3,764	2,457	969	—	2,487	969	—
Regulatory adjustments to AT1 capital	—	(262)	—	—	(236)	—	—
AT1 capital	3,764	2,195	969	—	2,251	969	—
Tier 1 capital	24,931	14,953	5,265	3,963	15,389	5,538	3,996
Tier 2 capital before regulatory adjustments	4,353	2,506	1,503	340	3,376	1,446	418
Regulatory adjustments to Tier 2 capital	—	(307)	—	—	(275)	—	—
Tier 2 capital	4,353	2,199	1,503	340	3,101	1,446	418
Total regulatory capital	29,284	17,152	6,768	4,303	18,490	6,984	4,414

CAP 3: Leverage exposure (CRR Delegated Act Template) – NWHG and significant subsidiaries

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

	30 September 2019				31 December 2018		
	NWHG £m	NWB Plc £m	RBS plc £m	UBI DAC £m	NWB Plc £m	RBS plc £m	UBI DAC £m
Leverage exposure							
Cash and balances at central banks	59,985	33,765	25,080	135	43,966	21,650	257
Derivatives	979	1,382	572	303	1,277	115	188
Financial assets	353,905	266,864	67,011	25,994	248,922	71,782	25,507
Other assets	13,803	7,924	818	449	7,459	950	496
Total assets	428,672	309,935	93,481	26,881	301,624	94,497	26,448
Derivatives							
- netting and variation margin	(1,704)	(2,169)	14	(49)	(1,872)	(10)	(54)
- potential future exposures	485	650	196	110	1,203	277	106
Securities financing transactions gross up	27	26	—	—	203	—	—
Undrawn commitments	30,706	18,075	9,509	1,104	21,047	11,409	1,150
Regulatory deductions and other adjustments	(7,867)	(2,999)	(507)	(433)	(2,997)	(222)	(391)
Exclusion of core UK-group exposures	(1)	(24,093)	(10,140)	—	(23,725)	(7,687)	—
CRR leverage exposure	450,318	299,425	92,553	27,613	295,483	98,264	27,259
Claims on central banks	(56,326)						
UK leverage exposure	393,992						

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EU OV1: CAP: RWAs and MCR summary – NWHG and significant subsidiaries

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

	NWHG		NWB Plc		RBS plc		UBI DAC		
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	
30 September 2019									
1	Credit risk (excluding counterparty credit risk)	116,063	9,284	62,777	5,022	24,466	1,957	11,885	951
2	Standardised (STD) approach	14,130	1,130	3,751	300	2,086	167	1,017	81
4	Advanced IRB approach	101,933	8,154	59,026	4,722	22,380	1,790	10,868	870
6	Counterparty credit risk (CCR)	1,050	84	603	48	—	—	179	14
6a	of which: securities financing transactions	157	13	157	13	—	—	—	—
7	of which: marked to market	240	19	122	10	—	—	173	14
11	of which: risk exposure amount for contributions to the default fund of a central counterparty	135	11	135	11	—	—	—	—
12	of which: credit valuation adjustment (CVA)	518	41	189	14	—	—	6	—
14	Securitisation exposures in banking book	1,370	110	1,099	88	271	22	—	—
15	IRB approach	1,370	110	1,099	88	271	22	—	—
19	Market risk	159	13	7	1	7	1	133	11
20	STD approach	159	13	7	1	7	1	133	11
23	Operational risk - STD approach	19,590	1,567	12,669	1,014	5,714	457	934	75
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	1,345	108	4,781	382	125	10	4	—
29	Total	139,577	11,166	81,936	6,555	30,583	2,447	13,135	1,051
31 December 2018									
1	Credit risk (excluding counterparty credit risk)			57,470	4,598	28,293	2,262	13,378	1,070
2	STD approach			4,121	330	2,817	225	935	75
4	Advanced IRB approach			53,349	4,268	25,476	2,037	12,443	995
6	Counterparty credit risk			325	26	—	—	122	9
6a	of which: securities financing transactions			189	14	—	—	2	—
7	of which: marked to market			34	3	—	—	92	7
10	of which: IMM			82	7	—	—	28	2
11	of which: risk exposure amounts for contributions to the default fund of a central counterparty			11	1	—	—	—	—
12	of which: CVA			9	1	—	—	—	—
14	Securitisation exposures in banking book			1,230	98	319	26	—	—
15	IRB approach			1,230	98	319	26	—	—
19	Market risk			50	4	23	2	47	4
20	STD approach			36	3	23	2	47	4
21	IMA			14	1	—	—	—	—
23	Operational risk - STD approach			11,660	933	5,819	466	958	77
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)			4,848	388	71	6	9	1
29	Total			75,583	6,047	34,525	2,762	14,514	1,161

For explanations relating to RWA movements for NWHG and its significant subsidiaries refer to the commentary following KM1. Further RWA related commentary can be found following EU CR8, EU CCR7 and MR 2_B.

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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 NWHG for capital management, and the detailed tables in this report. The principal reasons for the presentational differences relate to securitisations, thresholds and CVA.

	RWAs 30 September 2019 £m
Credit risk excluding counterparty credit risk (EU OV1 row 1)	116,063
Securitisations in credit risk	1,370
Threshold (EU OV1 row 27)	1,345
Credit risk including securitisations (EU CR8 row 9)	<u>118,778</u>
Counterparty risk total (EU OV1 row 6)	1,050
Less: CVA capital charge (EU OV1 row 12)	(518)
Counterparty risk (EU CCR7 row 9)	<u>532</u>
Total STD (EU OV1 row 2)	14,130
Threshold (EU OV1 row 27)	1,345
Total STD credit risk (EU CR8 row 9)	<u>15,475</u>
Total advanced IRB credit risk (EU OV1 row 4)	101,933
Securitisations in credit risk	1,370
Total advanced IRB credit risk (EU CR8 row 9)	<u>103,303</u>

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 NWHG and its segments. There were no methodology or policy changes during the period. Additionally there were no acquisitions or disposals of subsidiaries during the period.

	a			b
	RWAs			MCR £m
	IRB £m	STD £m	Total RWAs £m	
1 1 January 2019	102,168	15,654	117,822	9,426
2 Asset size (1)	57	(229)	(172)	(14)
3 Asset quality (2)	(221)	29	(192)	(15)
4 Model updates (3)	195	13	208	16
7 Foreign exchange movements (4)	42	8	50	4
8 Other	1,062	—	1,062	85
9 30 September 2019	<u>103,303</u>	<u>15,475</u>	<u>118,778</u>	<u>9,502</u>

Notes:

- (1) Organic changes in portfolio size and composition (including the origination of new businesses and maturing loans) but excluding changes in book size due to acquisitions and disposal of entities.
- (2) Changes in the assessed quality of assets due to changes in borrower risk, such as rating grade migration or similar effects.
- (3) Changes due to model implementation, changes in model scope, or any changes intended to address model weaknesses.
- (4) Changes arising from foreign currency translation movements.

Key points

- The movement in the Other category mainly reflected a £1.3 billion increase in RWAs following the adoption of IFRS16 in January 2019. This was offset by a reduction of £0.2 billion in Q3 2019, primarily due to a revision of the treatment of uncommitted nostro limits in line with CRR requirements.
- The reduction in asset size mainly reflected a decrease in deferred tax asset RWA thresholds and inter-Group exposures.

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EU CCR7: CCR: 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). There were no acquisitions or disposals of subsidiaries during the period.

	a	b
	RWAs	MCR
	Non-IMM	Non-IMM
	£m	£m
1 1 January 2019	389	31
2 Asset size (1)	16	1
7 Foreign exchange movements (2)	10	1
8 Other	117	10
9 30 September 2019	532	43

Notes:

- (1) Actual changes in portfolio size and composition (including the origination of new businesses).
(2) Changes arising from foreign currency retranslation movements.

Key point

- The increase in non-IMM RWAs under the Other category occurred during Q1 2019. It was due to a refinement in the RWA calculation in relation to the default fund contribution to central counterparty exposure.

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 methodology, model updates or regulatory policy changes during the period. Additionally there were no acquisitions or disposals of subsidiaries during the period. 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						STD		Total	
	RWAs (1)									
	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 1 January 2019	3	11	—	—	14	1	114	9	128	10
2 Movement in risk levels (2)	(3)	(11)	—	—	(14)	(1)	45	4	31	3
8 30 September 2019	—	—	—	—	—	—	159	13	159	13

Notes:

- (1) NWHG does not use the Comprehensive Risk Measure (d) to calculate market risk RWAs, hence it is excluded from this table.
(2) Movement in risk levels represents movements due to position changes.

Key points

- Market risk RWAs relate solely to the foreign exchange banking book charge.
- The RWA increase reflected: (i) changes in US dollar and euro positions relating to payments between NWHG entities over the nine-month period; and (ii) changes in foreign exchange hedging activity relating to transfer pricing costs in subsidiaries during Q3 2019.
- The RWA reduction under the internal model approach was due to the closure of legacy positions in the ring-fenced bank during Q2 2019.