



Q3 2019
Pillar 3 Supplement
The Royal Bank of Scotland Group plc

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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 RBSG's future economic results, business plans and current strategies. In particular, this document may include forward-looking statements relating to 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 RBSG's 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 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 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.

Presentation of information

- The main risks of The Royal Bank of Scotland Group plc and its subsidiaries (RBS) are described in the Capital and risk management and the Risk Factors sections of the 2018 Annual Report and Accounts (ARA) and in the 2018 Pillar 3 Report. Refer to the glossary on RBS.com and in the 2018 Pillar 3 Report for explanations of the terms used.
- The disclosures complement those in RBS's Q3 Interim Management Statement (IMS): Business performance summary – Capital and leverage ratios.
- For the basis of preparation and disclosure framework, refer to RBS's 2018 Pillar 3 Report.
- The UK ring-fencing legislation required the separation of essential banking services from investment banking services from 1 January 2019. 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 supplement, consolidated disclosures for NWH and its subsidiaries (together NWHG) are presented from 31 March 2019 onwards.
- The Pillar 3 disclosures made by RBS are designed to comply with the Capital Requirements Regulation (CRR). RBS's significant subsidiaries at 30 September 2019, based on 5% of consolidated risk-weighted assets (RWAs), are:
 - NatWest Holdings Group (NWHG)
 - National Westminster Bank Plc (NWB Plc)
 - Royal Bank of Scotland plc (RBS plc)
 - Ulster Bank Ireland Designated Activity Company (UBI DAC)
 - NatWest Markets Plc (NWM Plc)
- Within this supplement, significant subsidiary disclosures are presented for NWHG and NWM Plc. Refer to the NWHG Q3 2019 Pillar 3 Supplement for significant subsidiary disclosures for NWB Plc, RBS plc and UBI DAC.
- 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 – RBS and significant subsidiaries

Capital, RWAs and leverage on a PRA transitional basis for RBS and its significant subsidiaries 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	
	RBS %	NWHG %	NWM Plc %	RBS %	NWM Plc %
Capital adequacy ratios – transitional (1)					
CET1	15.7	15.2	14.7	16.2	15.6
Tier 1	18.7	17.9	17.2	19.2	18.0
Total	22.0	21.0	21.6	23.4	21.5
Capital adequacy ratios – end point					
CET1	15.7			16.2	
Tier 1	17.9			18.4	
Total	20.5			21.8	
Capital – transitional					
	£m	£m	£m	£m	£m
CET1	29,773	21,167	5,775	30,639	6,369
Tier 1	35,393	24,931	6,767	36,223	7,352
Total	41,774	29,284	8,514	44,174	8,757
Capital – end point					
CET1	29,773			30,639	
Tier 1	33,824			34,690	
Total	38,804			41,173	
RWAs					
Credit risk	136,198	118,778	9,888	137,824	9,234
Counterparty credit risk	15,028	1,050	13,171	13,639	13,285
Market risk	15,657	159	13,290	14,837	14,106
Operational risk	22,599	19,590	3,039	22,391	4,152
	189,482	139,577	39,388	188,691	40,777
CRR leverage – transitional					
Tier 1 capital	35,393	24,931	6,767	36,223	7,352
Exposure	670,059	450,318	151,283	644,498	148,502
Leverage ratio (%)	5.3	5.5	4.5	5.6	5.0
CRR leverage – end point					
Tier 1 capital	33,824			34,690	
Exposure	670,059			644,498	
Leverage ratio (%)	5.0			5.4	
UK leverage – end point					
Tier 1 capital	33,824			34,690	
Exposure	589,472			559,514	
Leverage ratio (%)	5.7			6.2	
Average tier 1 capital	34,095			35,701	
Average exposure (2)	614,892			573,825	
Average leverage ratio (%)	5.5			6.2	
G-SII additional leverage ratio buffer (3)	2,063			1,469	
Countercyclical leverage ratio buffer (3)	1,732			1,396	

Notes:

- (1) The RBS 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 daily average of on-balance sheet items and three month-end average of off-balance sheet items.
- (3) The PRA minimum leverage ratio requirement is supplemented with a global-systemically important institution additional leverage ratio buffer rate of 0.35% (31 December 2018 – 0.2625%) and countercyclical leverage ratio buffer of 0.2938% (31 December 2018 – 0.2495%).

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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. RBS has designated 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		30 September 2019 £m	30 June 2019 £m	31 March 2019 £m	31 December 2018 £m	30 September 2018 £m
Capital							
1	1	Common equity tier 1	29,773	30,191	30,889	30,639	32,455
1a	2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	29,773	30,191	30,889	30,639	32,455
2	3	Tier 1 capital	33,824	34,242	34,940	34,690	36,506
2a	4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	33,824	34,242	34,940	34,690	36,506
3	5	Total capital	38,804	39,361	40,182	41,173	42,961
3a	6	Total capital as if IFRS 9 transitional arrangements had not been applied	38,804	39,361	40,182	41,173	42,961
Risk-weighted assets							
4	7	Total risk-weighted assets	189,482	188,463	190,846	188,691	194,467
4a	8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	189,482	188,463	190,846	188,691	194,467
Risk-based capital ratios as a percentage of RWAs							
			%	%	%	%	%
5	9	Common equity tier 1 ratio	15.7	16.0	16.2	16.2	16.7
5a	10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.7	16.0	16.2	16.2	16.7
6	11	Tier 1 ratio	17.9	18.2	18.3	18.4	18.8
6a	12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.9	18.2	18.3	18.4	18.8
7	13	Total capital ratio	20.5	20.9	21.1	21.8	22.1
7a	14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	20.5	20.9	21.1	21.8	22.1
Additional CET1 buffer requirements as a percentage of RWAs							
8		Capital conservation buffer requirement	2.5	2.5	2.5	2.5	2.5
9		Countercyclical buffer requirement (1)	0.8	0.7	0.7	0.7	0.4
10		Bank G-SIB and/or D-SIB additional requirements (2)	1.0	1.0	1.0	1.0	1.0
11		Total of CET1 specific buffer requirements (8 + 9 + 10)	4.3	4.2	4.2	4.2	3.9
12		CET1 available after meeting the bank's minimum capital requirements (3)	11.2	11.5	11.7	11.7	12.2
Leverage ratio							
			£m	£m	£m	£m	£m
13	15	CRR leverage ratio exposure measure	670,059	659,105	666,800	644,498	676,198
		UK leverage ratio exposure measure	589,472	576,636	586,660	559,514	580,266
			%	%	%	%	%
14	16	CRR leverage ratio	5.0	5.2	5.2	5.4	5.4
14a	17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied	5.0	5.2	5.2	5.4	5.4
		UK leverage ratio	5.7	5.9	6.0	6.2	6.3
Liquidity coverage ratio							
			£m	£m	£m	£m	£m
15		Total high-quality liquid assets	137,517	138,355	138,672	137,905	135,653
16		Total net cash outflows	89,712	88,473	87,787	87,530	87,595
17		LCR ratio (%) (4)	153	156	158	158	155
Net stable funding ratio (NSFR)							
18		Total available stable funding	380,719	379,763	373,989	375,909	374,358
19		Total required stable funding	272,448	271,920	273,470	266,087	268,932
20		NSFR (%) (5)	140	140	137	141	139

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) G-SIBs as designated by the Financial Stability Board (FSB), are subject to an additional capital buffer of between 1.0% and 3.5%. In November 2018 the FSB announced that RBS is no longer a G-SIB. From 1 January 2020, RBS will be released from this global buffer requirement. From 1 August 2019 NWH is subject to a Systemic Risk Buffer of 1.5%. Where the Systemic Risk Buffer is greater than the G-SIB 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 12 monthly periods ending on the quarterly reporting date as specified in the table. The LCR reported here differs from the period end LCR used for internal monitoring and therefore disclosed in RBS's Q3 2019 IMS.
- (5) NSFR is reported in line with CRR2 regulations finalised in June 2019.

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Key points

Capital and leverage

RBS – 30 September 2019 compared with 31 December 2018

- The CET1 ratio decreased to 15.7% from 16.2% reflecting a decrease in CET1. CET1 reflects the attributable profit of £1.7 billion offset by dividends paid to shareholders, the impact of IFRS 16 for Leases, other reserve movements and a foreseeable 3p ordinary final dividend accrual.
- RBS redeemed €1.0 billion Subordinated Tier 2 Notes in March 2019. NWM Plc issued a notice of redemption on 18 October 2019 for £0.6 billion external Tier 2 Notes, with an outstanding amount of £35 million and this is reflected in the capital base.
- RWAs increased by £0.8 billion. Counterparty credit risk increased primarily reflecting increased exposures. Market risk increased by £0.8 billion, primarily under the standardised approach, reflecting increased interest rate position risk and banking book foreign exchange charge. Credit risk decreased by £1.6 billion driven by the completion of the merger of Alawwal Bank and Saudi British Bank (SABB) reducing credit risk by £4.6 billion, partly offset by an increase of £1.3 billion due to the adoption of IFRS 16 Leases from 1 January 2019 and increased asset size.
- Both the CRR end-point and UK leverage ratios reduced to 5.0% and 5.7% respectively driven by the reduction in capital and the increase in balance sheet exposures. These factors also caused the decrease in the average UK leverage ratio to 5.5%.

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.

NWM Plc – 30 September 2019 compared with 31 December 2018

- The CET1 ratio decreased from 15.6% to 14.7% reflecting £0.5 billion dividend paid to parent offset by the decrease in RWAs.
- NWM Plc issued €0.95 billion and redeemed €1.0 billion internal Tier 2 Notes in March 2019 and \$0.25 billion internal Tier 2 Notes were issued in June 2019. A notice of redemption for £0.6 billion external Tier 2 Notes, with an outstanding amount of £35 million was announced on 18 October 2019 and is reflected in the capital base.
- RWAs decreased by £1.4 billion. This was driven by a reduction in operational risk of £1.1 billion following the annual recalculation and a reduction in market risk reflecting the transfer of positions to NWM N.V. as part of preparations to ensure continuity of service to EEA customers when the UK leaves the EU. These reductions were partially offset by an increase in credit risk primarily due to the transfer of the SABB shareholding from NWM N.V..
- The leverage ratio decreased to 4.5% due to the reduction in capital and the increase in balance sheet exposures.

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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. RBS 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		
		RBS	NWHG	NWM Plc
		£m	£m	£m
Available capital – transitional				
1	Common equity tier 1	29,773	21,167	5,775
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	29,773	21,167	5,775
3	Tier 1 capital	35,393	24,931	6,767
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	35,393	24,931	6,767
5	Total capital	41,774	29,284	8,514
6	Total capital as if IFRS 9 transitional arrangements had not been applied	41,774	29,284	8,514
Risk-weighted assets				
7	Total risk-weighted assets	189,482	139,577	39,388
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	189,482	139,577	39,388
Risk-based capital ratios as a percentage of RWAs				
		%	%	%
9	Common equity tier 1 ratio	15.7	15.2	14.7
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	15.7	15.2	14.7
11	Tier 1 ratio	18.7	17.9	17.2
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.7	17.9	17.2
13	Total capital ratio	22.0	21.0	21.6
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.0	21.0	21.6
Leverage ratio				
15	CRR leverage ratio exposure measure (£m)	670,059	450,318	151,283
16	CRR leverage ratio (%)	5.3	5.5	4.5
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.3	5.5	4.5

		30 June 2019		
		RBS	NWHG	NWM Plc
		£m	£m	£m
Available capital – transitional				
1	Common equity tier 1	30,191	21,390	5,870
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	30,191	21,390	5,870
3	Tier 1 capital	35,780	25,154	6,848
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	35,780	25,154	6,848
5	Total capital	42,332	29,381	8,655
6	Total capital as if IFRS 9 transitional arrangements had not been applied	42,332	29,381	8,655
Risk-weighted assets				
7	Total risk-weighted assets	188,463	140,571	38,728
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	188,463	140,571	38,728
Risk-based capital ratios as a percentage of RWAs				
		%	%	%
9	Common equity tier 1 ratio	16.0	15.2	15.2
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.0	15.2	15.2
11	Tier 1 ratio	19.0	17.9	17.7
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.0	17.9	17.7
13	Total capital ratio	22.5	20.9	22.3
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.5	20.9	22.3
Leverage ratio				
15	CRR leverage ratio exposure measure (£m)	659,105	448,004	156,996
16	CRR leverage ratio (%)	5.4	5.6	4.4
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.4	5.6	4.4

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

		31 March 2019		
		RBS	NWHG	NWM Plc
		£m	£m	£m
Available capital – transitional				
1	Common equity tier 1	30,889	22,269	6,477
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	30,889	22,269	6,477
3	Tier 1 capital	36,456	26,033	7,456
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	36,456	26,033	7,456
5	Total capital	43,120	30,167	8,785
6	Total capital as if IFRS 9 transitional arrangements had not been applied	43,120	30,167	8,785
Risk-weighted assets				
7	Total risk-weighted assets	190,846	140,029	38,010
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	190,846	140,029	38,010
Risk-based capital ratios as a percentage of RWAs				
		%	%	%
9	Common equity tier 1 ratio	16.2	15.9	17.0
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.2	15.9	17.0
11	Tier 1 ratio	19.1	18.6	19.6
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.1	18.6	19.6
13	Total capital ratio	22.6	21.5	23.1
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.6	21.5	23.1
Leverage ratio				
15	CRR leverage ratio exposure measure (£m)	666,800	445,810	162,217
16	CRR leverage ratio (%)	5.5	5.8	4.6
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.5	5.8	4.6
		31 December 2018		
		RBS	NWM Plc	
		£m	£m	
Available capital – transitional				
1	Common equity tier 1	30,639	6,369	
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	30,639	6,369	
3	Tier 1 capital	36,223	7,352	
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	36,223	7,352	
5	Total capital	44,174	8,757	
6	Total capital as if IFRS 9 transitional arrangements had not been applied	44,174	8,757	
Risk-weighted assets				
7	Total risk-weighted assets	188,691	40,777	
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	188,691	40,777	
Risk-based capital ratios as a percentage of RWAs				
		%	%	
9	Common equity tier 1 ratio	16.2	15.6	
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.2	15.6	
11	Tier 1 ratio	19.2	18.0	
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.2	18.0	
13	Total capital ratio	23.4	21.5	
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	23.4	21.5	
Leverage ratio				
15	CRR leverage ratio exposure measure (£m)	644,498	148,502	
16	CRR leverage ratio (%)	5.6	5.0	
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.6	5.0	

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

		30 September 2018	
		RBS	NWM Plc
		£m	£m
Available capital – transitional			
1	Common equity tier 1	32,455	9,277
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	32,455	9,277
3	Tier 1 capital	40,092	11,231
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	40,092	11,231
5	Total capital	48,015	14,923
6	Total capital as if IFRS 9 transitional arrangements had not been applied	48,015	14,923
Risk-weighted assets			
7	Total risk-weighted assets	194,467	40,839
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	194,467	40,839
Risk-based capital ratios as a percentage of RWAs			
		%	%
9	Common equity tier 1 ratio	16.7	22.7
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.7	22.7
11	Tier 1 ratio	20.6	27.5
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.6	27.5
13	Total capital ratio	24.7	36.5
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.7	36.5
Leverage ratio			
15	CRR leverage ratio exposure measure (£m)	676,198	176,370
16	CRR leverage ratio (%)	5.9	6.4
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.9	6.4

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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). RBS 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	31 December 2018	30 September 2018	
Number of data points used in the calculation of averages	12	12	12	12	12	
	£m	£m	£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	206,678	205,527	204,396	203,315	202,132
3	of which: stable deposits	129,262	128,465	127,710	127,164	127,851
4	of which: less stable deposits	77,053	76,737	76,377	75,850	73,997
5	Unsecured wholesale funding	135,760	134,830	135,028	135,548	137,041
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	56,380	59,254	64,045	69,042	74,790
7	Non-operational deposits (all counterparties)	78,556	74,999	70,346	65,720	61,180
8	Unsecured debt	824	577	637	787	1,071
9	Secured wholesale funding					
10	Additional requirements	76,884	76,598	77,367	78,602	80,128
11	Outflows related to derivative exposures and other collateral requirements	6,686	6,809	7,327	8,125	8,946
12	Outflows related to loss of funding on debt products	—	—	—	—	74
13	Credit and liquidity facilities	70,198	69,789	70,040	70,476	71,108
14	Other contractual funding obligations	22,284	21,592	21,561	22,689	23,053
15	Other contingent funding obligations	46,318	47,191	48,063	48,768	50,194
16	Total cash outflows					
17	Secured lending (e.g. reverse repos)	68,473	69,324	72,695	78,078	82,463
18	Inflows from fully performing exposures	12,555	12,628	12,600	12,601	12,843
19	Other cash inflows	14,158	13,974	13,415	13,399	13,119
EU-19a	Difference between total weighted inflows and outflows	—	—	—	—	—
EU-19b	Excess inflows from a related specialised credit institution	—	—	—	—	—
20	Total cash inflows					
EU-20a	Fully exempt inflows	—	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—	—
EU-20c	Inflows subject to 75% cap	86,127	85,919	87,067	90,638	93,139
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	31 December	30 September
		2019	2019	2019	2018	2018
Number of data points used in the calculation of averages		12	12	12	12	12
		£m	£m	£m	£m	£m
High-quality liquid assets						
1	Total high-quality liquid assets	137,517	138,355	138,672	137,905	135,653
Cash outflows						
2	Retail deposits and deposits from small business customers	16,538	16,425	16,326	16,229	15,797
3	of which: stable deposits	6,463	6,423	6,386	6,358	6,393
4	of which: less stable deposits	9,712	9,677	9,632	9,569	9,121
5	Unsecured wholesale funding	62,259	60,920	59,585	58,411	57,812
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	13,782	14,501	15,698	16,947	18,379
7	Non-operational deposits (all counterparties)	47,652	45,842	43,250	40,678	38,361
8	Unsecured debt	824	577	637	787	1,071
9	Secured wholesale funding	3,386	3,776	3,798	3,851	3,534
10	Additional requirements	19,059	19,057	19,818	20,918	22,068
11	Outflows related to derivative exposures and other collateral requirements	5,705	5,813	6,377	7,256	8,135
12	Outflows related to loss of funding on debt products	—	—	—	—	74
13	Credit and liquidity facilities	13,354	13,245	13,441	13,662	13,859
14	Other contractual funding obligations	1,921	2,077	1,814	1,666	1,352
15	Other contingent funding obligations	3,574	3,724	3,831	3,747	3,716
16	Total cash outflows	106,736	105,979	105,173	104,822	104,279
17	Secured lending (e.g. reverse repos)	2,486	2,975	3,357	3,257	2,919
18	Inflows from fully performing exposures	9,201	9,235	9,099	8,975	8,927
19	Other cash inflows	5,337	5,297	4,931	5,060	4,838
EU-19a	Difference between total weighted inflows and outflows	—	—	—	—	—
EU-19b	Excess inflows from a related specialised credit institution	—	—	—	—	—
20	Total cash inflows	17,025	17,506	17,386	17,292	16,684
EU-20a	Fully exempt inflows	—	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—	—
EU-20c	Inflows subject to 75% cap	17,025	17,506	17,386	17,292	16,684
21	Liquidity buffer	137,517	138,355	138,672	137,905	135,653
22	Total net cash outflows	89,712	88,473	87,787	87,530	87,595
23	Liquidity coverage ratio (%)	153	156	158	158	155

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

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

Capital	30 September 2019			31 December 2018	
	RBS £m	NWHG £m	NWM Plc £m	RBS £m	NWM Plc £m
Tangible equity	32,930	22,726	7,445	34,566	8,173
Expected loss less impairment provisions	(620)	(293)	(301)	(654)	(351)
Prudential valuation adjustment	(466)	(30)	(401)	(494)	(450)
Deferred tax assets	(732)	(732)	—	(740)	—
Own credit adjustments	(234)	(1)	(112)	(405)	(223)
Pension fund assets	(401)	(136)	(197)	(394)	(197)
Instruments of financial sector entities where the institution has a significant/non significant investment	—	—	(456)	—	(445)
Cash flow hedging reserve	(336)	(361)	(203)	191	(114)
Foreseeable ordinary dividend	(362)	—	—	(1,326)	—
Other adjustments for regulatory purposes	(6)	(6)	—	(105)	(24)
Total deductions	(3,157)	(1,559)	(1,670)	(3,927)	(1,804)
CET1 capital	29,773	21,167	5,775	30,639	6,369
AT1 capital before regulatory adjustments	5,620	3,764	992	5,584	983
Regulatory adjustments to AT1 capital	—	—	—	—	—
AT1 capital	5,620	3,764	992	5,584	983
Tier 1 capital	35,393	24,931	6,767	36,223	7,352
Tier 2 capital before regulatory adjustments	6,381	4,353	2,113	7,951	2,098
Regulatory adjustments to Tier 2 capital	—	—	(366)	—	(693)
Tier 2 capital	6,381	4,353	1,747	7,951	1,405
Total regulatory capital	41,774	29,284	8,514	44,174	8,757

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

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

Leverage exposure	30 September 2019			31 December 2018	
	RBS £m	NWHG £m	NWM Plc £m	RBS £m	NWM Plc £m
Cash and balances at central banks	84,252	59,985	11,360	88,897	11,095
Trading assets	91,605	—	63,015	75,119	61,990
Derivatives	175,760	979	175,317	133,349	134,291
Financial assets	396,421	353,905	32,178	377,521	31,157
Other assets	28,469	13,803	10,586	19,349	3,508
Total assets	776,507	428,672	292,456	694,235	242,041
Derivatives					
- netting and variation margin	(189,856)	(1,704)	(190,001)	(141,276)	(140,796)
- potential future exposures	47,175	485	44,289	42,060	41,663
Securities financing transactions gross up	1,690	27	971	2,083	1,800
Undrawn commitments	43,929	30,706	6,730	50,341	7,306
Regulatory deductions and other adjustments	(9,386)	(7,867)	(1,558)	(2,945)	(1,557)
Exclusion of core UK-group exposures	—	(1)	(1,604)	—	(1,955)
CRR leverage exposure	670,059	450,318	151,283	644,498	148,502
Claims on central banks	(80,587)			(84,984)	
UK leverage exposure	589,472			559,514	

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EU OV1: CAP: 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		NWHG		NWM Plc		
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	
30 September 2019							
1	Credit risk (excluding counterparty credit risk)	131,819	10,547	116,063	9,284	7,383	591
2	<i>Standardised (STD) approach</i>	15,942	1,275	14,130	1,130	1,469	118
4	<i>Advanced IRB approach ⁽¹⁾</i>	114,850	9,190	101,933	8,154	5,908	473
5	<i>Equity IRB under the simple risk-weight or the internal model approach (IMA)</i>	1,027	82	—	—	6	—
6	Counterparty credit risk	14,526	1,161	1,050	84	12,818	1,025
6a	<i>of which: securities financing transactions</i>	1,362	109	157	13	888	71
7	<i>of which: marked to market</i>	2,468	197	240	19	2,276	182
10	<i>of which: internal model method (IMM)</i>	8,115	649	—	—	7,419	593
11	<i>of which: risk exposure amount for contributions to the default fund of a central counterparty</i>	192	15	135	11	48	4
12	<i>of which: credit valuation adjustment (CVA)</i>	2,389	191	518	41	2,187	175
13	Settlement risk	1	—	—	—	1	—
14	Securitisation exposures in banking book ⁽²⁾	3,003	241	1,370	110	1,309	105
15	<i>IRB approach</i>	2,545	204	1,370	110	851	68
17	<i>Internal assessment approach</i>	13	1	—	—	13	1
18	<i>Standardised approach</i>	445	36	—	—	445	36
19	Market risk	15,657	1,252	159	13	13,290	1,063
20	<i>STD approach</i>	2,404	192	159	13	1,105	88
21	<i>IMA</i>	13,253	1,060	—	—	12,185	975
23	Operational risk - STD approach	22,599	1,808	19,590	1,567	3,039	243
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	1,877	150	1,345	108	1,548	124
29	Total	189,482	15,159	139,577	11,166	39,388	3,151
31 December 2018							
1	Credit risk (excluding counterparty credit risk)	133,052	10,644	—	—	6,744	539
2	<i>STD approach</i>	20,974	1,678	—	—	2,064	165
4	<i>Advanced IRB approach ⁽¹⁾</i>	111,057	8,884	—	—	4,665	373
5	<i>Equity IRB under the simple risk-weight or the IMA</i>	1,021	82	—	—	15	1
6	Counterparty credit risk	13,211	1,057	—	—	12,998	1,040
6a	<i>of which: securities financing transactions</i>	1,260	101	—	—	975	78
7	<i>of which: marked to market</i>	2,247	180	—	—	1,988	159
10	<i>of which: IMM</i>	7,192	575	—	—	7,576	606
11	<i>of which: risk exposure amounts for contributions to the default fund of a central counterparty</i>	56	5	—	—	45	4
12	<i>of which: CVA</i>	2,456	196	—	—	2,414	193
13	Settlement risk	1	—	—	—	1	—
14	Securitisation exposures in banking book	2,970	238	—	—	1,249	100
15	<i>IRB approach</i>	2,956	237	—	—	1,235	99
17	<i>Internal assessment approach</i>	14	1	—	—	14	1
19	Market risk	14,837	1,187	—	—	14,106	1,129
20	<i>STD approach</i>	1,848	148	—	—	1,211	97
21	<i>IMA</i>	12,989	1,039	—	—	12,895	1,032
23	Operational risk - STD approach	22,391	1,791	—	—	4,152	332
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	2,229	178	—	—	1,527	122
29	Total	188,691	15,095	—	—	40,777	3,262

Notes:

- (1) Of which £1,484 million RWAs (31 December 2018 – £569 million) relate to equity internal ratings based (IRB) under the probability of default/loss given default approach.
- (2) Securitisation positions which fall under the new securitisation framework have been recorded under the IRB ratings based approach for positions which are capitalised under the new SEC-ERBA approach and the standardised approach for positions capitalised under the new SEC-SA approach.

For explanations relating to RWA movements for RBS 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 RBS 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	31 December 2018 £m
Credit risk excluding counterparty credit risk (EU OV1 row 1)	131,819	133,052
Securitisations in credit risk	2,502	2,543
Threshold (EU OV1 row 27)	1,877	2,229
Credit risk including securitisations (EU CR8 row 9)	136,198	137,824
Counterparty risk total (EU OV1 row 6)	14,526	13,211
Less: CVA capital charge (EU OV1 row 12)	(2,389)	(2,456)
Settlement risk (EU OV1 row 13)	1	1
Securitisations in counterparty credit risk	501	427
Counterparty risk (EU CCR7 row 9)	12,639	11,183
Total STD (EU OV1 row 2)	15,942	20,974
Threshold (EU OV1 row 27)	1,877	2,229
Total STD credit risk (EU CR8 row 9)	17,819	23,203
Total advanced IRB credit risk (EU OV1 row 4)	114,850	111,057
Equity (EU OV1 row 5)	1,027	1,021
Securitisations in credit risk	2,502	2,543
Total advanced IRB credit risk (EU CR8 row 9)	118,379	114,621

KM2: Key metrics – TLAC requirements

The table below provides a summary for RBS of the total loss-absorbing capacity (TLAC) available, reflecting RBS's current interpretation of the CRR2 MREL rules relevant for G-SII's which entered into force on 27 June 2019.

	30 September 2019 £m	30 June 2019 £m
1 TLAC available	61,045	60,146
2 Total RWA at the level of the resolution group	189,482	188,463
3 TLAC as a percentage of RWA (%)	32.2	31.9
4 Leverage ratio exposure measure at the level of the resolution group	670,059	659,105
5 TLAC as a percentage of leverage exposure measure (%)	9.1	9.1
6a Does the subordination exemption in the antepenultimate paragraph of Section 11 of the FSB TLAC term sheet apply	No	No
6b Does the subordination exemption in the penultimate paragraph of Section 11 of the FSB TLAC term sheet apply	No	No

Note:

(1) RBS will continue to be recognised as a G-SII until 1 January 2020.

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RWA and MCR movement tables

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

The table below shows 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 during the period.

	a			b
	RWAs			MCR
	IRB £m	STD £m	Total RWAs £m	£m
1 At 1 January 2019	114,621	23,203	137,824	11,026
2 Asset size (1)	3,043	(859)	2,184	174
3 Asset quality (2)	(288)	52	(236)	(19)
5 Model updates (3)	207	37	244	20
6 Acquisitions and disposals (4)	—	(4,618)	(4,618)	(369)
7 Foreign exchange movements (5)	108	4	112	9
8 Other	688	—	688	55
9 30 September 2019	118,379	17,819	136,198	10,896

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) Reflects the completion of the merger of Alawwal Bank and SABB.
- (5) Changes arising from foreign currency translation movements.

Key points

- The movement in acquisitions and disposals reflected the completion of the Alawwal Bank and SABB merger. This resulted in a £4.6 billion reduction in RWAs.
- The increase in asset size was largely due to lending growth in NatWest Markets and UK Personal Banking as well as increased nostro and bond positions.
- The movement in the Other category primarily reflected a £1.3 billion increase in RWAs following the adoption of IFRS 16. This was offset by a reduction of £0.6 billion during Q3 2019 mainly due to a revision of the treatment of uncommitted nostro limits in line with CRR requirements.

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

The table below shows the drivers of movements in counterparty credit risk RWAs and MCR (excluding CVA). There were no IMM methodology or policy changes during the period.

	a			b		
	RWAs			MCR		
	IMM £m	Non-IMM £m	Total £m	IMM £m	Non-IMM £m	Total £m
1 1 January 2019	7,292	3,891	11,183	584	311	895
2 Asset size (1)	833	419	1,252	67	34	101
3 Credit quality of counterparties (2)	34	—	34	2	—	2
6 Acquisitions and disposals (3)	—	(40)	(40)	—	(3)	(3)
7 Foreign exchange movements (4)	76	17	93	6	1	7
8 Other	—	117	117	—	9	9
9 30 September 2019	8,235	4,404	12,639	659	352	1,011

Notes:

- (1) Organic changes in portfolio size and composition (including the origination of new businesses).
- (2) Changes in the assessed quality of counterparties as measured under RBS's credit risk framework, including changes due to IRB models. Impacts due to IMM model changes are not included here.
- (3) Reflects the completion of the merger of Alawwal Bank and SABB.
- (4) Changes arising from foreign currency retranslation movements.

Key points

- The increase in RWAs, relating to the IMM, was mainly the result of an increase in exposure to large sovereign and corporate counterparties over the period. It also partly reflected an increase in exposure on transactions with special purpose vehicles (SPVs) during Q3 2019. This followed regulatory guidance to the industry on the eligibility of financial collateral, which notably affected trades with such counterparties.
- The increase in RWAs related to non-IMM exposures significantly reflected the increase in SPV-related exposure during Q3 2019. It also reflected a refinement to the RWA calculation in relation to the default fund contribution to central counterparty exposure during Q1 2019, as well as an increase in securities financing transaction activity over the nine month period.

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

The table below shows the drivers of movements in market risk RWAs and MCR. There were no methodology or regulatory policy changes 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)						MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
	a	b	c	e	f	g					
	VaR £m	SVaR £m	IRC £m	Other (RNIV) £m	Total £m						
1 1 January 2019	2,028	5,272	2,732	2,957	12,989	1,039	1,848	148	14,837	1,187	
2 Movement in risk levels (2)	52	119	(389)	311	93	7	592	47	685	54	
3 Model updates/changes (3)	18	(31)	69	115	171	14	—	—	171	14	
5 Acquisitions and disposals (4)	—	—	—	—	—	—	(36)	(3)	(36)	(3)	
8 30 September 2019	2,098	5,360	2,412	3,383	13,253	1,060	2,404	192	15,657	1,252	

Notes:

- (1) RBS does not use the comprehensive risk measure to calculate market risk RWAs.
- (2) Movement in risk levels represents movements due to position changes.
- (3) Due to updates to the model to reflect recent experience or changes to model scope.
- (4) Reflects the completion of the merger of Alawwal Bank and SABB.

Key points

- The comments below mainly relate to NWM Plc, NWM N.V. and NWM SI, which accounted for the majority of the exposure. NWM N.V. began transacting new business on 25 March 2019 as part of preparations to ensure continuity of service to EEA customers when the UK leaves the EU.
- The RWA increase under the internal model approach was primarily due to an increase in RNIVs, mainly reflecting interest rate risk changes over the period.
- The key offsetting movement was a decrease in the incremental risk charge, reflecting a reduction in sovereign bond positions.
- Both VaR and SVaR-based RWAs were broadly unchanged.
- After falling during Q2 2019, the capital multiplier for NWM Plc rose during Q3 2019 due to an increase in the rolling number of VaR model back-testing exceptions. The RWA impact over the nine-month period was less than 2% of market risk RWAs.
- The RWA increase under the standardised approach mainly reflected an increase in interest rate position risk in NWM SI and NWM Plc over the period and an increase in the banking book foreign exchange charge for NWM N.V. in Q2 2019. These increases were partly offset by a decrease in trading book securitisations.