



**Q1 2019**  
**Pillar 3 Supplement**  
**The Royal Bank of Scotland Group plc**

# Pillar 3 Supplement Q1 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 The Royal Bank of Scotland Group plc's (RBSG's) future economic results, business plans and current strategies. In particular, this document includes 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 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 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, 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) 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. The glossary on RBS.com and in the 2018 Pillar 3 Report explains terms used.
- The disclosures in this document complement those in RBS's Q1 2019 Interim Management Statement (IMS): Business performance summary – Capital and leverage ratios.
- For 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 disclosures are only presented as of and for the quarter ended 31 March 2019 for the consolidated measures of NWH and its subsidiaries (together NWHG) in this report.
- The Pillar 3 disclosures made by RBS are designed to comply with the Capital Requirements Regulation (CRR). RBS's significant subsidiaries at 31 March 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 document significant subsidiary disclosures are presented for NWHG and NWM Plc. Refer to the NWHG Q1 2019 Pillar 3 supplement for significant subsidiary disclosures for NWB Plc, RBS plc and UBI DAC.

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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 31 March 2019 compared with 90% capital deduction and 10% RWAs at 31 December 2018. There continues to be CRR transition applied to grandfathered capital instruments.

	31 March 2019			31 December 2018	
	RBS	NWHG	NWM Plc	RBS	NWM Plc
<b>Capital adequacy ratios - transitional (1)</b>	%	%	%	%	%
CET1	16.2	15.9	17.0	16.2	15.6
Tier 1	19.1	18.6	19.6	19.2	18.0
Total	22.6	21.5	23.1	23.4	21.5
<b>Capital adequacy ratios - end point</b>					
CET1	16.2	15.9		16.2	
Tier 1	18.3	18.5		18.4	
Total	21.1	21.2		21.8	
<b>Capital - transitional</b>	£m	£m	£m	£m	£m
CET1	30,889	22,269	6,477	30,639	6,369
Tier 1	36,456	26,033	7,456	36,223	7,352
Total	43,120	30,167	8,785	44,174	8,757
<b>Capital - end point</b>					
CET1	30,889	22,269		30,639	
Tier 1	34,940	25,945		34,690	
Total	40,182	29,679		41,173	
<b>RWAs</b>					
Credit risk	139,303	119,157	8,626	137,824	9,234
Counterparty credit risk	14,727	1,043	13,779	13,639	13,285
Market risk	14,217	239	12,566	14,837	14,106
Operational risk	22,599	19,590	3,039	22,391	4,152
	<u>190,846</u>	<u>140,029</u>	<u>38,010</u>	<u>188,691</u>	<u>40,777</u>
<b>CRR leverage - transitional</b>					
Tier 1 capital	36,456	26,033	7,456	36,223	7,352
Exposure	666,800	445,810	162,217	644,498	148,502
Leverage ratio (%)	5.5	5.8	4.6	5.6	5.0
<b>CRR leverage - end point</b>					
Tier 1 capital	34,940			34,690	
Exposure	666,800			644,498	
Leverage ratio (%)	5.2			5.4	
Average Tier 1 capital	34,570			35,701	
Average exposure (2)	686,911			665,198	
Average leverage ratio (%)	5.0			5.4	
<b>UK leverage - end point</b>					
Tier 1 capital	34,940			34,690	
Exposure	586,660			559,514	
Leverage ratio (%)	6.0			6.2	
Average Tier 1 capital	34,570			35,701	
Average exposure (2)	608,477			573,825	
Average leverage ratio (%)	5.7			6.2	
<b>UK GSIB leverage (3)</b>					
CET1 buffer	2,053			1,469	

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 G-SII additional leverage ratio buffer rate, currently 0.35% (2018 – 0.2625%).

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### Key points

#### Capital and leverage

##### RBS

- The CET1 ratio remained at 16.2% reflecting a quarterly increase in CET1, primarily due to Q1 attributable profit £707 million, offset by 2p dividend accrual of £242 million, the impact of IFRS16 for Leases and the RWA increase of £2.2 billion.
- RBS redeemed €1 billion Subordinated Tier 2 Notes in March 2019.
- RWAs increased by £2.2 billion driven by increases in credit risk of £1.5 billion, counterparty credit risk of £1.1 billion and operational risk of £0.2 billion following the annual recalculation, partially offset by a reduction in market risk of £0.6 billion. The credit risk increase includes £1.3 billion due to the adoption of the IFRS 16 Leases accounting standard from 01 January 2019.
- Both the CRR end-point and UK leverage ratios decreased to 5.2% and 6.0% respectively driven by increased trading assets and settlement balances.
- The average CRR leverage ratio and UK leverage ratios decreased to 5.0% and 5.7% respectively driven by increased trading assets.

##### NWHG

- NWHG has a CET1 ratio of 15.9% as at March 2019 based on CET1 of £22.3 billion and RWAs of £140 billion.

##### NWM Plc

- The CET1 ratio increased from 15.6% to 17.0% primarily as a result of a £2.8 billion decrease in RWAs.
- NWM Plc issued €950 million and redeemed €1 billion internal Tier 2 Notes in March 2019.
- RWAs decreased by £2.8 billion due to reductions in market risk of £1.5 billion, operational risk of £1.1 billion following the annual recalculation and credit risk of £0.6 billion, partially offset by an increase in counterparty credit risk of £0.5 billion. The market risk decrease was primarily driven by the internal model approach with changes in interest rate risk, see table EU MR 2\_B for more information.
- The leverage ratio decreased to 4.6% driven by increased trading assets and settlement balances.

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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 for RBS. 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 following IFRS 9 adoption in 2018. Capital and leverage ratios presented are based on end point CRR rules.

EBA BCBS2 IFRS KM1 9 - FL		31 March 2019	31 December 2018	30 September 2018	30 June 2018	31 March 2018
Capital		£m	£m	£m	£m	£m
1	1	30,889	30,639	32,455	31,950	33,334
	2	30,889	30,639	32,455	31,950	33,334
2	3	34,940	34,690	36,506	36,001	37,375
	4	34,940	34,690	36,506	36,001	37,375
3	5	40,182	41,173	42,961	42,660	43,756
	6	40,182	41,173	42,961	42,660	43,756
<b>Risk-weighted assets (amounts)</b>						
4	7	190,846	188,691	194,467	198,780	202,700
	8	190,846	188,691	194,467	198,780	202,700
<b>Risk-based capital ratios as a percentage of RWA</b>						
		%	%	%	%	%
5	9	16.2	16.2	16.7	16.1	16.4
	10	16.2	16.2	16.7	16.1	16.4
6	11	18.3	18.4	18.8	18.1	18.4
	12	18.3	18.4	18.8	18.1	18.4
7	13	21.1	21.8	22.1	21.5	21.6
	14	21.1	21.8	22.1	21.5	21.6
<b>Additional CET1 buffer requirements as a percentage of RWA</b>						
8		2.5	2.5	2.5	2.5	2.5
9		0.7	0.7	0.4	0.4	—
10		1.0	1.0	1.0	1.0	1.0
11		4.2	4.2	3.9	3.9	3.5
12		11.7	11.7	12.2	11.6	11.9
<b>Leverage ratio</b>						
		£m	£m	£m	£m	£m
13	15	666,800	644,498	676,198	693,344	693,181
		586,660	559,514	580,266	597,694	602,489
		%	%	%	%	%
14	16	5.2	5.4	5.4	5.2	5.4
	17	5.2	5.4	5.4	5.2	5.4
		6.0	6.2	6.3	6.0	6.2
<b>Liquidity coverage ratio</b>						
		£m	£m	£m	£m	£m
15		138,672	137,905	135,653	131,131	127,084
16		87,787	87,530	87,595	87,427	87,640
17		158	158	155	150	145
<b>Net stable funding ratio (NSFR)</b>						
18		373,989	375,909	374,358	374,710	366,005
19		273,470	266,087	268,932	267,107	266,706
20		137	141	139	140	137

#### Notes:

- (1) This represents the CET1 ratio less the CRR minimum of 4.5%.
- (2) The 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 2018 ARA.
- (3) 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.

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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 following IFRS 9 adoption in 2018. Capital measures are on a CRR transitional basis.

	31 March 2019		
	RBS	NWHG	NWM Plc
	£m	£m	£m
<b>Available capital (amounts) - transitional</b>			
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	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
<b>Risk-weighted assets (amounts)</b>			
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
<b>Risk-based capital ratios as a percentage of RWAs</b>			
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
<b>Leverage ratio</b>			
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
<b>Available capital (amounts) - transitional</b>		
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	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
<b>Risk-weighted assets (amounts)</b>		
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
<b>Risk-based capital ratios as a percentage of RWAs</b>		
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
<b>Leverage ratio</b>		
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

	30 September 2018	
	RBS	NWM Plc
	£m	£m
<b>Available capital (amounts) - transitional</b>		
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	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
<b>Risk-weighted assets (amounts)</b>		
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
<b>Risk-based capital ratios as a percentage of RWAs</b>		
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
<b>Leverage ratio</b>		
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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### EBA IFRS 9-FL: EBA Key metrics - significant subsidiaries continued

		30 June 2018	
		RBS	NWM Plc
		£m	£m
<b>Available capital (amounts) - transitional</b>			
1	Common equity tier 1	31,950	9,359
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	31,950	9,359
3	Tier 1	39,577	11,292
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	39,577	11,292
5	Total capital	47,681	14,844
6	Total capital as if IFRS 9 transitional arrangements had not been applied	47,681	14,844
<b>Risk-weighted assets (amounts)</b>			
7	Total risk-weighted assets	198,780	45,195
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	198,780	45,195
<b>Risk-based capital ratios as a percentage of RWAs</b>			
		%	%
9	Common equity tier 1 ratio	16.1	20.7
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.1	20.7
11	Tier 1 ratio	19.9	25.0
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.9	25.0
13	Total capital ratio	24.0	32.8
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.0	32.8
<b>Leverage ratio</b>			
15	CRR leverage ratio exposure measure (£m)	693,344	176,155
16	CRR leverage ratio (%)	5.7	6.4
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.7	6.4

		31 March 2018	
		RBS	NWM Plc
		£m	£m
<b>Available capital (amounts) - transitional</b>			
1	Common equity tier 1	33,334	14,541
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	33,334	14,541
3	Tier 1	40,899	16,348
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	40,899	16,348
5	Total capital	48,804	19,977
6	Total capital as if IFRS 9 transitional arrangements had not been applied	48,804	19,977
<b>Risk-weighted assets (amounts)</b>			
7	Total risk-weighted assets	202,700	111,604
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	202,700	111,604
<b>Risk-based capital ratios as a percentage of RWAs</b>			
		%	%
9	Common equity tier 1 ratio	16.4	13.0
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.4	13.0
11	Tier 1 ratio	20.2	14.6
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.2	14.6
13	Total capital ratio	24.1	17.9
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.1	17.9
<b>Leverage ratio</b>			
15	CRR leverage ratio exposure measure (£m)	693,181	370,984
16	CRR leverage ratio (%)	5.9	4.4
17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.9	4.4

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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 below 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 (ILAAP) and maintains appropriate levels of liquidity.

	Total unweighted value (average)				
	31 March 2019 £m	31 December 2018 £m	30 September 2018 £m	30 June 2018 £m	31 March 2018 £m
Number of data points used in the calculation of averages	12	12	12	12	12
<b>High quality liquid assets</b>					
1 Total high-quality liquid assets (HQLA)					
<b>Cash outflows</b>					
2 Retail deposits and deposits from small business customers	204,396	203,315	202,132	200,478	198,292
3 of which: stable deposits	127,710	127,164	127,851	129,345	130,725
4 of which: less stable deposits	76,377	75,850	73,997	76,861	76,883
5 Unsecured wholesale funding	135,028	135,548	137,041	138,225	139,722
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	64,045	69,042	74,790	76,861	76,883
7 Non-operational deposits (all counterparties)	70,346	65,720	61,180	60,193	61,587
8 Unsecured debt	637	787	1,071	1,172	1,253
9 Secured wholesale funding					
10 Additional requirements	77,367	78,602	80,128	81,838	83,187
11 Outflows related to derivative exposures and other collateral requirements	7,327	8,125	8,946	9,717	10,519
12 Outflows related to loss of funding on debt products	—	—	74	74	74
13 Credit and liquidity facilities	70,040	70,476	71,108	72,046	72,595
14 Other contractual funding obligations	21,561	22,689	23,053	23,344	22,970
15 Other contingent funding obligations	48,063	48,768	50,194	51,245	52,434
16 Total cash outflows					
<b>Cash inflows</b>					
17 Secured lending (e.g. reverse repos)	72,695	78,078	82,463	85,003	85,279
18 Inflows from fully performing exposures	12,600	12,601	12,843	13,472	14,328
19 Other cash inflows	13,415	13,399	13,119	12,970	13,473
EU-19a Difference between total weighted inflows and outflows	—	—	—	—	—
EU-19b Excess inflows from a related specialised credit institution	—	—	—	—	—
20 Total cash inflows	98,710	104,078	108,425	111,445	113,080
EU-20a Fully exempt inflows	—	—	—	—	—
EU-20b Inflows subject to 90% cap	—	—	—	—	—
EU-20c Inflows subject to 75% cap	87,067	90,638	93,139	94,948	95,752
<b>Total adjusted value</b>					
21 Liquidity buffer					
22 Total net cash outflows					
23 Liquidity coverage ratio (%)					



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### EU LIQ1: Liquidity coverage ratio continued

	Total weighted value (average)				
	31 March 2019 12 £m	31 December 2018 12 £m	30 September 2018 12 £m	30 June 2018 12 £m	31 March 2018 12 £m
Number of data points used in the calculation of averages					
<b>High quality liquid assets</b>					
1 Total high-quality liquid assets (HQLA)	138,672	137,905	135,653	131,131	127,084
<b>Cash outflows</b>					
2 Retail deposits and deposits from small business customers	16,326	16,229	15,797	15,289	14,746
3 of which: stable deposits	6,386	6,358	6,393	6,467	6,536
4 of which: less stable deposits	9,632	9,569	9,121	8,548	7,940
5 Unsecured wholesale funding	59,585	58,411	57,812	57,933	59,049
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	15,698	16,947	18,379	18,893	18,893
7 Non-operational deposits (all counterparties)	43,250	40,678	38,361	37,868	38,903
8 Unsecured debt	637	787	1,071	1,172	1,253
9 Secured wholesale funding	3,798	3,851	3,534	2,931	2,413
10 Additional requirements	19,818	20,918	22,068	23,024	23,779
11 Outflows related to derivative exposures and other collateral requirements	6,377	7,256	8,135	8,891	9,608
12 Outflows related to loss of funding on debt products	—	—	74	74	74
13 Credit and liquidity facilities	13,441	13,662	13,859	14,059	14,098
14 Other contractual funding obligations	1,814	1,666	1,352	1,106	1,162
15 Other contingent funding obligations	3,831	3,747	3,716	3,540	3,522
16 Total cash outflows	105,173	104,822	104,279	103,822	104,671
<b>Cash inflows</b>					
17 Secured lending (e.g. reverse repos)	3,357	3,257	2,919	2,484	2,000
18 Inflows from fully performing exposures	9,099	8,975	8,927	9,225	9,847
19 Other cash inflows	4,931	5,060	4,838	4,686	5,184
EU-19a Difference between total weighted inflows and outflows	—	—	—	—	—
EU-19b Excess inflows from a related specialised credit institution	—	—	—	—	—
20 Total cash inflows	17,386	17,292	16,684	16,396	17,031
EU-20a Fully exempt inflows	—	—	—	—	—
EU-20b Inflows subject to 90% cap	—	—	—	—	—
EU-20c Inflows subject to 75% cap	17,386	17,292	16,684	16,396	17,031
<b>Total adjusted value</b>					
21 Liquidity buffer	138,672	137,905	135,653	131,131	127,084
22 Total net cash outflows	87,787	87,530	87,595	87,427	87,640
23 Liquidity coverage ratio (%)	158	158	155	150	145

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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.

	31 March 2019			31 December 2018	
	RBS £m	NWHG £m	NWM Plc £m	RBS £m	NWM Plc £m
<b>Capital</b>					
Tangible equity	34,962	23,585	8,134	34,566	8,173
Expected loss less impairment provisions	(682)	(368)	(290)	(654)	(351)
Prudential valuation adjustment	(448)	(19)	(358)	(494)	(450)
Deferred tax assets	(720)	(720)	—	(740)	—
Own credit adjustments	(311)	(1)	(152)	(405)	(223)
Pension fund assets	(389)	(126)	(197)	(394)	(197)
Instruments of financial sector entities where the institution has a significant/non significant investment	—	—	(492)	—	(445)
Cash flow hedging reserve	49	(75)	(145)	191	(114)
Foreseeable ordinary dividend	(1,568)	—	—	(1,326)	—
Other adjustments for regulatory purposes	(4)	(7)	(23)	(105)	(24)
Total deductions	(4,073)	(1,316)	(1,657)	(3,927)	(1,804)
CET1 capital	30,889	22,269	6,477	30,639	6,369
AT1 capital before regulatory adjustments	5,567	3,764	979	5,584	983
Regulatory adjustments to AT1 capital	—	—	—	—	—
AT1 capital	5,567	3,764	979	5,584	983
Tier 1 capital	36,456	26,033	7,456	36,223	7,352
Tier 2 capital before regulatory adjustments	6,664	4,134	1,952	7,951	2,098
Regulatory adjustments to Tier 2 capital	—	—	(623)	—	(693)
Tier 2 capital	6,664	4,134	1,329	7,951	1,405
Total regulatory capital	43,120	30,167	8,785	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.

	31 March 2019			31 December 2018	
	RBS £m	NWHG £m	NWM Plc £m	RBS £m	NWM Plc £m
<b>Leverage exposure</b>					
Cash and balances at central banks	83,800	61,613	9,986	88,897	11,095
Trading assets	89,101	192	66,296	75,119	61,990
Derivatives	134,079	546	135,273	133,349	134,291
Loans and advances	319,442	296,232	17,462	318,036	16,588
Other assets	92,714	60,479	28,031	78,834	18,077
Total assets	719,136	419,062	257,048	694,235	242,041
Derivatives					
- netting and variation margin	(142,962)	(1,225)	(143,072)	(141,276)	(140,796)
- potential future exposures	43,116	729	42,971	42,060	41,663
Securities financing transactions gross up	1,926	36	1,376	2,083	1,800
Undrawn commitments	48,927	34,828	7,331	50,341	7,306
Regulatory deductions and other adjustments	(3,343)	(7,613)	(1,482)	(2,945)	(1,557)
Exclusion of core UK-group exposures	—	(7)	(1,955)	—	(1,955)
CRR leverage exposure	666,800	445,810	162,217	644,498	148,502
Claims on central banks	(80,140)			(84,984)	
UK leverage exposure	586,660			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
31 March 2019 (1)						
1 Credit risk (excluding counterparty credit risk)	134,730	10,778	115,841	9,267	5,971	478
2 <i>Standardised (STD) approach</i>	20,955	1,676	13,577	1,086	1,612	129
4 <i>Advanced IRB approach (2)</i>	112,733	9,019	102,264	8,181	4,346	348
5 <i>Equity IRB under the simple risk-weight or the internal model approach (IMA)</i>	1,042	83	—	—	13	1
6 Counterparty credit risk	14,279	1,142	1,043	83	13,494	1,079
6a <i>of which: securities financing transactions</i>	1,624	130	173	14	1,227	98
7 <i>of which: marked to market</i>	2,282	183	202	16	2,078	166
10 <i>of which: internal model method (IMM)</i>	7,745	619	—	—	7,867	630
11 <i>of which: risk exposure amount for contributions to the default fund of a central counterparty</i>	165	13	128	10	30	2
12 <i>of which: credit valuation adjustment (CVA)</i>	2,463	197	540	43	2,292	183
13 Settlement risk	7	1	—	—	7	1
14 Securitisation exposures in banking book	2,927	234	1,537	123	1,224	98
15 <i>IRB approach</i>	2,914	233	1,537	123	1,211	97
17 <i>Internal assessment approach</i>	13	1	—	—	13	1
19 Market risk	14,217	1,137	239	19	12,566	1,005
20 <i>STD approach</i>	2,807	225	226	18	1,413	113
21 <i>IMA</i>	11,410	912	13	1	11,153	892
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)	2,087	167	1,779	142	1,709	137
29 Total	190,846	15,267	140,029	11,201	38,010	3,041
31 December 2018 (1)						
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 (2)</i>	111,057	8,884			4,665	373
5 <i>Equity IRB under the simple risk-weight or the IMA approach</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) Excludes RWA approaches not used by RBS, such as the credit risk foundation IRB, counterparty credit risk original exposure and STD approaches, the securitisation IRB supervisory formula and STD approaches and the operational risk basic indicator and AMA approaches.
- (2) Of which £639 million RWAs (2018 - £569 million) relate to equity IRB under the PD/LGD approach.

For explanations relating to RWA movements for RBS and its significant subsidiaries refer to the commentary following CAP 1. 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	
	31 March 2019 £m	31 December 2018 £m
Credit risk excluding counterparty credit risk (EU OV1 row 1)	134,730	133,052
Securitisations (banking book only)	2,486	2,543
Threshold (EU OV1 row 27)	2,087	2,229
Credit risk including securitisations (EU CR8 row 9)	139,303	137,824
Counterparty risk total (EU OV1 row 6)	14,279	13,211
Less: CVA capital charge (EU OV1 row 12)	(2,463)	(2,456)
Settlement risk (EU OV1 row 13)	7	1
Securitisations (trading book)	441	427
Counterparty risk (EU CCR7 row 9)	12,264	11,183
Total STD (EU OV1 row 2)	20,955	20,974
Threshold (EU OV1 row 27)	2,087	2,229
Total STD credit risk (EU CR8 row 9)	23,042	23,203
Total AIRB credit risk (EU OV1 row 4)	112,733	111,057
Equity (EU OV1 row 5)	1,042	1,021
Securitisations in credit risk (banking book)	2,486	2,543
Total AIRB credit risk (EU CR8 row 9)	116,261	114,621

### 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 during the quarter. 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 2019	114,621	23,203	137,824	11,026
2 Asset size (1)	892	16	908	72
3 Asset quality (2)	588	9	597	48
5 Model updates (3)	144	—	144	12
7 Foreign exchange movements (4)	(1,276)	(186)	(1,462)	(117)
Other (5)	1,292	—	1,292	103
9 31 March 2019	116,261	23,042	139,303	11,144

#### 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.
- (5) Reflects the effect of adopting IFRS 16 – Leases.

### Key points

- The rise in RWAs largely reflected increased nostro balances, cash collateral and bonds held by Treasury.
- The movement in the other category reflects the adoption of IFRS 16, which created a right-of-use asset of £1.3 billion.
- The asset quality RWA uplift was mainly driven by PD calibrations across key Personal portfolios.
- RWA increases were partly offset by foreign exchange movements, with sterling strengthening against the euro and the US dollar.

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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 during the quarter. Additionally, there were no acquisitions or disposals of subsidiaries during the quarter.

	a RWAs			b MCR		
	IMM (1) £m	Non-IMM (1) £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 (2)	669	463	1,132	54	37	91
3 Credit quality of counterparties (3)	34	—	34	3	—	3
7 Foreign exchange movements (4)	(137)	(65)	(202)	(11)	(5)	(16)
Other	—	117	117	—	9	9
9 31 March 2019	7,858	4,406	12,264	630	352	982

#### Notes:

- (1) £5 million of RWAs at 1 January 2019 were reclassified to Non-IMM. This was reported under IMM at 31 December 2018 to reflect a local IMM waiver approval for one entity within NWHG.
- (2) Organic changes in portfolio size and composition (including the origination of new businesses) and changes due to acquisitions and disposal of portfolios and exposures.
- (3) 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.
- (4) Changes arising from foreign currency retranslation movements.

#### Key points

- The RWA increase related to the IMM was mainly the result of an increase in exposure to large corporate and sovereign counterparties during the quarter, partly offset by a reduction in exposure to banks.
- The increase related to non-IMM exposures mainly reflected an increase in securities financing transaction activity. It also partly reflected a refinement to 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 or regulatory policy changes during the quarter. 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 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)	186	(630)	(267)	(792)	(1,503)	(121)	959	77	(544)	(44)
3 Model updates/changes (3)	—	—	—	(76)	(76)	(6)	—	—	(76)	(6)
8 31 March 2019	2,214	4,642	2,465	2,089	11,410	912	2,807	225	14,217	1,137

#### Notes:

- (1) RBS does not use the comprehensive risk measure to calculate market risk RWAs.
- (2) Due to position changes.
- (3) Due to updates to the model to reflect recent experience or changes to model scope.

#### Key points

- The comments below relate to NatWest Markets Plc and, to a lesser degree, NatWest Markets Securities Inc., which account for the majority of the exposure.
- Overall, RWAs under the internal model approach decreased.
- The RNIV reduction chiefly reflected a reduction in interest rate risk and the incorporation into the VaR model of the risk factors associated with a non-linear rates RNIV.
- The SVaR reduction reflected euro credit risk sensitivities and a reduction in US dollar option risk.
- The decrease in the incremental risk charge mainly related to sovereign bond positions.
- The overall decrease was partly offset by an increase in VaR requirements, mainly due to sterling interest rate risk.
- The RWA increase under the standardised approach mainly related to interest rate position risk and changes in the market value of trading book securitisations.