

Pillar 3 Supplement H1 2016

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Presentation of information

Forward-looking statements

This document contains certain 'forward-looking statements' as that term is defined in the United States Private Securities Litigation Reform Act of 1995 with respect to the financial condition, results of operations and business of The Royal Bank of Scotland Group plc and its consolidated subsidiaries (together RBS). Generally, words such as 'may', 'could', 'will', 'expect', 'intend', 'estimate', 'anticipate', 'believe', 'plan', 'seek', 'continue', 'project', 'should', 'probability', 'risk', 'value-at-risk', 'target', 'goal', 'objective', 'endeavour', 'outlook', 'optimistic' and 'prospects' or similar expressions or variations on such expressions identify forward-looking statements.

Any forward-looking statements set out herein represent RBS's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, legislative, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, exchange rate fluctuations and general economic conditions. For further risks and uncertainties faced by RBS that may impact the statements set out in this document, refer to the 2015 Annual Report and Accounts (ARA) and Interim Results 2016.

Any forward-looking statements set out herein speak only as at the date of this document. Except as required by the Prudential Regulation Authority (PRA), the London Stock Exchange or other applicable law or regulation, RBS does not have any obligation or responsibility to update or revise publicly any forward-looking statements, whether as a result of new information, further events or circumstances or otherwise, and expressly disclaims any obligation to do so.

Basis of disclosure

RBS's main risks are described in Capital and risk management Risk coverage in the ARA, Interim Results 2016 and in the 2015 Pillar 3 report.

The disclosures in this document supplement those in RBS's Interim Results 2016: Analysis of results - Capital and leverage ratio; and Appendix 1 Capital and risk management. This Pillar 3 Supplement and Capital Instruments: Main Features annexe provide an update on capital, leverage and selected credit risk aspects for RBS and its significant subsidiaries in addition to those included in the Interim Results 2016.

The Pillar 3 disclosures made by RBS are designed to comply with Capital Requirements Regulation (CRR).

There are important differences between RBS's accounting disclosures and the disclosures required by the Capital Requirements Directive (CRD) presented in this report, summarised as follows:

- The disclosures in this report are presented on a regulatory, rather than an accounting basis of consolidation. Therefore, these disclosures may not be directly comparable to other external disclosures made by RBS.
- The definition of exposure differs between CRR and those used in the Interim Results 2016, specifically balance sheet values under International Financial Reporting Standards (IFRS) as well as committed and potential exposures used for credit risk management in RBS. The CRR definition used in the Pillar 3 disclosures is exposure at default (EAD). It is not always possible to aggregate the disclosures across the different CRR approaches to obtain a meaningful RBS view.

The information presented in this Pillar 3 Supplement is not required to be, and has not been, subject to external audit.

RBS has not omitted any disclosures on the grounds that the information may be proprietary or confidential.

The disclosures in this report are based on the CRD extant at the reporting periods presented. Therefore disclosures are based on CRR as promulgated by the PRA with effect from 1 January 2014, as well as amendments issued since.

RBS's significant subsidiaries are unchanged from the 2015 year end and are the Royal Bank of Scotland plc (RBS plc), National Westminster Bank Plc (NWB Plc) and Ulster Bank Ireland Designated Activity Company (UBI DAC, previously UBIL).

Capital requirements and leverage: RBS and significant subsidiaries

Capital management lies at the core of RBS's strength and sustainability goals. RBS defines capital as that part of the liability side of its balance sheet that has the capacity to absorb losses. The construction of capital starts with Common Equity Tier 1 (CET1) and other classes of capital. RBS will build up sufficient minimum requirements for eligible liabilities over the coming years in line with regulatory requirements. Capital management involves the optimisation and efficient use of the capital required as driven by the bank's businesses, the outcomes of stress testing, the requirements of the market and the regulators and the supply of adequate forms of capital at acceptable prices.

The PRA uses the risk asset ratio (RAR) as one of the measures of capital adequacy in the UK banking sector, comparing a bank's capital resources with its RWAs (the assets and off-balance sheet exposures are 'weighted' to reflect the inherent credit and other risks). By international agreement, the RAR should be not less than 8% with a Tier 1 component of not less than 4%.

Capital and RWA analyses in this supplement are based on CRR applicable in the UK as promulgated by the PRA (PRA transitional basis). Refer to CAP 2 for Capital resources, CAP 3 for RWAs and CAP 4 for leverage exposure.

CAP 1: Capital and leverage ratios on a PRA transitional basis

	30 June 2016				31 December 2015			
	RBS %	RBS plc %	NWB Plc %	UBI DAC %	RBS %	RBS plc %	NWB Plc %	UBI DAC %
Risk asset ratios								
CET1	14.5	14.3	11.3	31.1	15.5	16.0	11.6	29.6
Tier 1	17.7	15.4	11.3	31.1	19.1	17.1	11.6	29.6
Total	23.0	22.0	18.4	33.8	24.7	25.3	19.7	32.1
Leverage								
Exposure (£bn)	720.7	498.2	163.7	27.2	702.5	502.6	153.1	23.7
Tier 1 capital (£bn)	43.4	29.3	7.6	6.4	46.3	34.7	7.2	5.7
Leverage ratio (%)	6.0	5.9	4.6	23.7	6.6	6.9	4.7	24.0

Capital requirements and leverage: RBS and significant subsidiaries

CAP 2: Capital resources

Capital based on the relevant local regulatory capital transitional arrangements for the significant legal entities within the Group are set out below. The key driver of the movements in RBS plc and NWB Plc is the annual phasing-in of the CRR transition rules. The significant investment deduction has increased reflecting an incremental 10% increase in the percentage of significant investments which are treated as a capital deduction and a commensurate 10% decrease in the percentage of significant investments which are treated as risk-weighted assets. At 30 June 2016, 70% is treated as capital deduction and 30% risk-weighted assets, compared with 60% and 40% respectively at 31 December 2015.

Capital	30 June 2016				31 December 2015			
	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m
Tangible equity	40,541	49,413	11,953	6,611	40,943	49,212	10,784	5,753
Expected loss less impairment provisions	(831)	(333)	(688)	—	(1,035)	(395)	(703)	(22)
Prudential valuation adjustment	(603)	(593)	(2)	—	(381)	(349)	(1)	—
Deferred tax assets	(1,040)	(211)	(561)	(239)	(1,110)	(252)	(622)	(210)
Own credit adjustments	(587)	(357)	—	(5)	(104)	17	—	—
Pension fund adjustment	(209)	(138)	(1)	97	(161)	(138)	—	142
Significant investment in financial institutions	—	(20,101)	(3,065)	—	—	(15,680)	(2,837)	—
Cashflow hedging reserve	(1,603)	(619)	—	—	(458)	(286)	1	—
Other adjustments for regulatory purposes	(14)	281	(38)	(29)	(64)	287	532	27
Total deductions	(4,887)	(22,071)	(4,355)	(176)	(3,313)	(16,796)	(3,630)	(63)
CET1 capital	35,654	27,342	7,598	6,435	37,630	32,416	7,154	5,690
AT1 capital	7,756	1,965	—	—	8,716	2,318	17	—
Tier 1 capital	43,410	29,307	7,598	6,435	46,346	34,734	7,171	5,690
Tier 2 capital	13,043	12,701	4,755	555	13,619	16,607	4,966	485
Total regulatory capital	56,453	42,008	12,353	6,990	59,965	51,341	12,137	6,175

CAP 3: RWAs and minimum capital requirements by risk type

RWAs	30 June 2016				31 December 2015			
	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m
Credit risk								
- non-counterparty								
- advanced IRB	135,296	57,626	45,244	18,029	128,424	57,790	39,231	16,761
- standardised	37,186	76,033	13,417	900	37,993	88,654	15,191	968
- counterparty	26,049	24,007	599	491	23,361	21,769	402	345
Market risk	20,943	18,310	532	55	21,255	19,073	570	7
Operational risk	25,696	14,861	7,209	1,189	31,597	15,615	6,361	1,148
	245,170	190,837	67,001	20,664	242,630	202,901	61,755	19,229

Minimum capital requirements	30 June 2016				31 December 2015			
	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m
Credit risk								
- non-counterparty								
- advanced IRB	10,824	4,610	3,620	1,442	10,274	4,623	3,138	1,341
- standardised	2,975	6,083	1,073	72	3,039	7,092	1,215	77
- counterparty	2,084	1,921	48	39	1,869	1,742	32	28
Market risk	1,675	1,465	43	4	1,700	1,526	46	1
Operational risk	2,056	1,189	577	95	2,528	1,249	509	92
	19,614	15,268	5,361	1,652	19,410	16,232	4,940	1,539

Capital requirements and leverage: RBS and significant subsidiaries

CAP 4: Leverage exposure summary

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

Leverage	30 June 2016				31 December 2015			
	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m
Derivatives	326,039	330,542	3,743	838	262,544	265,601	2,086	657
Loans and advances	348,525	186,525	208,996	22,492	326,976	175,906	207,632	19,876
Reverse repos	45,778	36,858	—	47	39,910	31,096	—	—
Other assets	181,282	191,163	10,051	2,394	185,978	196,579	10,674	2,245
Total assets	901,624	745,088	222,790	25,771	815,408	669,182	220,392	22,778
Derivatives								
- netting and variation margin	(328,463)	(330,281)	(2,615)	(173)	(258,589)	(260,076)	(1,451)	(99)
- potential future exposures	75,531	76,950	209	247	75,604	76,804	196	246
Securities financing transactions gross up	3,190	5,885	—	—	5,125	5,162	—	—
Undrawn commitments	63,236	43,906	10,388	1,363	63,464	46,309	9,890	1,021
Regulatory deductions and other adjustments	5,566	(18,850)	(5,078)	(49)	1,471	(15,827)	(5,221)	(212)
Exclusion of core UK-group exposures	—	(24,510)	(62,013)	—	—	(18,919)	(70,752)	—
Leverage exposure	720,684	498,188	163,681	27,159	702,483	502,635	153,054	23,734
Average leverage exposure	717,167	506,233	158,300	25,387				
Average Tier 1 capital	44,629	31,233	7,467	6,063				
Average leverage ratio %	6.2	6.2	4.7	23.9				

Key points

RBS

- CET1 ratio decreased by 100 basis points in H1 2016 to 14.5% primarily reflecting management actions to normalise the ownership structure and improve the long-term resilience of RBS. These actions included the final Dividend Access Share payment of £1.2 billion and the accelerated payment of £4.2 billion relating to the deficit on the pension Main Scheme. Additional litigation and conduct charges contributed to a £2.0 billion reduction in CET1 capital.
- RWAs increased by £2.6 billion to £245.2 billion during H1 2016 reflecting lending growth in UK PBB and Commercial Banking and the adverse impact of FX movements of £7.5 billion mainly due to weakening of sterling following the EU Referendum. These were partially offset by the reductions in RWA due to disposals and run-off in Capital Resolution and the removal of the element of operational risk RWAs relating to Citizens, following regulatory approval.
- There was a 10 basis points decrease in the CET1 ratio in Q2 2016 driven by a £0.7 billion decrease in CET 1 capital in Q2 2016, offset by £4.3 billion reduction in RWAs. The reduction in RWAs related to disposals and run-off in Capital Resolution, and removal of that element of operational risk RWAs relating to Citizens, following regulatory approval (£3.9 billion); these were partly off-set by the weakening of sterling mainly due to the EU Referendum (£4.4 billion).
- Leverage ratio decreased by 60 basis points in the period to 6.0% driven by growth in mortgages and commercial lending as well as the reduction in Tier 1 capital.
- RBS's PRA minimum leverage ratio requirement of 3% has been supplemented with an additional GSII leverage ratio buffer of 0.13125%, equivalent to £946 million of CET1 capital at 30 June 2016.

RBS plc

- The CET1 ratio decreased from 16.0% to 14.3%. This reflected the phasing in of the CRR transition rules relating to significant investments (80 basis point reduction), the £1.3 billion capital injection into NWB Plc, following the pension payment, partially offset by RWA reduction.

- RWAs decreased by £12.1 billion in H1 2016 predominantly as a result of the significant investment change, which reduced standardised credit risk RWAs by £14.8 billion, offset by adverse exchange rate movements. Counterparty risk RWAs increased by £2.2 billion reflecting impacts of market volatility and foreign exchange movements alongside the update of risk metric models.
- The leverage ratio on a PRA transitional basis decreased from 6.9% to 5.9% due to reduced Tier 1 capital and loan growth.

NWB Plc

- The CET1 ratio decreased from 11.6% to 11.3% primarily reflecting the adverse impacts of the £4.2 billion pension payment to the Main Scheme; the annual phasing in of the CRR transition rules relating to significant investments (50 basis point reduction) as well as a £5.2 billion increase in RWAs, partially offset by a £1.3 billion capital injection from RBS plc.
- IRB credit risk RWAs increased by £6.0 billion following mortgage PD recalibration and the standardised RWAs decreased by £1.8 billion predominantly as a result of the significant investment change.
- The leverage ratio on a PRA transitional basis decreased marginally to 4.6% as a result of increased Tier 1 capital, offset by growth in mortgages and corporate lending.

UBI DAC

- The CET1 ratio increased to 31.1% in H1 2016.
- In sterling, RWAs increased by £1.4 billion as a result of the strengthening of the euro against sterling.
- RWAs have decreased from €26.2 billion to €24.7 billion as a result of reductions in mortgages, primarily tracker product, business lending and also due to the impact of risk parameter movements.
- The leverage ratio on a transitional basis declined marginally to 23.7% reflecting exposure inflation due to currency movements.

Capital requirements and leverage: RBS and significant subsidiaries

CAP 5: Transitional own funds (CRR Delegated Act Template)

		30 June 2016					
		RBS			RBS plc	NWB Plc	UBI DAC
		PRA transitional	CRR prescribed residual amounts	Final CRD IV			
		£m	£m	£m	£m	£m	£m
CET1 capital: instruments and reserves							
1	Capital instruments and the related share premium accounts <i>of which: ordinary shares</i>	34,078	—	34,078	33,416	3,904	3,999
		11,755	—	11,755	6,609	1,678	3,009
2	Retained earnings	(4,796)	—	(4,796)	15,643	7,337	2,371
3	Accumulated other comprehensive income (and other reserves)	19,829	—	19,829	904	667	25
4	Public sector capital injections grandfathered until 1 January 2018	—	—	—	—	—	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	—	—	—	284	591	—
6	CET1 capital before regulatory adjustments	49,111	—	49,111	50,247	12,499	6,395
7	Additional value adjustments	(603)	—	(603)	(593)	(2)	—
8	Intangible assets (net of related tax liability)	(6,485)	—	(6,485)	(534)	(515)	—
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(1,040)	—	(1,040)	(211)	(561)	(239)
11	Fair value reserves related to gains or losses on cash flow hedges	(1,603)	—	(1,603)	(619)	—	—
12	Negative amounts resulting from the calculation of expected loss amounts	(831)	—	(831)	(333)	(688)	—
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(587)	—	(587)	(357)	—	(5)
15	Defined-benefit pension fund assets	(209)	—	(209)	(138)	(1)	—
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—	—	(20,101)	(2,910)	—
22	Amount exceeding the 17.65% threshold (negative amount)	—	—	—	(3,407)	(997)	—
23	<i>Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities</i>	—	—	—	(2,993)	(606)	—
25	<i>Of which: deferred tax assets arising from temporary differences</i>	—	—	—	(414)	(391)	—
25a	Losses for the current financial period (negative amount)	(2,045)	—	(2,045)	—	—	—
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	(54)	—	(54)	3,388	845	284
26a	<i>Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468</i>	—	—	—	—	—	—
26b	<i>Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR</i>	(54)	—	(54)	3,388	845	284
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	—	—	—	—	(72)	—
28	Total regulatory adjustments to CET1	(13,457)	—	(13,457)	(22,905)	(4,901)	40
29	CET1 capital	35,654	—	35,654	27,342	7,598	6,435
AT1 capital: instruments							
30	Capital instruments and the related share premium accounts	2,007	—	2,007	—	—	—
31	<i>of which: classified as equity under applicable accounting standards</i>	2,007	—	2,007	—	—	—
32	<i>of which: classified as debt under applicable accounting standards</i>	—	—	—	—	—	—
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	4,365	(4,365)	—	3,003	175	—
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5 CET1) issued by subsidiaries and held by third parties	1,394	(1,394)	—	—	—	—
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	1,394	(1,394)	—	—	—	—
36	AT1 capital before regulatory adjustments	7,766	(5,759)	2,007	3,003	175	—

Capital requirements and leverage: RBS and significant subsidiaries

CAP 5: Transitional own funds (CRR Delegated Act Template) *continued*

		30 June 2016					
		RBS			RBS plc £m	NWB Plc £m	UBI DAC £m
		PRA transitional £m	CRR prescribed residual amounts £m	Final CRD IV £m			
AT1 capital: regulatory adjustments							
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—	—	—	(1,028)	(175)	—
41	(-) Actual or contingent obligations to purchase own AT1 instruments	(10)	—	(10)	(10)	—	—
41b	Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 (T2) capital during the transitional period of which: <i>Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities</i>	—	—	—	—	—	—
43	Total regulatory adjustments to AT1 capital	(10)	—	(10)	(1,038)	(175)	—
44	AT1 capital	7,756	(5,759)	1,997	1,965	—	—
45	Tier 1 capital (T1 = CET1 + AT1)	43,410	(5,759)	37,651	29,307	7,598	6,435
T2 capital: instruments and provisions							
46	Capital instruments and the related share premium accounts	6,453	—	6,453	14,319	4,100	497
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	745	(745)	—	1,669	735	54
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	5,855	(3,270)	2,585	—	—	—
49	of which: <i>instruments issued by subsidiaries subject to phase out</i>	2,690	(2,690)	—	—	—	—
50	Credit risk adjustments	—	—	—	—	—	4
51	T2 capital before regulatory adjustments	13,053	(4,015)	9,038	15,988	4,835	555
T2 capital: regulatory adjustments							
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	—	—	—	(3,278)	(80)	—
56a	(-) Actual or contingent obligations to purchase own AT1 instruments	(10)	—	(10)	(9)	—	—
56b	Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period	—	—	—	—	—	—
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	—	—	—	—	—	—
57	Total regulatory adjustments to T2 capital	(10)	—	(10)	(3,287)	(80)	—
58	T2 capital	13,043	(4,015)	9,028	12,701	4,755	555
59	Total capital (TC = T1 + T2)	56,453	(9,774)	46,679	42,008	12,353	6,990
60	Total risk-weighted assets	245,170	—	245,170	190,837	67,001	20,664

Capital requirements and leverage: RBS and significant subsidiaries

CAP 5: Transitional own funds (CRR Delegated Act Template) *continued*

	30 June 2016					
	PRA transitional £m	RBS CRR prescribed residual amounts £m	Final CRD IV £m	RBS plc £m	NWB Plc £m	UBI DAC £m
Capital ratios and buffers						
61 CET1 (as a percentage of risk exposure amount)	14.5%	—	14.5%	14.3%	11.3%	31.1%
62 T1 (as a percentage of risk exposure amount)	17.7%	—	15.4%	15.4%	11.3%	31.1%
63 Total capital (as a percentage of risk exposure amount)	23.0%	—	19.0%	22.0%	18.4%	33.8%
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or)-SII buffer), expressed as a percentage of risk exposure amount)	—	—	—	—	—	—
65 of which: capital conservation buffer requirement	—	—	—	—	—	—
66 of which: counter cyclical buffer requirement	—	—	—	—	—	—
67 of which: systemic risk buffer requirement	—	—	—	—	—	—
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	—	—	—	—	—	—
68 CET1 available to meet buffers	10.0%	—	10.0%	9.8%	6.8%	26.6%
Amounts below the threshold deduction						
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,694	—	1,694	470	11	—
73 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	336	—	336	4,744	1,073	6
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	413	—	413	656	692	1
Available caps on the inclusion of provisions in T2						
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	—	—	—	—	—	—
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	465	—	465	951	169	10
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach (prior to the application of the cap)	—	—	—	—	—	—
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	812	—	812	346	271	108
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)						
82 Current cap on AT1 instruments subject to phase out arrangements	5,759	(5,759)	—	3,003	175	—
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	558	(558)	—	725	150	—
84 Current cap on T2 instruments subject to phase out arrangements	4,035	(4,035)	—	1,669	735	80
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	—	—	492	494	—

Capital requirements and leverage: RBS and significant subsidiaries

CAP 5: Transitional own funds (CRR Delegated Act Template) continued

		31 December 2015					
		RBS					
		PRA transitional	CRR prescribed residual amounts	Final CRD IV	RBS plc	NWB Plc	UBI DAC
		£m	£m	£m	£m	£m	£m
CET1 capital: instruments and reserves							
1	Capital instruments and the related share premium accounts <i>of which: ordinary shares</i>	33,745	—	33,745	31,995	3,904	3,506
		11,625	—	11,625	6,609	1,678	2,638
2	Retained earnings	(4,381)	—	(4,381)	18,462	8,657	1,240
3	Accumulated other comprehensive income (and other reserves)	20,095	—	20,095	678	668	21
4	Public sector capital injections grandfathered until 1 January 2018	—	—	—	—	—	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	—	—	—	—	—	839
6	CET1 capital before regulatory adjustments	49,459	—	49,459	51,135	13,229	5,606
7	Additional value adjustments	(381)	—	(381)	(349)	(1)	—
8	Intangible assets (net of related tax liability)	(6,566)	—	(6,566)	(544)	(498)	—
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(1,110)	—	(1,110)	(252)	(622)	(210)
11	Fair value reserves related to gains or losses on cash flow hedges	(458)	—	(458)	(286)	1	—
12	Negative amounts resulting from the calculation of expected loss amounts	(1,035)	—	(1,035)	(395)	(703)	(22)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(104)	—	(104)	17	—	—
15	Defined-benefit pension fund assets	(161)	—	(161)	(138)	—	—
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	—	—	—	(15,680)	(2,413)	—
22	Amount exceeding the 17.65% threshold (negative amount)	—	—	—	(3,170)	(1,326)	—
23	<i>Of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities</i>	—	—	—	(2,768)	(689)	—
25	<i>Of which: deferred tax assets arising from temporary differences</i>	—	—	—	(402)	(637)	—
25a	Losses for the current financial period (negative amount)	(1,979)	—	(1,979)	(1,075)	(1,415)	—
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	(35)	(22)	(57)	3,153	902	323
26a	<i>Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468</i>	—	—	—	—	—	—
26b	<i>Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR</i>	(35)	(22)	(57)	3,153	902	323
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	—	—	—	—	—	(7)
28	Total regulatory adjustments to CET1	(11,829)	(22)	(11,851)	(18,719)	(6,075)	84
29	CET1 capital	37,630	(22)	37,608	32,416	7,154	5,690
AT1 capital: instruments							
30	Capital instruments and the related share premium accounts	2,007	—	2,007	—	—	—
31	<i>of which: classified as equity under applicable accounting standards</i>	2,007	—	2,007	—	—	—
32	<i>of which: classified as debt under applicable accounting standards</i>	—	—	—	—	—	—
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	5,092	(5,092)	—	3,503	204	—
34	Qualifying tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5 CET1) issued by subsidiaries and held by third parties	1,627	(1,627)	—	—	—	—
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	1,627	(1,627)	—	—	—	—
36	AT1 capital before regulatory adjustments	8,726	(6,719)	2,007	3,503	204	—

Capital requirements and leverage: RBS and significant subsidiaries

CAP 5: Transitional own funds (CRR Delegated Act Template) *continued*

		31 December 2015					
		RBS			RBS plc £m	NWB Plc £m	UBI DAC £m
		PRA transitional £m	CRR prescribed residual amounts £m	Final CRD IV £m			
AT1 capital: regulatory adjustments							
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	—	—	—	(1,175)	(187)	—
41	(-) Actual or contingent obligations to purchase own AT1 instruments	(10)	—	(10)	(10)	—	—
41b	Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 (T2) capital during the transitional period of which: <i>Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities</i>	—	—	—	—	—	—
43	Total regulatory adjustments to AT1 capital	(10)	—	(10)	(1,185)	(187)	—
44	AT1 capital	8,716	(6,719)	1,997	2,318	17	—
45	Tier 1 capital (T1 = CET1 + AT1)	46,346	(6,741)	39,605	34,734	7,171	5,690
T2 capital: instruments and provisions							
46	Capital instruments and the related share premium accounts	5,755	—	5,755	17,271	4,200	438
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	520	(520)	—	1,770	858	54
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	7,354	(5,097)	2,257	—	—	—
49	of which: <i>instruments issued by subsidiaries subject to phase out</i>	4,188	(4,188)	—	—	—	—
50	Credit risk adjustments	—	—	—	—	—	—
51	T2 capital before regulatory adjustments	13,629	(5,617)	8,012	19,041	5,058	492
T2 capital: regulatory adjustments							
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions)	—	—	—	(2,432)	(92)	—
56a	(-) Actual or contingent obligations to purchase own AT1 instruments	(10)	—	(10)	(2)	—	—
56b	Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period	—	—	—	—	—	(7)
56c	Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	—	—	—	—	—	—
57	Total regulatory adjustments to T2 capital	(10)	—	(10)	(2,434)	(92)	(7)
58	T2 capital	13,619	(5,617)	8,002	16,607	4,966	485
59	Total capital (TC = T1 + T2)	59,965	(12,358)	47,607	51,341	12,137	6,175
60	Total risk-weighted assets	242,630	—	242,630	202,901	61,755	19,229

Capital requirements and leverage: RBS and significant subsidiaries

CAP 5: Transitional own funds (CRR Delegated Act Template) *continued*

	31 December 2015					
	RBS			RBS plc £m	NWB Plc £m	UBI DAC £m
	PRA transitional £m	CRR prescribed residual amounts £m	Final CRD IV £m			
Capital ratios and buffers						
61 CET1 (as a percentage of risk exposure amount)	15.5%	—	15.5%	16.0%	11.6%	29.6%
62 T1 (as a percentage of risk exposure amount)	19.1%	—	16.3%	17.1%	11.6%	29.6%
63 Total capital (as a percentage of risk exposure amount)	24.7%	—	19.6%	25.3%	19.7%	32.1%
64 Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1)(a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or)-SII buffer), expressed as a percentage of risk exposure amount)	—	—	—	—	—	—
65 of which: capital conservation buffer requirement	—	—	—	—	—	—
66 of which: counter cyclical buffer requirement	—	—	—	—	—	—
67 of which: systemic risk buffer requirement	—	—	—	—	—	—
67a of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	—	—	—	—	—	—
68 CET1 available to meet buffers	11.0%	—	11.0%	11.5%	7.1%	25.1%
Amounts below the threshold deduction						
72 Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	1,651	—	1,651	837	10	—
73 Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	450	—	450	4,809	999	3
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	730	—	730	699	924	1
Available caps on the inclusion of provisions in T2						
76 Credit risk adjustments included in T2 in respect of exposures subject to standardised approach	—	—	—	—	—	—
76 (prior to the application of the cap)	—	—	—	—	—	—
77 Cap on inclusion of credit risk adjustments in T2 under standardised approach	475	—	475	1,108	200	9
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach	—	—	—	—	—	—
78 (prior to the application of the cap)	—	—	—	—	—	—
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	771	—	771	347	235	101
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)						
82 Current cap on AT1 instruments subject to phase out arrangements	6,719	(6,719)	—	3,504	204	—
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	1,679	(1,679)	—	168	101	—
84 Current cap on T2 instruments subject to phase out arrangements	4,708	(4,708)	—	1,948	858	82
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	123	(123)	—	—	246	—

Capital requirements and leverage: RBS and significant subsidiaries

CAP 6: Leverage exposures (CRR Delegated Act Template)

		30 June 2016				31 December 2015			
		RBS	RBS plc	NWB Plc	UBI DAC	RBS	RBS plc	NWB Plc	UBI DAC
		£m	£m	£m	£m	£m	£m	£m	£m
LRSum: Summary reconciliation of accounting assets and leverage ratio exposure									
1	Total assets as per published financial statements	901,624	745,088	222,790	25,771	815,408	669,182	220,392	22,778
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	8,072	—	—	(2)	6,990	—	—	(175)
4	Adjustment for derivative financial instruments	(252,932)	(253,331)	(2,406)	74	(182,985)	(183,272)	(1,255)	147
5	Adjustments for securities financing transactions (SFTs)	3,190	5,885	—	—	5,125	5,162	—	—
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	63,236	43,906	10,388	1,363	63,464	46,309	9,890	1,021
EU-6a	Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	—	(24,510)	(62,013)	—	—	(18,919)	(70,752)	—
7	Other adjustments	(2,506)	(18,850)	(5,078)	(47)	(5,519)	(15,827)	(5,221)	(37)
8	Total leverage ratio exposure	720,684	498,188	163,681	27,159	702,483	502,635	153,054	23,734
LRCom: Leverage ratio common disclosure									
On-balance sheet exposures (excluding derivatives and SFTs)									
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	546,155	382,407	219,047	24,884	524,123	375,608	217,898	21,946
2	Asset amounts deducted in determining Tier 1 capital	(10,782)	(23,569)	(5,078)	(47)	(9,698)	(18,950)	(4,812)	(37)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	535,373	358,838	213,969	24,837	514,425	356,658	213,086	21,909
Derivative exposures									
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	71,792	74,348	1,129	665	55,193	56,609	635	558
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	76,593	77,471	209	247	76,739	77,364	196	246
7	Deductions of receivable assets for cash variation margin provided in derivatives transactions	(74,571)	(74,471)	(1)	—	(55,724)	(55,598)	(1)	—
8	Exempted CCP leg of client-cleared trade exposures	(2,110)	(1,535)	—	—	(1,173)	(567)	—	—
9	Adjusted effective notional amount of written credit derivatives	1,403	1,398	—	—	4,524	4,521	—	—
11	Total derivative exposures	73,107	77,211	1,337	912	79,559	82,329	830	804
Securities financing transaction exposures									
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	45,778	36,858	—	47	39,910	31,096	—	—
14	Counterparty credit risk exposures for SFT assets	3,190	5,885	—	—	5,125	5,162	—	—
16	Total securities financing transaction exposures	48,968	42,743	—	47	45,035	36,258	—	—
Other off-balance sheet exposures									
17	Off-balance sheet exposures at gross notional amount	198,820	130,473	45,387	5,137	198,895	131,833	44,576	4,226
18	Adjustments for conversion to credit equivalent amounts	(135,584)	(86,567)	(34,999)	(3,774)	(135,431)	(85,524)	(34,686)	(3,205)
19	Other off-balance sheet exposures	63,236	43,906	10,388	1,363	63,464	46,309	9,890	1,021
EU-19a	Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off-balance sheet)	—	(24,510)	(62,013)	—	—	(18,919)	(70,752)	—
Capital and total exposures									
20	Tier 1 capital	43,410	29,307	7,598	6,435	46,346	34,734	7,171	5,690
21	Total leverage ratio exposure	720,684	498,188	163,681	27,159	702,483	502,635	153,054	23,734
Leverage ratio		6.0%	5.9%	4.6%	23.7%	6.6%	6.9%	4.7%	24.0%

Capital requirements and leverage: RBS and significant subsidiaries

CAP 6: Leverage exposures (CRR Delegated Act Template) *continued*

		30 June 2016				31 December 2015			
		Leverage ratio exposures				Leverage ratio exposures			
		RBS	RBS plc	NWB plc	UBI DAC	RBS	RBS plc	NWB plc	UBI DAC
		£m	£m	£m	£m	£m	£m	£m	£m
<u>LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)</u>									
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	535,373	358,838	213,969	24,837	514,425	356,658	213,086	21,909
EU-2	Trading book exposures	86,478	77,480	171	2	69,559	61,672	185	—
EU-3	Banking book exposures, of which:	448,895	281,358	213,798	24,835	444,866	294,986	212,901	21,909
EU-4	Covered bonds	1,346	1,206	—	—	1,367	1,273	—	—
EU-5	Exposures treated as sovereigns	106,670	96,368	269	3,517	116,877	110,733	291	2,516
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	7,174	4,932	1,436	438	6,955	4,992	1,472	343
EU-7	Institutions	4,573	50,871	64,012	1,516	5,004	31,657	78,965	1,216
EU-8	Secured by mortgages of immovable properties	49,478	16,272	16,941	1,820	46,244	9,685	11,604	1,452
EU-9	Retail exposures	153,435	32,718	101,263	12,842	141,340	33,932	94,129	9,998
EU-10	Corporate	103,048	52,397	22,262	2,021	101,437	80,923	21,338	1,565
EU-11	Exposures in default	8,900	3,976	2,032	2,356	15,554	5,232	3,761	4,387
EU-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	14,271	22,618	5,583	325	10,088	16,559	1,341	432

Capital requirements and leverage: RBS and significant subsidiaries

CAP 7: Market risk minimum capital requirements

The table below covers the minimum capital requirements (at 8% of RWAs) relating to market risk. Apart from RBS plc, RBS Securities Inc (RBSSI) is the major contributor to market risk capital requirements in RBS. UBI DAC has insignificant market risk (30 June 2016 - £55 million; 31 December 2015 - £9 million).

	30 June 2016				31 December 2015			
	RBS £m	RBS plc £m	NWB Plc £m	RBSSI £m	RBS £m	RBS plc £m	NWB Plc £m	RBSSI £m
Interest rate position risk requirement	48	24	13	8	85	55	12	9
Equity position risk requirement	—	—	—	—	1	—	—	1
Option position risk requirement	1	1	—	—	6	1	—	—
Specific interest rate risk of securitisation positions	117	117	—	—	130	130	—	1
Foreign exchange position risk requirement	185	163	16	—	155	131	20	—
Total (standard method)	351	305	29	8	377	317	32	11
Pillar 1 model based position risk requirement	1,324	1,160	14	120	1,323	1,209	14	62
Total position risk requirement	1,675	1,465	43	128	1,700	1,526	46	73

The contributors to the Pillar 1 model based position risk requirement above are:

Value-at-risk (VaR)	305	276	3	16	377	350	3	10
Stressed VaR	448	364	11	55	477	412	11	33
Incremental risk charge (IRC)	270	235	—	32	248	230	—	15
Risks not in VaR	301	285	—	17	221	217	—	4
	1,324	1,160	14	120	1,323	1,209	14	62

Credit risk

Total credit risk

CR 1: EAD, RWAs and minimum capital requirements by significant subsidiary by regulatory approach and exposure class

30 June 2016	RBS				RBS plc				NWB Plc				UBI DAC			
	EAD pre CRM £m	EAD post CRM £m	RWAs requirements £m	Minimum capital £m	EAD pre CRM £m	EAD post CRM £m	RWAs requirements £m	Minimum capital £m	EAD pre CRM £m	EAD post CRM £m	RWAs requirements £m	Minimum capital £m	EAD pre CRM £m	EAD post CRM £m	RWAs requirements £m	Minimum capital £m
Non-counterparty credit risk																
<i>IRB approach</i>																
Central governments and banks	63,104	63,100	4,389	351	55,851	55,847	3,320	266	58	58	1	—	4,002	4,002	501	40
Institutions	16,116	13,470	4,001	320	6,803	6,147	2,041	163	2,646	1,142	447	36	1,073	1,073	354	28
Corporates - property	47,460	44,263	22,228	1,778	26,924	24,967	12,367	989	16,544	15,311	7,997	640	1,675	1,674	954	76
IPRE under slotting approach	20,468	20,128	13,967	1,117	11,982	11,652	7,725	618	7,519	7,510	5,637	451	629	629	463	37
Other items	26,992	24,135	8,261	661	14,942	13,315	4,642	371	9,025	7,801	2,360	189	1,046	1,045	491	39
Corporates - other	124,587	110,259	57,414	4,593	71,206	62,642	30,522	2,442	31,775	26,347	16,118	1,290	4,374	4,156	3,001	240
Project Finance under slotting approach	4,276	4,184	3,002	240	3,850	3,758	2,687	215	23	23	16	1	399	399	294	23
Other items	120,311	106,075	54,412	4,353	67,356	58,884	27,835	2,227	31,752	26,324	16,102	1,289	3,975	3,757	2,707	217
Retail	190,019	190,019	42,165	3,373	42,900	42,900	6,680	534	125,283	125,283	20,315	1,625	17,295	17,295	13,219	1,058
Mortgages	150,384	150,384	26,419	2,114	34,197	34,197	3,000	240	97,948	97,948	10,565	845	15,952	15,952	12,149	972
Qualifying revolving	23,448	23,448	6,334	507	4,972	4,972	1,644	131	17,770	17,770	4,372	350	349	349	205	16
SME	10,618	10,618	4,706	376	2,328	2,328	860	69	5,920	5,920	2,158	172	801	801	730	59
Other	5,569	5,569	4,706	376	1,403	1,403	1,176	94	3,645	3,645	3,220	258	193	193	135	11
Equities	696	696	1,937	155	146	146	457	37	4	4	13	1	—	—	—	—
Exchange traded	59	59	169	14	7	7	19	2	—	—	—	—	—	—	—	—
Private equity	400	400	906	72	93	93	276	22	4	4	13	1	—	—	—	—
Other items	237	237	862	69	46	46	162	13	—	—	—	—	—	—	—	—
Securitisation positions	8,992	8,992	2,733	219	8,689	8,689	2,239	179	51	50	353	28	—	—	—	—
Non-credit obligation assets	1,323	1,323	429	35	—	—	—	—	—	—	—	—	—	—	—	—
Total IRB	452,297	432,122	135,296	10,824	212,519	201,338	57,626	4,610	176,361	168,195	45,244	3,620	28,419	28,200	18,029	1,442
<i>STD approach</i>																
Government and multilateral institutions	52,432	52,432	199	16	47,895	47,895	2	—	724	724	—	—	1	1	1	—
Institutions	555	555	227	18	53,224	53,224	2,516	201	63,860	63,860	217	17	963	963	196	15
Corporates	19,504	19,014	18,369	1,470	6,734	6,642	6,226	498	250	250	251	20	303	303	287	23
Retail	3,488	3,450	2,379	190	162	162	94	8	441	441	264	21	13	13	7	1
Secured by mortgages on - residential	11,520	11,520	4,847	388	1,016	1,016	432	35	9	9	12	1	—	—	—	—
Secured by mortgages on - CRE	2,988	2,988	3,096	248	385	385	483	39	51	51	68	6	21	21	21	2
Past due items	727	725	843	67	275	275	321	26	28	28	39	3	6	6	9	1
Covered bonds	144	144	15	1	—	—	—	—	—	—	—	—	—	—	—	—
Collective investment undertakings	103	103	30	2	—	—	—	—	—	—	—	—	—	—	—	—
Equity claims	432	432	937	75	17,264	17,264	61,704	4,936	2,826	2,826	9,896	792	6	6	14	1
Other items	8,282	8,282	6,244	500	4,215	4,215	4,255	340	2,932	2,932	2,670	213	372	372	365	29
Total STD	100,175	99,645	37,186	2,975	131,170	131,078	76,033	6,083	71,121	71,121	13,417	1,073	1,685	1,685	900	72
Total IRB and STD	552,472	531,767	172,482	13,799	343,689	332,416	133,659	10,693	247,482	239,316	58,661	4,693	30,104	29,885	18,929	1,514

Credit risk

Total credit risk

CR 1: EAD, RWAs and minimum capital requirements by significant subsidiary by regulatory approach and exposure class *continued*

30 June 2016	RBS			RBS plc			NWB Plc			UBI DAC		
	EAD post CRM £m	RWAs £m	Minimum capital requirements £m	EAD post CRM £m	RWAs £m	Minimum capital requirements £m	EAD post CRM £m	RWAs £m	Minimum capital requirements £m	EAD post CRM £m	RWAs £m	Minimum capital requirements £m
Counterparty credit risk												
<i>IRB approach</i>												
Central governments and banks	8,639	480	38	8,638	480	38	—	—	—	—	—	—
Institutions	11,509	9,218	737	11,415	8,982	719	3	1	—	35	13	1
Corporates - Property	2,268	1,421	114	1,860	1,183	95	345	191	15	4	4	—
Corporates - Other	26,677	12,362	989	24,909	11,089	887	743	395	32	115	83	7
Securitisation positions	1,603	484	39	1,150	438	35	53	6	1	—	—	—
Total IRB	50,696	23,965	1,917	47,972	22,172	1,774	1,144	593	48	154	100	8
<i>STD approach</i>												
Government and multilateral institutions	2,120	18	1	2,102	14	1	—	—	—	—	—	—
Institutions	5,465	614	50	14,148	1,298	104	2,577	—	—	800	391	31
Corporates	1,547	1,423	114	648	521	42	5	6	—	—	—	—
Retail	30	27	2	—	—	—	—	—	—	—	—	—
Past due items	2	2	—	2	2	—	—	—	—	—	—	—
Total STD	9,164	2,084	167	16,900	1,835	147	2,582	6	—	800	391	31
Total IRB and STD	59,860	26,049	2,084	64,872	24,007	1,921	3,726	599	48	954	491	39

Credit risk

Total credit risk

CR 1: EAD, RWAs and minimum capital requirements by significant subsidiary by regulatory approach and exposure class *continued*

	RBS				RBS plc				NWB Plc				UBI DAC			
	EAD pre CRM	EAD post CRM	Minimum capital RWAs requirements	Minimum capital £m	EAD pre CRM	EAD post CRM	Minimum capital RWAs requirements	Minimum capital £m	EAD pre CRM	EAD post CRM	Minimum capital RWAs requirements	Minimum capital £m	EAD pre CRM	EAD post CRM	Minimum capital RWAs requirements	Minimum capital £m
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
31 December 2015																
Non-counterparty credit risk																
<i>IRB approach</i>																
Central governments and banks	66,599	66,599	3,977	318	59,224	59,224	2,787	223	144	144	4	—	3,335	3,335	363	29
Institutions	15,688	12,966	2,959	237	6,474	5,997	1,378	110	2,305	614	156	12	1,006	1,006	250	20
Corporates - property	47,763	44,247	22,119	1,770	26,567	24,325	12,237	979	16,534	15,263	8,145	652	2,163	2,162	804	64
IPRE under slotting approach	20,609	20,019	13,959	1,117	11,635	11,058	7,612	609	7,639	7,625	5,818	466	694	694	371	29
Other items	27,154	24,228	8,160	653	14,932	13,267	4,625	370	8,895	7,638	2,327	186	1,469	1,468	433	35
Corporates - other	126,474	112,155	57,424	4,594	74,105	64,636	31,579	2,526	30,186	25,587	15,346	1,228	4,022	3,909	2,783	223
Project Finance under slotting approach	4,241	4,018	2,740	219	3,839	3,617	2,499	200	23	23	16	1	313	313	224	18
Other items	122,233	108,137	54,684	4,375	70,266	61,019	29,080	2,326	30,163	25,564	15,330	1,227	3,709	3,596	2,559	205
Retail	179,406	179,406	36,216	2,897	43,896	43,896	6,575	526	115,743	115,743	15,255	1,220	15,219	15,219	12,542	1,003
Mortgages	140,340	140,340	20,960	1,676	34,918	34,918	2,828	226	89,088	89,088	5,853	468	14,048	14,048	11,564	925
Qualifying revolving	23,792	23,792	6,383	511	5,189	5,189	1,707	137	17,921	17,921	4,335	346	313	313	216	17
SME	9,809	9,809	4,309	345	2,408	2,408	899	72	5,178	5,178	1,970	158	698	698	639	51
Other	5,465	5,465	4,564	365	1,381	1,381	1,141	91	3,556	3,556	3,097	248	160	160	123	10
Equities	890	890	2,503	200	286	286	842	67	4	4	12	1	5	5	19	2
Exchange traded	51	51	148	12	6	6	18	1	—	—	—	—	—	—	—	—
Private equity	559	559	1,334	107	238	238	678	54	4	4	12	1	—	—	—	—
Other items	280	280	1,021	81	42	42	146	12	—	—	—	—	5	5	19	2
Securitisation positions	8,591	8,591	2,814	352	8,335	8,335	2,392	300	24	24	313	40	—	—	—	—
Non-credit obligation assets	1,117	1,117	412	33	—	—	—	—	—	—	—	—	—	—	—	—
Total IRB	446,528	425,971	128,424	10,401	218,887	206,699	57,790	4,731	164,940	157,379	39,231	3,153	25,750	25,636	16,761	1,341
<i>STD approach</i>																
Government and multilateral institutions	62,366	62,364	206	16	58,453	58,453	2	—	184	184	—	—	8	8	1	—
Institutions	890	890	239	19	41,391	41,391	2,391	191	78,234	78,234	92	7	817	817	163	13
Corporates	19,887	18,788	17,765	1,421	35,410	35,297	6,369	510	327	327	212	17	283	283	283	22
Retail	3,732	3,607	2,527	202	146	146	85	7	449	449	276	22	12	12	7	1
Secured by mortgages on - residential	10,592	10,592	4,398	352	1,040	1,040	439	35	3	3	4	—	—	—	—	—
Secured by mortgages on - CRE	3,183	3,183	3,248	260	245	245	296	24	72	72	89	7	1	1	1	—
Past due items	632	632	745	60	102	102	127	10	25	25	37	3	9	9	14	1
Exposures with particularly high risk	191	191	286	23	—	—	—	—	—	—	—	—	—	—	—	—
Covered bonds	144	144	15	1	—	—	—	—	—	—	—	—	—	—	—	—
Collective investment undertakings	12	12	12	1	—	—	—	—	—	—	—	—	—	—	—	—
Equity claims	605	605	1,281	102	24,008	24,008	74,803	5,984	3,240	3,240	11,614	930	5	5	15	1
Other items	8,813	8,813	7,271	582	4,532	4,532	4,142	331	3,083	3,083	2,867	229	500	500	484	39
Total STD	111,047	109,821	37,993	3,039	165,327	165,214	88,654	7,092	85,617	85,617	15,191	1,215	1,635	1,635	968	77
Total IRB and STD	557,575	535,792	166,417	13,440	384,214	371,913	146,444	11,823	250,557	242,996	54,422	4,368	27,385	27,271	17,729	1,418

Credit risk

Total credit risk

CR 1: EAD, RWAs and minimum capital requirements by significant subsidiary by regulatory approach and exposure class *continued*

	RBS			RBS plc			NWB Plc			UBI DAC		
	EAD post CRM £m	RWAs £m	Minimum capital requirements £m	EAD post CRM £m	RWAs £m	Minimum capital requirements £m	EAD post CRM £m	RWAs £m	Minimum capital requirements £m	EAD post CRM £m	RWAs £m	Minimum capital requirements £m
31 December 2015												
Counterparty credit risk												
<i>IRB approach</i>												
Central governments and banks	7,028	350	28	7,023	348	28	—	—	—	3	1	—
Institutions	10,941	8,488	679	10,824	8,290	663	2	1	—	19	12	1
Corporates - Property	1,882	1,301	104	1,589	1,083	87	243	183	15	11	6	1
Corporates - Other	25,582	10,846	868	24,391	9,970	798	417	208	16	87	63	5
Securitisation positions	1,652	601	75	1,283	562	70	61	8	1	—	—	—
Total IRB	47,085	21,586	1,754	45,110	20,253	1,646	723	400	32	120	82	7
<i>STD approach</i>												
Government and multilateral institutions	2,602	33	3	2,567	10	1	—	—	—	—	—	—
Institutions	4,687	558	46	4,284	990	80	—	—	—	530	263	21
Corporates	1,219	1,142	91	613	516	41	2	2	—	—	—	—
Retail	45	42	3	—	—	—	—	—	—	—	—	—
Total STD	8,553	1,775	143	7,464	1,516	122	2	2	—	530	263	21
Total IRB and STD	55,638	23,361	1,897	52,574	21,769	1,768	725	402	32	650	345	28

Credit risk

Non-counterparty credit risk

CR 2: Non-counterparty credit risk EAD pre CRM by regulatory exposure class and RBS sector cluster

This table maps exposures by sector cluster (in line with RBS's internal risk management) to exposures by exposure class (as defined by CRR rules for calculating regulatory capital).

	EAD pre CRM																Total £m
	Sovereign			Financial institutions (FI)				Corporates					Personal				
	Central banks £m	Central governments £m	Other sovereign £m	Banks £m	Non-bank FI £m	SSPEs £m	Property £m	Natural resources £m	Transport £m	Manufacturing £m	Retail and leisure £m	Services £m	TMT £m	Mortgages £m	Other personal £m		
30 June 2016																	
<i>IRB approach</i>																	
Central governments and banks	37,493	22,459	287	2,865	—	—	—	—	—	—	—	—	—	—	—	63,104	
Institutions	—	—	4,416	11,671	1	—	—	—	24	—	—	4	—	—	—	16,116	
Corporates	—	—	89	423	19,331	420	47,191	15,057	20,845	21,149	19,695	19,330	8,317	—	200	172,047	
Retail	—	—	16	1	115	—	2,464	67	642	2,032	2,222	2,647	231	150,386	29,196	190,019	
Equities	—	—	—	4	634	—	5	4	2	24	1	22	—	—	—	696	
Securitisation positions	—	—	—	—	851	8,141	—	—	—	—	—	—	—	—	—	8,992	
Non-credit obligation assets	—	19	75	90	70	—	154	41	613	34	149	16	62	—	—	1,323	
Total IRB	37,493	22,478	4,883	15,054	21,002	8,561	49,814	15,169	22,126	23,239	22,067	22,019	8,610	150,386	29,396	452,297	
<i>STD approach</i>																	
Central governments and banks	35,628	14,105	643	—	1,799	—	—	—	—	—	—	—	—	—	—	52,175	
Regional governments or local authorities	—	—	219	—	—	—	—	—	—	—	—	—	—	—	—	219	
Administrative bodies and non-Multilateral development banks	—	—	—	8	30	—	—	—	—	—	—	—	—	—	—	38	
Institutions	—	—	—	254	301	—	—	—	—	—	—	—	—	—	—	555	
Corporates	—	—	28	10	11,387	590	1,336	233	1,816	454	1,808	636	366	110	730	19,504	
Retail	—	—	10	1	773	—	276	54	56	154	54	54	12	170	1,874	3,488	
Secured by mortgages on																	
- residential property	—	—	—	3	933	19	873	—	1	18	36	58	8	8,811	760	11,520	
- commercial real estate	—	—	—	—	94	—	2,076	1	12	49	296	189	26	44	201	2,988	
Past due items	—	—	—	1	20	—	182	9	42	12	19	74	3	228	137	727	
Covered bonds	—	—	—	54	90	—	—	—	—	—	—	—	—	—	—	144	
Collective investment undertakings	—	—	—	—	101	—	—	2	—	—	—	—	—	—	—	103	
Equity claims	—	—	—	—	87	—	—	—	—	—	—	3	6	—	—	96	
Other items	—	13	13	—	250	—	57	4	93	10	21	20	—	—	—	481	
Total STD	35,628	14,118	913	331	15,865	609	4,800	303	2,020	697	2,234	1,034	421	9,363	3,702	92,038	
Total	73,121	36,596	5,796	15,385	36,867	9,170	54,614	15,472	24,146	23,936	24,301	23,053	9,031	159,749	33,098	544,335	
Not allocated to sector cluster																8,137	
																<u>552,472</u>	

Credit risk

CR 2: Non-counterparty credit risk EAD pre CRM by regulatory exposure class and RBS sector cluster *continued*

	EAD pre CRM																Total £m
	Sovereign			Financial institutions			Corporates						Personal				
	Central banks £m	Central governments £m	Other sovereign £m	Banks £m	Non-bank FI £m	SSPEs £m	Property £m	Natural resources £m	Transport £m	Manufacturing £m	Retail and leisure £m	Services £m	TMT £m	Mortgages £m	Other personal £m		
31 December 2015																	
<i>IRB approach</i>																	
Central governments and banks	41,892	21,791	199	2,653	—	—	—	37	—	—	—	27	—	—	—	66,599	
Institutions	—	—	4,533	11,113	1	—	—	—	37	—	—	4	—	—	—	15,688	
Corporates	—	—	210	1,238	17,722	474	47,654	14,270	21,209	23,912	19,462	19,657	8,205	—	224	174,237	
Retail	—	—	14	1	107	—	2,345	63	604	1,819	2,014	2,444	218	140,342	29,435	179,406	
Equities	—	—	—	5	801	—	6	—	3	29	1	44	1	—	—	890	
Securitisation positions	—	—	—	—	—	8,591	—	—	—	—	—	—	—	—	—	8,591	
Non-credit obligation assets	—	16	68	81	62	—	63	32	550	36	139	16	54	—	—	1,117	
Total IRB	41,892	21,807	5,024	15,091	18,693	9,065	50,068	14,402	22,403	25,796	21,616	22,192	8,478	140,342	29,659	446,528	
<i>STD approach</i>																	
Central governments and banks	45,929	14,283	108	—	1,815	—	—	—	—	—	—	4	—	—	—	62,139	
Regional governments or local authorities	—	—	204	—	6	—	—	—	—	—	—	—	—	—	—	210	
Administrative bodies and non-Multilateral development banks	—	—	—	17	—	—	—	—	—	—	—	—	—	—	—	17	
Institutions	—	—	—	654	204	—	—	—	—	—	—	—	—	—	—	858	
Corporates	—	—	29	3	9,941	856	1,296	263	2,059	438	1,507	734	387	37	1,851	19,401	
Retail	—	—	10	1	688	1	265	34	31	146	41	46	16	380	2,073	3,732	
Secured by mortgages on																	
- residential property	—	—	—	—	662	16	533	1	2	17	30	52	22	8,161	1,096	10,592	
- commercial real estate	—	—	—	4	164	4	1,709	2	8	49	311	150	16	370	396	3,183	
Past due items	—	—	—	26	30	50	107	17	4	11	21	17	3	207	139	632	
Exposures with particularly high risk	—	—	—	—	—	—	145	—	—	—	23	10	—	6	7	191	
Covered bonds	—	—	—	48	96	—	—	—	—	—	—	—	—	—	—	144	
Collective investment undertakings	—	—	—	—	10	—	—	2	—	—	—	—	—	—	—	12	
Equity claims	—	—	—	—	147	—	1	—	—	—	—	2	5	—	—	155	
Other items	—	13	13	—	189	—	57	5	102	8	20	19	—	—	—	426	
Total STD	45,929	14,296	364	753	13,952	927	4,113	324	2,206	669	1,953	1,034	449	9,161	5,562	101,692	
Total	87,821	36,103	5,388	15,844	32,645	9,992	54,181	14,726	24,609	26,465	23,569	23,226	8,927	149,503	35,221	548,220	
Not allocated to sector cluster																9,355	
																<u>557,575</u>	

Credit risk

Key points

- Total credit risk exposures remained broadly stable, with EAD post CRM of £592 billion at 30 June 2016.
- Notable movements during the first half of the year were:
 - An increase due to exchange rate movements following the EU referendum;
 - Exposure reductions in line with business strategy including selective disposals, limit reductions and early repayments; and
 - Growth in the UK mortgage book in line with business strategy.
- Exchange rate movements accounted for a £14 billion increase in exposure. Excluding this impact, EAD post CRM fell by 2% reflecting a reduction in placements with central banks as part of ongoing liquidity management as well as strategic exposure reductions. This was offset by an increase in personal mortgage lending in the UK as part of the strategy to increase market share.
- RWAs increased 5% to £198 billion. RWA movements during the period were partly driven by recalibrations of the following models: the PD models for banks, local authorities, housing associations and mortgages; and the LGD models for banks and quasi-governmental organisations.
- The increase in RWAs was driven by both non-counterparty credit risk and counterparty credit risk.

Non-counterparty credit risk

- Non-counterparty credit risk EAD post CRM fell 1% to £532 billion, largely driven by the reduction in placements with central banks. This decrease was partly offset by the increase in underlying exposure reflecting the weakening in sterling and by the increase in personal mortgages.
- RWAs increased 4% to £172 billion.
- Cash held at the Bank of England is reported within standardised exposures; balances at other central banks are reported within IRB exposures.

Counterparty credit risk

- Counterparty credit risk EAD post CRM increased 8% to £60 billion driven largely by the weakening in sterling.
- RWAs increased 12% to £26 billion, driven not only by the increase in exposure but also by the adoption of a new PD model for banks. The new model was developed to reflect reduced government support for banks following the global financial crisis, which has raised the probability of bank defaults.

For additional commentary on RWAs refer to Interim Results 2016 - Appendix 1 Capital and risk management: Credit risk: Regulatory basis.