



# **H1 2018 Pillar 3 Supplement**

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Any discrepancies between totals and sums of components within the tables in this report are due to rounding.

### Forward-looking statements

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

### Presentation of information

- RBS's main risks are described in the Capital and risk management section and in the Risk factors section of the 2017 Annual Report and Accounts (ARA) and the 2017 Pillar 3 Report. The glossary in both documents explain terms used.
- The disclosures in this document complement those in RBS's H1 2018 Interim Management Statement (IMS) : Business performance summary – Capital and leverage ratios and Appendix 1: Capital and risk management.
- For basis of preparation and other aspects refer to Presentation of information on page 4 of the 2017 Pillar 3 Report. There were no changes to these aspects in H1 2018.
- On 30 April 2018 following the completion of the first Ring-Fencing Transfer Scheme (RFTS) the business formerly known as The Royal Bank of Scotland plc was renamed NatWest Markets Plc (NWM Plc) and the business formerly known as Adam & Company PLC was renamed The Royal Bank of Scotland plc (RBS plc). The RFTS included the transfer of the majority of the former Royal Bank of Scotland plc PBB, CPB and certain parts of Central items and NatWest Markets business due to be a part of the ring-fenced bank to subsidiaries of NatWest Holdings including the former Adam & Company PLC. Following this transfer the new RBS plc became a significant subsidiary for CRR reporting purposes and is included in the Pillar 3 disclosures document where necessary. In this document NWM Plc and RBS plc disclosures refer to the renamed entities.
- On 29 June 2018, the Court of Session in Scotland approved the reduction of capital and the cancellation of the share premium account and capital redemption reserve (together the "capital reduction") of NWM Plc. As part of the capital reduction, NatWest Holdings transferred to RBSG with effect from 2 July 2018. The statutory financial statements at 30 June 2018 do not reflect the capital reduction undertaken on 2 July 2018. However, the regulatory capital and associated capital and leverage metrics presented as at 30 June 2018 include the associated impact of the capital reduction in accordance with CRR rules.

## Capital, liquidity and funding

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

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

BCBS2 KM1	EBA IFRS 9-FL		30 June 2018 £m	31 March 2018 £m	31 December 2017 £m	30 September 2017 £m	30 June 2017 £m	31 March 2017 £m	31 December 2016 £m
<b>Capital</b>									
1	1	Common equity tier 1 (CET1)	31,950	33,334	31,957	32,558	31,874	31,252	30,623
	2	Common equity tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	31,950	33,334	n/a	n/a	n/a	n/a	n/a
2	3	Tier 1	36,001	37,375	35,998	36,559	35,915	35,293	34,664
	4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	36,001	37,375	n/a	n/a	n/a	n/a	n/a
3	5	Total capital	42,660	43,756	42,763	43,440	43,022	42,663	43,825
	6	Total capital as if IFRS 9 transitional arrangements had not been applied	42,660	43,756	n/a	n/a	n/a	n/a	n/a
<b>Risk-weighted assets (amounts)</b>			£m	£m	£m	£m	£m	£m	£m
4	7	Total risk-weighted assets (RWAs)	198,780	202,700	200,923	210,643	215,422	221,732	228,220
	8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	198,780	202,700	n/a	n/a	n/a	n/a	n/a
<b>Risk-based capital ratios as a percentage of RWA</b>			%	%	%	%	%	%	%
5	9	Common equity tier 1 ratio	16.1	16.4	15.9	15.5	14.8	14.1	13.4
	10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.1	16.4	n/a	n/a	n/a	n/a	n/a
6	11	Tier 1 ratio	18.1	18.4	17.9	17.4	16.7	15.9	15.2
	12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.1	18.4	n/a	n/a	n/a	n/a	n/a
7	13	Total capital ratio	21.5	21.6	21.3	20.6	20.0	19.2	19.2
	14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	21.5	21.6	n/a	n/a	n/a	n/a	n/a
<b>Additional CET1 buffer requirements as a percentage of RWA</b>			%	%	%	%	%	%	%
8		Capital conservation buffer requirement (2.5% from 2019)	2.5	2.5	2.5	2.5	2.5	2.5	2.5
9		Countercyclical buffer requirement	0.4	—	—	—	—	—	—
10		Bank GSIB and/or DSIB additional requirements	1.0	1.0	1.0	1.0	1.0	1.0	1.5
11		Total of CET1 specific buffer requirements (8+9+10)	3.9	3.5	3.5	3.5	3.5	3.5	4.0
12		CET1 available after meeting the bank's minimum capital requirements	11.6	11.9	11.4	11.0	10.3	9.6	8.9
<b>Leverage ratio</b>			£m	£m	£m	£m	£m	£m	£m
13	15	CRR leverage ratio exposure measure	693,344	693,181	679,120	691,401	701,795	700,716	683,302
		UK leverage ratio exposure measure	597,694	602,489	587,095	609,276	618,689	622,237	614,602
			%	%	%	%	%	%	%
14	16	CRR leverage ratio	5.2	5.4	5.3	5.3	5.1	5.0	5.1
	17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied	5.2	5.4	n/a	n/a	n/a	n/a	n/a
		UK leverage ratio	6.0	6.2	6.1	6.0	5.8	5.7	5.6
<b>Liquidity coverage ratio</b>			£m	£m	£m	£m	£m	£m	£m
15		Total HQLA	131,131	127,084	122,900	116,996	111,786	107,845	n/a
16		Total net cash outflows	87,427	87,640	87,600	87,460	87,872	88,929	n/a
17		LCR ratio % (1)	150	145	140	134	127	122	n/a
<b>Net stable funding ratio (NSFR)</b>			£m	£m	£m	£m	£m	£m	£m
18		Total available stable funding	374,710	366,005	370,350	363,283	362,488	371,350	367,817
19		Total required stable funding	267,107	266,706	281,517	288,919	295,565	309,446	304,212
20		NSFR % (2)	140	137	132	126	123	120	121

#### Notes:

- (1) 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 the 2017 ARA and H1 2018 IMS.
- (2) In November 2016, the European Commission published its proposal for NSFR rules within the EU as part of its CRR2 package of regulatory reforms. CRR2 NSFR is expected to become the regulatory requirement in future within the EU and the UK. RBS has changed its policy on the NSFR to align with its interpretation of the CRR2 proposals with effect from 1 January 2018. The pro forma CRR2 NSFR at 31 December 2017 under CRR2 proposals is estimated to be 139%.

## Capital, liquidity and funding

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### Key points

#### Capital and leverage

##### RBS

- The CET1 ratio increased by 20 basis points to 16.1% as a result of the £888 million attributable profit and the 30 basis point impact at 1 January 2018 on the implementation of IFRS 9. The impact of the pension contribution in Q2 2018 was offset by the benefit from RWA reduction. CET1 capital reflects the intention to declare an interim dividend of 2p per ordinary share. Declaration of the interim dividend is subject to the finalisation of the civil settlement with the DoJ in relation to the US RMBS investigation.
- RWAs decreased by £2.0 billion driven by decreases in credit and counterparty credit risk RWAs (£0.9 billion) and operational risk (£1.4 billion) partly offset by an increase in market risk (£0.3 billion).
- Both the CRR end-point and UK leverage ratios decreased marginally to 5.2% and 6.0% respectively.
- Average leverage ratios both decreased to 5.1% for CRR and 5.8% for UK.

##### NWB Plc

- The CET1 ratio decreased by 700 basis points to 16.5%, mainly due to increased RWAs resulting from the RFTS.
- RWAs increased by £16.1 billion and the leverage ratio on a PRA transitional basis has reduced to 4.5%, both of which are driven by the exposure increases resulting from the RFTS.

##### UBI DAC

- The CET1 ratio decreased to 23.7% following capital repatriation as part of ring-fencing implementation in January 2018.
- RWAs decreased by £1.0 billion mainly due to exposure reductions.
- The leverage ratio decreased as a result of the capital repatriation exercise.

#### Risk-weighted assets - RBS

##### Credit risk

- The reduction in RWAs mainly reflected a decrease in asset size due to repayments and selective reductions mainly in the Corporates portfolio.
- In addition, there were also decreases in RWAs due to regular model re-calibration in certain retail portfolios, mainly mortgages.
- These reductions were partly offset by increased RWAs mainly reflecting revisions to LGD models for both the UK mid-corporate and quasi-government portfolios.
- During the period, foreign exchange rate movements resulted in a slight increase in RWAs as a result of sterling weakening against the US dollar and the Saudi riyal. This increase was partly offset by a stronger position against the euro.

##### Counterparty credit risk

- RWAs decreased marginally. A reduction in asset size under the IMM, reflecting trade novations and maturing transactions, was partly offset by an increase in trading activity in securities financing transactions (SFTs).

##### Market risk

- Market risk increased over the period with a rise related to exposures under the internal model approach mainly driven by an increase in SVaR-based RWAs, partly offset by a decrease in the incremental risk charge and exposures under the standardised approach.

#### Liquidity - RBS

- The increase in the LCR was driven by lower NatWest Markets funding usage, reflecting debt issuance and secured funding.
- The LCR outflows do not capture liquidity risks such as intra-day liquidity or outflows required to settle litigation and conduct before they are contractually agreed. RBS maintains sufficient liquidity to support its access to payment systems and to settle litigation.

## Capital, liquidity and funding

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

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

Capital measures are on a CRR transitional basis.

30 June 2018					
	RBS £m	NWB Plc £m	RBS plc £m	UBI DAC £m	NWM Plc £m
<b>Available capital (amounts) - transitional</b>					
1 Common equity tier 1	31,950	12,007	5,946	3,929	9,359
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	31,950	12,007	5,946	3,929	9,359
3 Tier 1	39,577	14,290	6,915	3,929	11,292
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	39,577	14,290	6,915	3,929	11,292
5 Total capital	47,681	15,932	8,317	4,389	14,844
6 Total capital as if IFRS 9 transitional arrangements had not been applied	47,681	15,932	8,317	4,389	14,844
<b>Risk-weighted assets (amounts)</b>					
7 Total risk-weighted assets	198,780	72,761	37,511	16,548	45,195
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	198,780	72,761	37,511	16,548	45,195
<b>Risk-based capital ratios as a percentage of RWAs</b>					
9 Common equity tier 1 ratio	16.1	16.5	15.9	23.7	20.7
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.1	16.5	15.9	23.7	20.7
11 Tier 1 ratio	19.9	19.6	18.4	23.7	25.0
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	19.9	19.6	18.4	23.7	25.0
13 Total capital ratio	24.0	21.9	22.2	26.5	32.8
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.0	21.9	22.2	26.5	32.8
<b>Leverage ratio</b>					
15 CRR leverage ratio exposure measure (£m)	693,344	319,321	103,257	27,376	176,155
16 CRR leverage ratio (%)	5.7	4.5	6.7	14.4	6.4
17 CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.7	4.5	6.7	14.4	6.4

31 March 2018					
	RBS £m	NWB Plc £m	UBI DAC £m	NWM Plc £m	
<b>Available capital (amounts) - transitional</b>					
1 Common equity tier 1	33,334	13,208	4,030	14,541	
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	33,334	13,208	4,030	14,541	
3 Tier 1	40,899	13,208	4,030	16,348	
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	40,899	13,208	4,030	16,348	
5 Total capital	48,804	17,054	4,474	19,977	
6 Total capital as if IFRS 9 transitional arrangements had not been applied	48,804	17,054	4,474	19,977	
<b>Risk-weighted assets (amounts)</b>					
7 Total risk-weighted assets	202,700	62,735	16,714	111,604	
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	202,700	62,735	16,714	111,604	
<b>Risk-based capital ratios as a percentage of RWA</b>					
9 Common equity tier 1 ratio	16.4	21.1	24.1	13.0	
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.4	21.1	24.1	13.0	
11 Tier 1 ratio	20.2	21.1	24.1	14.6	
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.2	21.1	24.1	14.6	
13 Total capital ratio	24.1	27.2	26.8	17.9	
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.1	27.2	26.8	17.9	
<b>Leverage ratio</b>					
15 CRR leverage ratio exposure measure (£m)	693,181	235,793	25,611	370,984	
16 CRR leverage ratio (%)	5.9	5.6	15.7	4.4	
17 CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	5.9	5.6	15.7	4.4	

## 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 (Central Bank of Ireland basis for UBI DAC) are set out below. For RBS, end point metrics and measures are also included as the main basis for monitoring. The movements in NWB Plc and RBS plc reflect the various transfers as part of ring-fencing implementation in addition to the annual phasing-in of the CRR transition rules relating to the capital deduction for significant investment in financial institutions. At 31 June 2018, 90% was treated as capital deduction and 10% as RWAs compared with 80% and 20% respectively at 31 December 2017.

	30 June 2018					31 December 2017			
	RBS %	NWB Plc %	RBS plc %	UBI DAC %	NWM Plc %	RBS %	NWB Plc %	UBI DAC %	NWM Plc %
<b>Capital adequacy ratios - transitional (1)</b>									
CET 1	16.1	16.5	15.9	23.7	20.7	15.9	23.5	31.2	14.7
Tier 1	19.9	19.6	18.4	23.7	25.0	19.7	23.5	31.2	16.1
Total	24.0	21.9	22.2	26.5	32.8	23.9	30.9	33.8	18.7
<b>Capital adequacy ratios - end point</b>									
CET 1	16.1					15.9			
Tier 1	18.1					17.9			
Total	21.5					21.3			
<b>Capital - transitional</b>									
	£m	£m	£m	£m	£m	£m	£m	£m	£m
CET1	31,950	12,007	5,946	3,929	9,359	31,957	13,301	5,481	20,169
Tier 1	39,577	14,290	6,915	3,929	11,292	39,554	13,301	5,481	21,966
Total	47,681	15,932	8,317	4,389	14,844	47,931	17,536	5,941	25,600
<b>Capital - end point</b>									
CET1	31,950					31,957			
Tier 1	36,001					35,998			
Total	42,660					42,763			
<b>RWAs</b>									
<b>Credit risk (including counterparty risk)</b>									
- credit	143,984	60,756	31,530	15,244	11,613	144,676	48,575	16,079	94,259
- counterparty	15,082	290	—	319	13,365	15,395	266	321	13,691
Market risk	17,323	55	162	39	16,065	17,012	136	68	15,809
Operational risk	22,391	11,660	5,819	946	4,152	23,840	7,724	1,101	13,052
	198,780	72,761	37,511	16,548	45,195	200,923	56,701	17,569	136,811
<b>CRR leverage - transitional (2)</b>									
Tier 1 capital	39,577	14,290	6,915	3,929	11,292	39,554	13,301	5,481	21,966
Exposure	693,344	319,321	103,257	27,376	176,155	679,120	213,474	27,857	390,055
Leverage ratio (%)	5.7	4.5	6.7	14.4	6.4	5.8	6.2	19.7	5.6
<b>CRR leverage - end point</b>									
Tier 1 capital	36,001					35,998			
Exposure	693,344					679,120			
Leverage ratio (%)	5.2					5.3			
Average Tier 1 capital	35,832					36,360			
Average exposure (3)	704,973					692,507			
Average leverage ratio (%)	5.1					5.3			
<b>UK leverage - end point (4)</b>									
Tier 1 capital	36,001					35,998			
Exposure	597,694					587,095			
Leverage ratio (%)	6.0					6.1			
Average Tier 1 capital	35,832					36,360			
Average exposure (3)	615,711					602,984			
Average leverage ratio (%)	5.8					6.0			
<b>UK GSIB leverage</b>									
CET1 buffer	1,569					1,027			

#### Notes:

- (1) CRR end-point for UK banks set by the PRA is 10.50% minimum total capital ratio, with a minimum CET1 ratio of 7.00%. The UK countercyclical capital buffer is currently 0.5%; in June 2017 the Financial Policy Committee (FPC) increased the rate to 0.5% from 0.00% effective June 2018; subsequently in November 2017 the FPC announced a further increase to 1.0% effective 28 November 2018. These minimum ratios exclude the G-SIB buffer and any bank specific buffers, including Pillar 2A and PRA buffer. The Central Bank of Ireland (CBI) has set a minimum total capital ratio of 10.50% with a minimum CET1 ratio of 7.00%; the countercyclical buffer is currently 0.00%.
- (2) Leverage exposure is broadly aligned to the accounting value of on and off balance sheet exposures but subject to certain adjustments for trading positions, repurchase agreements and off-balance sheet exposures. For further details of minimum leverage ratio requirements, please refer to the RBS 2017 ARA page 164.
- (3) Based on the daily average of on-balance sheet items and three month-end average of off-balance sheet items (2017 - three month-end average of both on and off-balance sheet items).
- (4) The PRA minimum leverage ratio requirement is supplemented with a G-SII additional leverage ratio buffer rate, currently 0.2625% under transitional arrangements (2017 - 0.175%) increasing to 0.525% at the end point.

## Capital, liquidity and funding

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

		30 June 2018						
		RBS			NWB Plc £m	RBS plc £m	UBI DAC £m	NWM Plc £m
		PRA transitional £m	CRR prescribed residual amounts £m	CRR end-point £m				
<b>CET1 capital: instruments and reserves</b>								
1	Capital instruments and the related share premium accounts	13,023	—	13,023	3,904	20	4,186	400
	<i>Of which: ordinary shares</i>	12,028	—	12,028	1,678	20	3,176	400
2	Retained earnings	13,074	—	13,074	9,819	5,867	65	10,622
3	Accumulated other comprehensive income (and other reserves)	14,149	—	14,149	806	—	2	(95)
4	Public sector capital injections grandfathered until 1 January 2018	—	—	—	—	—	—	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	648	—	648	828	227	—	—
6	CET1 capital before regulatory adjustments	40,894	—	40,894	15,357	6,114	4,253	10,927
7	Additional value adjustments	(608)	—	(608)	(1)	—	—	(566)
8	Intangible assets (net of related tax liability)	(6,565)	—	(6,565)	(932)	(85)	(1)	—
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(746)	—	(746)	(481)	—	(258)	—
11	Fair value reserves related to gains or losses on cash flow hedges	151	—	151	—	—	—	(122)
12	Negative amounts resulting from the calculation of expected loss amounts	(636)	—	(636)	(200)	(83)	(62)	(241)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(224)	—	(224)	—	—	(1)	(88)
15	Defined-benefit pension fund assets	(316)	—	(316)	(11)	—	(49)	(196)
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)	—	—	—	(771)	—	—	—
22	Amount exceeding the 17.65% threshold (negative amount)	—	—	—	(954)	—	—	—
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>	—	—	—	(482)	—	—	—
25	<i>Of which: deferred tax assets arising from temporary differences</i>	—	—	—	(472)	—	—	—
25a	Losses for the current financial period (negative amount)	—	—	—	—	—	—	(351)
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	—	—	—	—	—	47	(4)
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to articles 467 and 468	—	—	—	—	—	—	—
26b	Amount to be deducted from or added to CET1 capital with regard to additional filters and deductions required pre CRR	—	—	—	—	—	47	(4)
27	Qualifying Additional Tier 1 (AT1) deductions that exceed the AT1 capital of the institution (negative amount)	—	—	—	—	—	—	—
28	Total regulatory adjustments to CET1	(8,944)	—	(8,944)	(3,350)	(168)	(324)	(1,568)
29	CET1 capital	31,950	—	31,950	12,007	5,946	3,929	9,359



## Capital, liquidity and funding

### CAP 2: Capital resources (CRR own funds template) - RBS and significant subsidiaries *continued*

		30 June 2018						
		RBS			NWB Plc £m	RBS plc £m	UBI DAC £m	NWM Plc £m
		PRA transitional £m	CRR prescribed residual amounts £m	CRR end point £m				
<b>AT1 capital: instruments</b>								
30	Capital instruments and the related share premium accounts	4,051	—	4,051	2,370	969	—	—
31	Of which: classified as equity under applicable accounting standards	4,051	—	4,051	—	—	—	—
32	Of which: classified as debt under applicable accounting standards	—	—	—	—	—	—	—
33	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1	3,436	(3,436)	—	117	—	—	1,933
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	140	(140)	—	—	—	—	—
35	<i>Of which: instruments issued by subsidiaries subject to phase out</i>	140	(140)	—	—	—	—	—
36	AT1 capital before regulatory adjustments	7,627	(3,576)	4,051	2,487	969	—	1,933
<b>AT1 capital: regulatory adjustments</b>								
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)	—	—	—	(204)	—	—	—
41	(-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—	—	—	—	—
41b	Residual amounts deducted from AT1 capital with regard to deduction from Tier 2 (T2) capital during the transitional period of which: 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	—	—	—	—	—	—	—
43	Total regulatory adjustments to AT1 capital	—	—	—	(204)	—	—	—
44	AT1 capital	7,627	(3,576)	4,051	2,283	969	—	1,933
45	Tier 1 capital (T1 = CET1 + AT1)	39,577	(3,576)	36,001	14,290	6,915	3,929	11,292
<b>T2 capital: instruments and provisions</b>								
46	Capital instruments and the related share premium accounts	6,368	—	6,368	1,400	1,402	460	3,895
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	82	(82)	—	490	—	—	125
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests phase out from T2 and AT1 instruments not included in CET1 or AT1) issued by subsidiaries and held by third parties	1,654	(1,363)	291	—	—	—	—
49	<i>Of which: instruments issued by subsidiaries subject to phase out</i>	1,435	(1,435)	—	—	—	—	—
50	Credit risk adjustments	—	—	—	—	—	—	—
51	T2 capital before regulatory adjustments	8,104	(1,445)	6,659	1,890	1,402	460	4,020
<b>T2 capital: regulatory adjustments</b>								
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)	—	—	—	(248)	—	—	(468)
56a	(-) Actual or contingent obligations to purchase own AT1 instruments	—	—	—	—	—	—	—
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	—	—	—	(248)	—	—	(468)
58	T2 capital	8,104	(1,445)	6,659	1,642	1,402	460	3,552
59	Total capital (TC = T1 + T2)	47,681	(5,021)	42,660	15,932	8,317	4,389	14,844
60	Total risk-weighted assets	198,780	—	198,780	72,761	37,511	16,548	45,195

## Capital, liquidity and funding

### CAP 2: CAP: Capital resources (CRR own funds template) - RBS and significant subsidiaries *continued*

	30 June 2018						
	PRA transitional £m	RBS CRR prescribed residual amounts £m	Final CRD IV £m	NWB Plc £m	RBS plc £m	UBI DAC £m	NWM Plc £m
<b>Capital ratios and buffers</b>							
61 CET1 (as a percentage of risk exposure amount)	16.1%	—	16.1%	16.5%	15.9%	23.7%	20.7%
62 T1 (as a percentage of risk exposure amount)	19.9%	—	18.1%	19.6%	18.4%	23.7%	25.0%
63 Total capital (as a percentage of risk exposure amount)	24.0%	—	21.5%	21.9%	22.2%	26.5%	32.8%
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 O-SII buffer), expressed as a percentage of risk exposure amount)	7.5%	—	8.4%	6.9%	6.8%	6.4%	6.7%
65 Of which: capital conservation buffer requirement	1.9%	—	2.5%	1.9%	1.9%	1.9%	1.9%
66 Of which: counter cyclical buffer requirement (1)	0.4%	—	0.4%	0.5%	0.4%	—	0.3%
67 Of which: systemic risk buffer requirement	—	—	—	—	—	—	—
67a Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.8%	—	1.0%	—	—	—	—
68 CET1 available to meet buffers	11.6%	—	11.6%	12.0%	11.4%	19.2%	16.2%
<b>Amounts below the threshold deduction</b>							
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)	769	—	769	7	6	—	593
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)	474	—	474	1,373	17	4	549
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	675	—	675	1,346	25	—	—
<b>Available caps on the inclusion of provisions in T2</b>							
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	305	—	305	111	32	11	40
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	718	—	718	311	174	86	51
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>							
82 Current cap on AT1 instruments subject to phase out arrangements	3,840	(3,840)	—	117	—	—	2,002
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—	—	—	23	—	—	—
84 Current cap on T2 instruments subject to phase out arrangements	2,690	(2,690)	—	490	—	56	1,113
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	—	—	514	—	—	—

Note:

(1) The institution specific countercyclical buffer requirement is based on the weighted average of geographical exposures. The UK countercyclical capital buffer is currently 0.5%; in June 2017 the Financial Policy Committee (FPC) increased the rate to 0.5% from 0.00% effective June 2018. Subsequently in November 2017 the FPC announced a further increase to 1.0% effective 28 November 2018.

## Capital, liquidity and funding

### CAP 2: Capital resources (CRR own funds template) - RBS and significant subsidiaries *continued*

		31 December 2017					
		RBS		Final CRD IV £m	NWB Plc £m	UBI DAC £m	NWM Plc £m
		PRA transitional £m	CRR prescribed residual amounts £m				
<b>CET1 capital: instruments and reserves</b>							
1	Capital instruments and the related share premium accounts	12,851	—	12,851	3,903	4,237	33,416
	<i>Of which: ordinary shares</i>	11,965	—	11,965	1,678	3,188	6,609
2	Retained earnings	13,790	—	13,790	10,633	1,524	12,139
3	Accumulated other comprehensive income (and other reserves)	14,291	—	14,291	786	—	(73)
4	Public sector capital injections grandfathered until 1 January 2018	—	—	—	—	—	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	752	—	752	26	—	—
6	<b>CET1 capital before regulatory adjustments</b>	<b>41,684</b>	<b>—</b>	<b>41,684</b>	<b>15,348</b>	<b>5,761</b>	<b>45,482</b>
7	Additional value adjustments	(496)	—	(496)	(1)	—	(471)
8	Intangible assets (net of related tax liability)	(6,492)	—	(6,492)	(490)	(1)	(551)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(849)	—	(849)	(537)	(259)	(50)
11	Fair value reserves related to gains or losses on cash flow hedges	(227)	—	(227)	—	—	49
12	Negative amounts resulting from the calculation of expected loss amounts	(1,286)	—	(1,286)	(511)	(133)	(579)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(90)	—	(90)	—	(1)	10
15	Defined-benefit pension fund assets	(287)	—	(287)	(11)	(49)	(196)
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)	—	—	—	(456)	—	(22,539)
22	Amount exceeding the 17.65% threshold (negative amount)	—	—	—	—	—	(3,204)
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>	—	—	—	—	—	(2,885)
25	<i>Of which: deferred tax assets arising from temporary differences</i>	—	—	—	—	—	(319)
25a	Losses for the current financial period (negative amount)	—	—	—	—	(43)	(983)
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	—	—	—	—	219	3,201
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>	—	—	—	—	219	3,201
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	—	—	—	(41)	(13)	—
28	<b>Total regulatory adjustments to CET1</b>	<b>(9,727)</b>	<b>—</b>	<b>(9,727)</b>	<b>(2,047)</b>	<b>(280)</b>	<b>(25,313)</b>
29	<b>CET1 capital</b>	<b>31,957</b>	<b>—</b>	<b>31,957</b>	<b>13,301</b>	<b>5,481</b>	<b>20,169</b>

## Capital, liquidity and funding

### CAP 2: Capital resources (CRR own funds template) - RBS and significant subsidiaries *continued*

31 December 2017						
	RBS					
	PRA transitional £m	CRR prescribed residual amounts £m	Final CRD IV £m	NWB Plc £m	UBI DAC £m	NWM Plc £m
<b>AT1 capital: instruments</b>						
30 Capital instruments and the related share premium accounts	4,051	—	4,051	—	—	—
31 <i>Of which: classified as equity under applicable accounting standards</i>	4,051	—	4,051	—	—	—
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	3,416	(3,416)	—	140	—	1,887
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	140	(140)	—	—	—	—
35 <i>Of which: instruments issued by subsidiaries subject to phase out</i>	140	(140)	—	—	—	—
36 AT1 capital before regulatory adjustments	7,607	(3,556)	4,051	140	—	1,887
<b>AT1 capital: regulatory adjustments</b>						
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)	—	—	—	(140)	—	(80)
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 T2 capital during the transitional period	—	—	—	—	—	—
<i>Of which: 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)	(140)	—	(90)
44 AT1 capital	7,597	(3,556)	4,041	—	—	1,797
45 Tier 1 capital (T1 = CET1 + AT1)	39,554	(3,556)	35,998	13,301	5,481	21,966
<b>T2 capital: instruments and provisions</b>						
46 Capital instruments and the related share premium accounts	6,406	—	6,406	3,800	473	4,134
47 Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	105	(105)	—	612	—	229
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	1,876	(1,507)	369	—	—	—
49 <i>Of which: instruments issued by subsidiaries subject to phase out</i>	1,507	(1,507)	—	—	—	—
50 Credit risk adjustments	—	—	—	—	—	—
51 T2 capital before regulatory adjustments	8,387	(1,612)	6,775	4,412	473	4,363
<b>T2 capital: regulatory adjustments</b>						
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)	—	—	—	(177)	—	(719)
56a (-) Actual or contingent obligations to purchase own AT1 instruments	(10)	—	(10)	—	—	(10)
56b Residual amounts deducted from T2 capital with regard to deduction from AT1 capital during the transitional period	—	—	—	—	(13)	—
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)	(177)	(13)	(729)
58 T2 capital	8,377	(1,612)	6,765	4,235	460	3,634
59 Total capital (TC = T1 + T2)	47,931	(5,168)	42,763	17,536	5,941	25,600
60 Total risk-weighted assets	200,923	—	200,923	56,701	17,569	136,811

## Capital, liquidity and funding

### CAP 2: Capital resources (CRR own funds template) - RBS and significant subsidiaries *continued*

	31 December 2017					
	PRA transitional £m	RBS CRR prescribed residual amounts £m	Final CRD IV £m	NWB Plc £m	UBI DAC £m	NWM Plc £m
<b>Capital ratios and buffers</b>						
61 CET1 (as a percentage of risk exposure amount)	15.9%	—	15.9%	23.5%	31.2%	14.7%
62 T1 (as a percentage of risk exposure amount)	19.7%	—	17.9%	23.5%	31.2%	16.1%
63 Total capital (as a percentage of risk exposure amount)	23.9%	—	21.3%	30.9%	33.8%	18.7%
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 O-SII buffer), expressed as a percentage of risk exposure amount)	6.3%	—	8.0%	5.8%	5.8%	5.8%
65 Of which: capital conservation buffer requirement	1.3%	—	2.5%	1.3%	1.3%	1.3%
66 Of which: counter cyclical buffer requirement (1)	—	—	—	—	—	—
67 Of which: systemic risk buffer requirement	—	—	—	—	—	—
67a Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.5%	—	1.0%	—	—	—
68 CET1 available to meet buffers	11.4%	—	11.4%	19.0%	26.7%	10.2%
<b>Amounts below the threshold deduction</b>						
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)	790	—	790	7	—	681
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)	537	—	537	1,380	5	4,294
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	413	—	413	527	—	473
<b>Available caps on the inclusion of provisions in T2</b>						
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	306	—	306	98	9	588
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	721	—	721	245	92	283
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)</b>						
82 Current cap on AT1 instruments subject to phase out arrangements	4,799	(4,799)	—	146	—	2,502
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—	—	—	—	—	—
84 Current cap on T2 instruments subject to phase out arrangements	3,363	(3,363)	—	613	70	1,391
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	—	—	386	—	—

Note:

(1) The institution specific countercyclical buffer requirement is based on the weighted average of geographical exposures. The UK countercyclical capital buffer is currently 0.5%; in June 2017 the Financial Policy Committee (FPC) increased the rate to 0.5% from 0.00% effective June 2018. Subsequently in November 2017 the FPC announced a further increase to 1.0% effective 28 November 2018.

## Capital, liquidity and funding

### 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		NWB Plc		RBS plc		UBI DAC		NWM Plc	
30 June 2018 (1)		RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
1	Credit risk (excluding counterparty credit risk)	139,031	11,122	55,183	4,415	31,232	2,499	15,235	1,219	9,548	765
2	Standardised (STD) approach	21,528	1,722	4,433	355	2,436	195	877	70	1,797	144
4	Advanced IRB approach (2)	116,429	9,314	50,750	4,060	28,796	2,304	14,358	1,149	7,734	620
5	Equity IRB under the simple risk-weight or the internal model approach (IMA)	1,074	86	—	—	—	—	—	—	17	1
6	Counterparty credit risk (CCR)	14,616	1,169	290	23	—	—	319	25	13,087	1,047
6a	of which: securities financing transactions	1,929	154	72	6	—	—	3	—	996	80
7	of which: marked-to-market	2,916	233	200	16	—	—	210	17	2,271	182
10	of which: internal model method (IMM)	7,227	578	15	1	—	—	105	8	7,394	591
11	of which: risk exposure amount for contributions to the default fund of a CCP	48	4	2	—	—	—	—	—	43	3
12	of which: CVA	2,496	200	1	—	—	—	1	—	2,383	191
13	Settlement risk	2	—	—	—	—	—	—	—	2	—
14	Securitisation exposures in banking book	2,546	204	1,159	93	192	15	—	—	968	77
15	IRB approach	2,532	203	1,159	93	192	15	—	—	954	76
17	Internal assessment approach	14	1	—	—	—	—	—	—	14	1
19	Market risk	17,323	1,386	55	4	162	13	39	3	16,065	1,285
20	STD approach	2,656	213	52	4	162	13	39	3	1,642	131
21	IMA	14,667	1,173	3	—	—	—	—	—	14,423	1,154
23	Operational risk - STD approach	22,391	1,791	11,660	933	5,819	466	946	76	4,152	332
27	Amounts below the thresholds for dedication (subject to 250% risk-weight)	2,871	230	4,414	353	106	8	9	1	1,373	110
28	Floor adjustment (3)	—	—	—	—	—	—	—	—	—	—
29	Total	198,780	15,902	72,761	5,821	37,511	3,001	16,548	1,324	45,195	3,616

For notes to this table refer to the following page.

## Capital, liquidity and funding

### EU OV1: CAP: RWA and MCR summary - RBS and significant subsidiaries continued

		RBS		NWB Plc		UBI DAC		NWM Plc	
		RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
31 December 2017 (1)									
1	Credit risk (excluding counterparty credit risk)	140,003	11,200	42,726	3,418	16,067	1,286	89,140	7,131
2	Standardised (STD) approach	22,099	1,768	3,055	244	714	57	43,111	3,449
4	Advanced IRB approach (2)	116,695	9,335	39,671	3,174	15,353	1,229	46,012	3,681
5	Equity IRB under the simple risk-weight or the internal model approach (IMA)	1,209	97	—	—	—	—	17	1
6	Counterparty credit risk (CCR)	14,842	1,187	266	22	321	26	13,393	1,071
6a	of which: securities financing transactions	1,476	118	—	—	4	—	786	63
7	of which: marked to market	3,159	253	33	3	191	16	2,387	191
10	of which: internal model method (IMM)	7,590	607	232	19	123	10	7,753	619
11	of which: risk exposure amount for contributions to the default fund of a CCP	61	5	—	—	—	—	58	5
12	of which: CVA	2,556	204	1	—	3	—	2,409	193
13	Settlement risk	21	2	—	—	—	—	21	2
14	Securitisation exposures in banking book	2,830	227	1,080	86	—	—	1,431	115
15	IRB approach	2,819	226	1,080	86	—	—	1,420	114
17	Internal assessment approach	11	1	—	—	—	—	11	1
19	Market risk	17,012	1,361	136	11	68	5	15,809	1,265
20	STD approach	2,994	240	134	11	68	5	2,090	167
21	IMA	14,018	1,121	2	—	—	—	13,719	1,098
23	Operational risk - STD approach	23,840	1,907	7,724	618	1,101	88	13,052	1,044
27	Amounts below the thresholds for dedication (subject to 250% risk-weight)	2,375	190	4,769	381	12	1	3,965	317
26	Floor adjustment (3)	—	1,981	—	2,092	—	—	—	—
29	Total	200,923	18,055	56,701	6,628	17,569	1,406	136,811	10,945

#### 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 £579 million RWAs (2017 - £752 million) relate to equity IRB under the PD/LGD approach.
- (3) The Basel I floor adjustment represents the additional capital requirement when comparing the Basel III Pillar 1 approach (sum of capital requirements from individual risk types) to the Basel I floor (calculated as 80% of the Basel I capital requirement adjusted for excess expected loss).

## Capital, liquidity and funding

### OV1\_a: RWA bridge between EU OV1 and credit risk RWAs

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

	RWAs	
	30 June 2018 £m	31 December 2017 £m
Credit risk excluding counterparty credit risk (EU OV1 row 1)	139,031	140,003
Securitisations (banking book only) - CRD - CR2	2,082	2,298
Threshold (EU OV1 row 27)	2,871	2,375
Credit risk including securitisations (EU CR8 row 9)	143,984	144,676
Counterparty risk total (EU OV1 row 6)	14,616	14,842
Less: CVA capital charge (EU OV1 row 12)	(2,496)	(2,556)
Settlement risk (EU OV1 row 13)	2	21
Securitisations (trading book) - CCR CR2	464	532
Counterparty risk (EU CCR7 row 9)	12,586	12,839
Total STD (EU OV1 row 2)	21,528	22,099
Threshold (EU OV1 row 27)	2,871	2,375
Total STD credit risk (EU CR8 row 9)	24,399	24,474
Total AIRB credit risk (EU OV1 row 4)	116,429	116,695
Equity (EU OV1 row 5)	1,074	1,209
Securitisations in credit risk (banking book) - CRD - CR2	2,082	2,298
Total AIRB credit risk (EU CR8 row 9)	119,585	120,202

Refer to the commentary following CAP 1 for explanations relating to RWA movements for RBS and its significant subsidiaries. This commentary is based on credit and counterparty credit risk as managed internally within RBS whereby securitisations, thresholds and CVA are included in credit and counterparty credit risk as relevant. OV1\_a provides a bridge between the two RWA approaches.

### EU OV1\_b: RWA bridge between EU OV1 and counterparty credit risk

The table below provides a bridge between the overall RWA summary disclosure in EU OV1 relating to counterparty credit risk sections presented in line with the EBA Pillar 3 guidelines. The principal differences relate to CVA and central counterparties (CCPs).

	RWAs				Total CCR £m
	EU OV1_a £m	CCR1 £m	CCR2 £m	CCR8 £m	
30 June 2018	14,616	11,867	2,496	253	14,616
31 December 2017	14,842	12,006	2,556	280	14,842



## Capital, liquidity and funding

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

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

	a			b
	RWAs			MCR
	IRB £m	STD £m	Total RWAs £m	£m
1 At 1 January 2018	120,202	24,474	144,676	11,574
IFRS 9 impact	—	(99)	(99)	(8)
Opening position post IFRS 9 impact	120,202	24,375	144,577	11,566
2 Asset size (1)	(4,411)	(129)	(4,540)	(363)
3 Asset quality (2)	(501)	8	(493)	(39)
5 Model updates (3)	4,227	—	4,227	338
7 Foreign exchange movements (4)	68	145	213	17
9 At 30 June 2018	119,585	24,399	143,984	11,519

Notes:

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

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

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

	a			b		
	RWAs			MCR		
	IMM £m	Non-IMM £m	Total £m	IMM £m	Non-IMM £m	Total £m
1 At 1 January 2018	7,709	5,130	12,839	617	410	1,027
2 Asset size (1)	(370)	211	(159)	(30)	17	(13)
3 Credit quality of counterparties (2)	—	(70)	(70)	—	(6)	(6)
7 Foreign exchange movements (3)	(12)	(12)	(24)	(1)	(1)	(2)
9 At 30 June 2018	7,327	5,259	12,586	586	420	1,006

Notes:

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

### EU MR2\_B: MR IMA and STD: Market risk RWAs and MCR flow statement

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

	IMA						STD		Total	
	RWAs (1)						RWAs £m	MCR £m	RWAs £m	MCR £m
	a VaR £m	b SVaR £m	c IRC £m	e Other (RNIV) £m	f Total £m	g MCR £m				
1 At 1 January 2018	2,769	4,990	3,715	2,544	14,018	1,121	2,994	240	17,012	1,361
2 Movement in risk levels (2)	(798)	1,745	(1,102)	804	649	52	(338)	(27)	311	25
8 At 30 June 2018	1,971	6,735	2,613	3,348	14,667	1,173	2,656	213	17,323	1,386

Notes:

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

## Capital, liquidity and funding

### CAP 3: LR: Leverage exposures (CRR Delegated Act Template) - RBS and significant subsidiaries

		30 June 2018					31 December 2017			
		RBS £m	NWB Plc £m	RBS plc £m	UBI DAC £m	NWM Plc £m	RBS £m	NWB Plc £m	UBI DAC £m	NWM Plc £m
<b>LRSum: Summary reconciliation of accounting assets and leverage ratio exposure</b>										
1	Total assets as per published financial statements	748,336	349,112	103,581	26,388	351,882	738,056	259,717	26,849	525,889
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	5,970	—	—	—	(33,807)	6,943	—	—	—
4	Adjustment for derivative financial instruments	(107,261)	(972)	109	273	(106,780)	(112,224)	(1,409)	179	(112,447)
5	Adjustments for securities financing transactions (SFTs)	2,667	692	—	—	2,257	2,262	—	—	2,958
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	50,749	16,826	13,350	1,039	10,855	53,062	10,466	1,066	33,714
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	—	(42,783)	(13,615)	—	(47,178)	—	(53,112)	—	(35,687)
7	Other adjustments	(7,117)	(3,554)	(168)	(324)	(1,074)	(8,979)	(2,188)	(237)	(24,372)
8	Total leverage ratio exposure	693,344	319,321	103,257	27,376	176,155	679,120	213,474	27,857	390,055
<b>LRCom: Leverage ratio common disclosure</b>										
On-balance sheet exposures (excluding derivatives and SFTs)										
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	565,858	337,264	103,581	25,428	121,190	544,092	257,440	25,568	327,542
2	Asset amounts deducted in determining Tier 1 capital	(8,721)	(3,554)	(168)	(324)	(1,125)	(9,646)	(2,188)	(237)	(24,428)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	557,137	333,710	103,413	25,104	120,065	534,446	255,252	25,331	303,114
Derivative exposures										
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	12,333	1,306	5	364	15,562	14,769	581	441	15,647
5	Add-on amounts for PFE associated with all derivatives transactions (mtm method)	46,667	1,941	104	326	47,795	49,906	287	255	51,928
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	802	—	—	—	802	760	—	—	760
7	Deductions of receivable assets for cash variation margin provided in derivatives transactions	(19,708)	(660)	—	—	(19,045)	(20,025)	—	—	(20,021)
8	Exempted CCP leg of client-cleared trade exposures	(569)	—	—	—	(298)	(529)	—	—	(319)
9	Adjusted effective notional amount of written credit derivatives	13,318	—	—	—	13,318	16,432	—	—	16,432
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(8,968)	—	—	—	(8,968)	(12,695)	—	—	(12,695)
11	Total derivative exposures	43,875	2,587	109	690	49,167	48,619	868	696	51,732

## Capital, liquidity and funding

### CAP 3: LR: Leverage exposures (CRR Delegated Act Template) - RBS and significant subsidiaries *continued*

		30 June 2018					31 December 2017			
		RBS £m	NWB Plc £m	RBS plc £m	UBI DAC £m	NWM Plc £m	RBS £m	NWB Plc £m	UBI DAC £m	NWM Plc £m
Securities financing transaction exposures										
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	81,647	9,680	—	543	64,756	84,705	—	764	59,299
13	Netted amounts of cash payables and cash receivable of gross SFT assets	(42,731)	(1,391)	—	—	(23,767)	(43,973)	—	—	(25,075)
14	Counterparty credit risk exposures for SFT assets	2,667	692	—	—	2,257	2,262	—	—	2,958
16	Total securities financing transaction exposures	41,583	8,981	—	543	43,246	42,994	—	764	37,182
Other off-balance sheet exposures										
17	Off-balance sheet exposures at gross notional amount	159,355	62,769	39,624	3,294	33,493	156,972	46,764	3,207	89,231
18	Adjustments for conversion to credit equivalent amounts	(108,606)	(45,943)	(26,274)	(2,255)	(22,638)	(103,910)	(36,298)	(2,141)	(55,517)
19	Other off-balance sheet exposures	50,749	16,826	13,350	1,039	10,855	53,062	10,466	1,066	33,714
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)	—	(42,783)	(13,615)	—	(47,178)	—	(53,112)	—	(35,687)
Capital and total exposures										
20	Tier 1 capital	39,577	14,290	6,915	3,929	11,292	39,554	13,301	5,481	21,966
21	Total leverage ratio exposure	693,344	319,321	103,257	27,376	176,155	679,120	213,474	27,857	390,055
Leverage ratio		5.7%	4.5%	6.7%	14.4%	6.4%	5.8%	6.2%	19.7%	5.6%

		30 June 2018					31 December 2017			
		Leverage ratio exposures								
		RBS £m	NWB Plc £m	RBS Plc £m	UBI DAC £m	NWM Plc £m	RBS £m	NWB Plc £m	UBI DAC £m	NWM Plc £m
<b>LRSpI: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)</b>										
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	557,136	301,762	89,907	25,104	90,297	534,446	202,140	25,331	267,427
EU-2	Trading book exposures	68,481	—	—	—	62,011	52,575	7	—	47,027
EU-3	Banking book exposures, of which:	488,655	301,762	89,907	25,104	28,287	481,871	202,133	25,331	220,400
EU-4	Covered bonds	915	784	—	—	—	1,290	—	—	1,132
EU-5	Exposures treated as sovereigns	152,445	114,870	22,099	4,124	4,297	144,676	36,148	3,427	101,678
EU-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	6,161	3,531	1,424	407	563	6,387	1,297	444	4,405
EU-7	Institutions	6,952	9,058	1,334	1,165	3,001	5,552	1,183	1,495	12,220
EU-8	Secured by mortgages of immovable properties	185,893	123,768	40,313	14,615	717	187,652	122,139	2,117	44,236
EU-9	Retail exposures	35,884	14,335	4,502	590	—	35,676	13,569	13,450	4,464
EU-10	Corporate	77,115	22,823	16,431	2,119	10,184	76,508	17,694	2,112	31,869
EU-11	Exposures in default	6,061	1,461	1,520	1,934	590	6,480	1,510	1,831	2,586
EU-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	17,229	11,132	2,284	150	8,935	17,650	8,593	455	17,810

## Capital, liquidity and funding

### CAP 4: CAP: Capital instruments - RBS and significant subsidiaries

The following table sets out the main terms and conditions of RBS's Tier 1 and Tier 2 capital instruments that will be treated as non-end point CRR compliant, for instance because they are legacy Tier 1 instruments or because they are Tier 2 instruments that includes an incentive for the issuer to redeem. The balances are the International Financial Reporting Standard (IFRS) balance sheet carrying amounts, which may differ from the amount which the instrument contributes to regulatory capital. Regulatory balances exclude, for example, issuance costs and fair value movements, while dated capital is required to be amortised on a straight-line basis over the final five years of maturity. For accounting purposes the capital instruments in the following table are included within equity or subordinated liabilities, details of which are included on pages 303 and 304 of the 2017 ARA. Refer to RBS.com for more details on these and other instruments issued to third parties on an instrument-by-instrument basis.

		30 June 2018 £m	31 December 2017 £m
<b>Pillar 1 treatment - Additional Tier 1</b>			
Step-up coupon			
<b>RBS - undated loan capital</b>			
US\$762 million 7.648% perpetual regulatory (callable quarterly from September 2031)	3 month US\$ LIBOR plus 2.5%	585	571
<b>NWB Plc - debt preference shares</b>			
Series A £140 million 9% (not callable)		145	143
<b>RBS US Capital Trusts - debt trust preferred securities</b>			
US\$650 million 6.425% 2043 (callable quarterly from January 2034)	3 month US\$ LIBOR plus 1.9425%	393	407
<b>RBS - equity preference shares</b>			
Series S US\$661 million 6.6% (callable any time)		321	321
Series U US\$1,013 million 7.64% (callable every ten years from September 2017)	3 month US\$ LIBOR plus 2.32%	494	494
Series 1 €1,250 million 5.5% (callable quarterly)		860	859
Series 2 €785 million 5.25% (callable quarterly)		512	512
Series 3 €471 million 7.0916% (callable quarterly from September 2017)	3 month EURIBOR plus 2.33%	325	325
Series 1 £54 million floating rate notes (callable quarterly)		54	54
<b>Tier 2 capital securities which contain an incentive for the issuer to redeem</b>			
<b>Pillar 1 treatment Tier 2</b>			
<b>RBS plc - undated loan capital</b>			
£104 million 9.5% undated subordinated bonds (callable every five years from August 2018)	The higher of 9.5% or the 5 year UK Gilts yield plus 2.375%	113	111
£35 million 5.5% undated subordinated notes (callable every five years from December 2019)	Aggregate of 1.84% and the 5 year UK Gilts yield	37	37
£21 million 6.2% undated subordinated notes (callable every five years from March 2022)	Aggregate of 2.05% and the 5 year UK Gilts yield	24	26
£16 million 5.625% undated subordinated notes (callable every five years from September 2026)	Aggregate of 2.10% and the 5 year UK Gilts yield	23	24
£19 million 5.625% undated subordinated notes (callable every five years from June 2032)	Aggregate of 2.41% and the 5 year UK Gilts yield	20	21
<b>NWB Plc - undated loan capital</b>			
€11 million floating rate undated step-up notes (callable quarterly)	3 month EURIBOR plus 2.15%	9	9
€178 million floating rate undated subordinated notes (callable quarterly)	3 month EURIBOR plus 2.15%	158	158
£53 million 7.125% undated subordinated step-up notes (callable every five years from October 2022)	5 year UK Gilts yield plus 3.08%	57	55

## Capital, liquidity and funding

### 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 values presented below are the simple average of the preceding monthly periods ending on the quarterly reporting date as specified in the table.

	Total unweighted value (average)				Total weighted value (average)			
	30 June 2018	31 March 2018	31 December 2017	30 June 2017	30 June 2018	31 March 2018	31 December 2017	30 June 2017
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
	£m	£m	£m	£m	£m	£m	£m	£m
High quality liquid assets								
1 Total high-quality liquid assets (HQLA)					131,131	127,084	122,900	111,786
Cash outflows								
2 Retail deposits and deposits from small business customers	200,478	198,292	195,615	189,543	15,289	14,746	14,182	13,871
3 of which: stable deposits	129,345	130,725	131,448	125,633	6,467	6,536	6,572	6,282
4 of which: less stable deposits	138,225	76,883	62,349	63,652	8,548	7,940	7,347	7,331
5 Unsecured wholesale funding	138,225	139,722	140,522	141,806	57,933	59,049	59,740	59,921
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	76,861	76,883	76,953	79,366	18,893	18,893	18,909	19,566
7 Non-operational deposits (all counterparties)	60,193	61,587	62,349	61,262	37,868	38,903	39,611	39,177
8 Unsecured debt	1,172	1,253	1,220	1,178	1,172	1,253	1,220	1,178
9 Secured wholesale funding					2,931	2,413	1,890	1,860
10 Additional requirements	81,838	83,187	84,387	85,217	23,024	23,779	24,146	24,272
11 Outflows related to derivative exposures and other collateral requirements	9,717	10,519	11,054	11,567	8,891	9,608	9,987	10,210
12 Outflows related to loss of funding on debt products	74	74	74	56	74	74	74	56
13 Credit and liquidity facilities	72,046	72,595	73,258	73,594	14,059	14,098	14,084	14,006
14 Other contractual funding obligations	23,344	22,970	21,492	17,762	1,106	1,162	1,125	1,117
15 Other contingent funding obligations	51,245	52,434	53,893	55,983	3,540	3,522	3,701	3,908
16 Total cash outflows					103,822	104,671	104,783	104,949
Cash inflows								
17 Secured lending (e.g. reverse repos)	85,003	85,279	81,876	78,106	2,484	2,000	1,671	2,151
18 Inflows from fully performing exposures	13,472	14,328	15,090	14,695	9,225	9,847	10,481	10,216
19 Other cash inflows	12,970	13,473	13,302	10,386	4,686	5,184	5,031	4,710
EU-19a Difference between total weighted inflows and outflows					—	—	—	—
EU-19b Excess inflows from a related specialised credit institution					—	—	—	—
20 Total cash inflows	111,445	113,080	110,268	103,187	16,396	17,031	17,183	17,078
EU-20a Fully exempt inflows	—	—	—	—	—	—	—	—
EU-20b Inflows subject to 90% cap	—	—	—	—	—	—	—	—
EU-20c Inflows subject to 75% cap	94,948	95,752	93,306	85,883	16,396	17,031	17,183	17,078
Total adjusted value								
21 Liquidity buffer					131,131	127,084	122,900	111,786
22 Total net cash outflows					87,427	87,640	87,600	87,872
23 Liquidity coverage ratio (%)					150	145	140	127

## Credit risk (including counterparty credit risk and securitisation)

### CR1: IRB and STD: RWA density by RBS sector cluster

The table below summarises RBS's total credit risk profile (incorporating counterparty credit risk and securitisations) by customer type. This reflects the basis on which customers are managed internally. Wholesale customers are managed on an individual basis and grouped by sector cluster. Personal customers are managed on a portfolio basis and grouped into portfolios of similar risk. The table presents exposure at default (EAD) post-credit risk mitigation (CRM), RWAs and RWA density, each split by regulatory approach i.e. internal ratings based (IRB) and standardised (STD).

30 June 2018	EAD post CRM			RWAs			RWA density		
	IRB £m	STD £m	Total £m	IRB £m	STD £m	Total £m	IRB %	STD %	Total %
<b>Sector cluster</b>									
<b>Sovereign</b>									
Central banks (1)	38,244	75,946	114,190	1,103	1,687	2,790	3	2	2
Central governments	21,201	22,812	44,013	1,918	—	1,918	9	—	4
Other sovereign	4,067	264	4,331	1,132	158	1,290	28	60	30
Total sovereign	63,512	99,022	162,534	4,153	1,845	5,998	7	2	4
<b>Financial institutions (FIs)</b>									
Banks	22,645	653	23,298	9,303	274	9,577	41	42	41
Non-bank FIs (1,2)	33,988	7,976	41,964	12,850	3,577	16,427	38	45	39
SSPEs (3)	9,184	102	9,286	1,691	99	1,790	18	97	19
Total FIs	65,817	8,731	74,548	23,844	3,950	27,794	36	45	37
<b>Corporates</b>									
Property									
- UK	39,412	2,670	42,082	19,322	2,345	21,667	49	88	51
- RoI	1,188	134	1,322	771	132	903	65	99	68
- Western Europe	2,880	266	3,146	1,232	275	1,507	43	103	48
- US	232	1	233	100	1	101	43	100	43
- RoW	347	1,988	2,335	210	1,699	1,909	60	85	82
Total property	44,059	5,059	49,118	21,635	4,452	26,087	49	88	53
Natural resources	14,389	538	14,927	6,165	512	6,677	43	95	45
Transport	16,024	1,082	17,106	7,598	1,090	8,688	47	101	51
Manufacturing	16,297	2,137	18,434	8,249	1,928	10,177	51	90	55
Retail and leisure (4)	18,510	2,773	21,283	10,806	2,551	13,357	58	92	63
Services	19,545	1,716	21,261	11,418	1,575	12,993	58	92	61
TMT (5)	5,723	313	6,036	3,597	294	3,891	63	94	64
Total corporates	134,547	13,618	148,165	69,468	12,402	81,870	52	91	55
<b>Personal</b>									
Mortgages									
- UK	149,475	10,096	159,571	9,847	3,700	13,547	7	37	8
- RoI	15,758	31	15,789	9,547	15	9,562	61	47	61
- Western Europe	—	249	249	—	95	95	—	38	38
- US	—	209	209	—	78	78	—	37	37
- RoW	—	1,142	1,142	—	414	414	—	36	36
Total mortgages	165,233	11,727	176,960	19,394	4,302	23,696	12	37	13
Other personal	29,092	3,752	32,844	12,464	2,716	15,180	43	72	46
Total personal	194,325	15,479	209,804	31,858	7,018	38,876	16	45	19
Other items	4,601	2,373	6,974	3,807	721	4,528	83	30	65
Total	462,802	139,223	602,025	133,130	25,936	159,066	29	19	26

For the notes to this table refer to the following page.

## Credit risk (including counterparty credit risk and securitisation)

### CR1: IRB and STD: RWA density by RBS sector cluster *continued*

31 December 2017	EAD post CRM			RWAs			RWA density		
	IRB £m	STD £m	Total £m	IRB £m	STD £m	Total £m	IRB %	STD %	Total %
<b>Sector cluster</b>									
<b>Sovereign</b>									
Central banks (1)	37,041	71,143	108,184	1,032	1,032	2,064	3	1	2
Central governments	20,429	22,029	42,458	1,896	13	1,909	9	—	4
Other sovereign	3,557	399	3,956	1,043	163	1,206	29	41	30
<b>Total sovereign</b>	<b>61,027</b>	<b>93,571</b>	<b>154,598</b>	<b>3,971</b>	<b>1,208</b>	<b>5,179</b>	<b>7</b>	<b>1</b>	<b>3</b>
<b>Financial institutions (FIs)</b>									
Banks	21,941	647	22,588	8,916	294	9,210	41	45	41
Non-bank FIs (1,2)	31,906	6,769	38,675	13,147	3,404	16,551	41	50	43
SSPEs (3)	10,146	135	10,281	2,265	126	2,391	22	93	23
<b>Total FIs</b>	<b>63,993</b>	<b>7,551</b>	<b>71,544</b>	<b>24,328</b>	<b>3,824</b>	<b>28,152</b>	<b>38</b>	<b>51</b>	<b>39</b>
<b>Corporates</b>									
<b>Property</b>									
- UK	40,812	2,615	43,427	17,879	2,299	20,178	44	88	46
- RoI	1,246	101	1,347	900	100	1,000	72	99	74
- Western Europe	3,294	143	3,437	1,669	154	1,823	51	108	53
- US	241	1	242	104	1	105	43	100	44
- RoW	341	1,854	2,195	225	1,704	1,929	66	92	88
<b>Total property</b>	<b>45,934</b>	<b>4,714</b>	<b>50,648</b>	<b>20,777</b>	<b>4,258</b>	<b>25,035</b>	<b>45</b>	<b>90</b>	<b>49</b>
Natural resources	16,479	550	17,029	6,844	576	7,420	42	105	44
Transport	17,721	918	18,639	7,996	916	8,912	45	100	48
Manufacturing	16,324	1,938	18,262	7,567	1,843	9,410	46	95	52
Retail and leisure (4)	19,590	3,594	23,184	11,134	3,510	14,644	57	98	63
Services	20,741	1,505	22,246	11,519	1,418	12,937	56	94	58
TMT (5)	5,882	306	6,188	3,897	286	4,183	66	93	68
<b>Total corporates</b>	<b>142,671</b>	<b>13,525</b>	<b>156,196</b>	<b>69,734</b>	<b>12,807</b>	<b>82,541</b>	<b>49</b>	<b>95</b>	<b>53</b>
<b>Personal</b>									
<b>Mortgages</b>									
- UK	146,957	9,719	156,676	9,738	3,612	13,350	7	37	9
- RoI	15,915	15	15,930	10,085	9	10,094	63	60	63
- Western Europe	—	229	229	—	92	92	—	40	40
- US	—	198	198	—	74	74	—	37	37
- RoW	—	977	977	—	355	355	—	36	36
<b>Total mortgages</b>	<b>162,872</b>	<b>11,138</b>	<b>174,010</b>	<b>19,823</b>	<b>4,142</b>	<b>23,965</b>	<b>12</b>	<b>37</b>	<b>14</b>
Other personal	28,823	4,696	33,519	11,764	3,495	15,259	41	74	46
<b>Total personal</b>	<b>191,695</b>	<b>15,834</b>	<b>207,529</b>	<b>31,587</b>	<b>7,637</b>	<b>39,224</b>	<b>16</b>	<b>48</b>	<b>19</b>
Other items	6,214	1,399	7,613	4,468	507	4,975	72	36	65
<b>Total</b>	<b>465,600</b>	<b>131,880</b>	<b>597,480</b>	<b>134,088</b>	<b>25,983</b>	<b>160,071</b>	<b>29</b>	<b>20</b>	<b>27</b>

#### Notes:

- (1) Deferred tax asset (DTA) and significant investments (SI) previously reported in the other items sector are now included in the central banks and non-bank FIs sectors respectively. December 2017 values have been restated for comparison. DTA (June 2018: EAD – £675 million; RWAs – £1,687 million) (December 2017: EAD – £413 million; RWAs – £1,032 million); SI (June 2018: EAD – £474 million; RWAs – £1,184 million) (December 2017: EAD – £537 million; RWAs – £1,343 million).
- (2) Non-bank financial institutions, such as US agencies, insurance companies, pension funds, hedge and leverage funds, broker-dealers and non-bank subsidiaries of banks.
- (3) Securitisation special purpose entities (SSPEs) primarily relate to securitisation-related vehicles.
- (4) Reduction in the STD exposure was a result of refined sector cluster classification.
- (5) Telecommunications, media and technology.

## Credit risk (including counterparty credit risk and securitisation)

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### Key points

- Overall, total credit risk exposure (EAD post CRM) increased slightly during the first half of the year. This was primarily due to increased exposures to central governments and central banks as part of Treasury liquidity management activities. In addition there was continued growth in the UK mortgage portfolio, in line with RBS strategy and within risk appetite, as well as an increase in business-as-usual activities with banks and other financial institutions. These increases were largely offset by repayments and selective reductions in the corporates portfolio mainly in the natural resources, retail and leisure, transport and property sectors.
- RWAs reduced slightly over the period. A decrease in exposure to corporates was offset by increases due to revisions in UK mid-corporate and quasi-government LGD models.
- RWA density was broadly flat because increased sovereign exposures and mortgages had limited impact on RWAs.
- EAD post CRM in sovereigns increased due to greater sovereign exposures resulting from Treasury liquidity management activities. The increase under the IRB approach was partly driven by the requirement for RBS International to maintain its own liquid assets portfolio. RWAs under the standardised approach increased due to a change in deferred tax assets.
- EAD post CRM for financial institutions increased slightly, mainly as a result of a rise in business-as-usual activities. A slight reduction in RWA density for non-bank financial institutions was mainly due to changes in the portfolio mix.
- In property, EAD post CRM slightly reduced mainly due to loan repayments in the commercial real estate and construction portfolios. RWAs increased primarily as a result of revisions to the quasi-government LGD model – which also contributed to an increase in RWA density.
- For further commentary on exposure movements in the personal and commercial real estate portfolios refer to the Credit risk section of the Interim Results 2018.



## Credit risk (including counterparty credit risk and securitisations)

### CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: RBS and significant subsidiaries

The table below shows credit risk (including securitisations) and counterparty credit risk separately for RBS and significant subsidiaries (including intra-Group exposures). It presents EAD pre and post CRM, RWAs and minimum capital requirements (MCR), split by regulatory approach and exposure class. Movements in exposures and RWAs in significant subsidiaries in H1 2018 were significantly affected by transfers as part of RBS's ring-fencing implementation. Securitisations completed in Q4 2017 have been excluded from the following Corporates exposure classes as at 30 June 2018: Specialised Lending, SME and Other Corporate. As at 31 December 2017, they were all excluded from the Other Corporate exposure class.

	RBS				NWB Plc				RBS plc			
	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m
<b>Credit risk</b>												
30 June 2018												
<b>IRB</b>												
Central governments and central banks	60,283	60,201	3,345	268	44,382	44,300	2,288	183	156	155	4	—
Institutions	16,579	14,718	4,120	330	4,305	2,851	884	71	2,823	2,453	859	70
Corporates	145,676	136,217	68,069	5,445	52,474	46,796	26,687	2,135	44,498	41,131	22,366	1,789
<i>Specialised lending</i>	20,550	20,234	13,500	1,080	5,389	5,384	3,738	299	9,962	9,730	6,725	538
<i>SME</i>	21,926	21,240	11,416	913	9,774	9,376	5,473	438	5,157	4,993	2,923	234
<i>Other corporate</i>	103,200	94,743	43,153	3,452	37,311	32,036	17,476	1,398	29,379	26,408	12,718	1,017
Retail	204,750	204,750	36,264	2,901	146,275	146,275	18,798	1,504	37,245	37,245	5,550	444
<i>Secured by real estate property - SME</i>	1,373	1,373	499	40	1,045	1,045	381	30	328	328	118	9
<i>- non-SME</i>	165,232	165,232	19,395	1,551	117,982	117,982	7,409	593	29,286	29,286	1,951	157
<i>Qualifying revolving</i>	22,494	22,494	6,048	484	17,269	17,269	4,308	345	4,522	4,522	1,436	115
<i>Other retail - SME</i>	9,295	9,295	4,097	328	5,616	5,616	2,235	179	1,677	1,677	666	53
<i>- non-SME</i>	6,356	6,356	6,225	498	4,363	4,363	4,465	357	1,432	1,432	1,379	110
Equities	763	763	1,653	132	—	—	—	—	5	5	17	1
Securitisation	12,063	12,063	2,082	167	5,605	5,605	1,159	93	693	693	192	15
Non-credit obligation assets	5,362	5,362	4,052	324	2,525	2,525	2,093	167	—	—	—	—
<b>Total IRB</b>	<b>445,476</b>	<b>434,074</b>	<b>119,585</b>	<b>9,567</b>	<b>255,566</b>	<b>248,352</b>	<b>51,909</b>	<b>4,153</b>	<b>85,420</b>	<b>81,682</b>	<b>28,988</b>	<b>2,319</b>
<b>STD</b>												
Central governments and central banks	97,733	97,733	1,694	136	73,028	73,028	2,185	175	21,976	21,975	63	5
Regional governments and local authorities	142	142	138	11	—	—	—	—	—	—	—	—
Multilateral development banks	30	30	—	—	—	—	—	—	—	—	—	—
Institutions	455	493	201	16	39,432	39,432	52	4	13,687	13,687	25	2
Corporates	10,830	10,438	9,677	775	2,510	2,509	2,512	200	581	526	501	40
Retail	3,180	3,136	2,129	170	528	528	328	26	247	241	155	12
Secured by mortgages on:												
immovable property - residential	12,630	12,630	4,531	362	28	28	25	2	732	732	308	25
<i>- commercial</i>	2,706	2,705	2,722	218	281	281	281	23	343	343	367	29
Exposures in default	870	869	991	79	30	30	45	4	499	499	561	45
Items associated with particularly high risk	28	28	42	3	—	—	—	—	—	—	—	—
Covered bonds	131	131	26	2	—	—	—	—	—	—	—	—
Equity exposures	623	623	1,339	107	1,187	1,187	3,303	264	34	34	65	5
Other exposures	2,686	2,686	909	73	579	579	116	9	1,430	1,430	497	40
<b>Total STD</b>	<b>132,044</b>	<b>131,644</b>	<b>24,399</b>	<b>1,952</b>	<b>117,603</b>	<b>117,602</b>	<b>8,847</b>	<b>707</b>	<b>39,529</b>	<b>39,467</b>	<b>2,542</b>	<b>203</b>
<b>Total IRB and STD</b>	<b>577,520</b>	<b>565,718</b>	<b>143,984</b>	<b>11,519</b>	<b>373,169</b>	<b>365,954</b>	<b>60,756</b>	<b>4,860</b>	<b>124,949</b>	<b>121,149</b>	<b>31,530</b>	<b>2,522</b>

## Credit risk (including counterparty credit risk and securitisations)

### CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: RBS and significant subsidiaries continued

	UBI DAC				NWM Plc			
	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m
<b>Credit risk</b>								
30 June 2018								
<b>IRB</b>								
Central governments and central banks	4,546	4,545	467	37	6,387	6,388	458	37
Institutions	509	509	114	9	4,522	4,522	1,555	124
Corporates	5,045	4,967	3,332	267	14,452	14,293	5,081	406
<i>Specialised lending</i>	1,189	1,189	894	72	1,549	1,471	660	53
<i>SME</i>	1,134	1,131	528	42	74	29	16	1
<i>Other corporate</i>	2,722	2,647	1,910	153	12,829	12,793	4,405	352
Retail	16,921	16,921	10,338	827	—	—	—	—
<i>Secured by real estate property - non-SME</i>	15,758	15,758	9,547	763	—	—	—	—
<i>Qualifying revolving</i>	353	353	208	17	—	—	—	—
<i>Other retail - SME</i>	608	608	422	34	—	—	—	—
<i>- non-SME</i>	202	202	161	13	—	—	—	—
Equities	—	—	—	—	160	160	474	38
Securitisation	—	—	—	—	5,760	5,760	692	55
Non-credit obligation assets	295	295	107	9	183	183	183	15
<b>Total IRB</b>	<b>27,316</b>	<b>27,237</b>	<b>14,358</b>	<b>1,149</b>	<b>31,464</b>	<b>31,306</b>	<b>8,443</b>	<b>675</b>
<b>STD</b>								
Regional governments and local authorities	2	2	2	—	—	—	—	—
Institutions	725	725	146	11	36,494	36,494	355	28
Corporates	623	623	602	47	1,648	1,604	922	74
Retail	13	13	7	1	—	—	—	—
Secured by mortgages on:								
immovable property - residential	76	76	76	6	—	—	—	—
- commercial	6	6	6	1	—	—	—	—
Exposures in default	21	21	31	2	4	4	5	—
Items associated with particularly high risk	—	—	—	—	28	28	42	3
Equity exposures	4	4	9	1	669	669	1,798	145
Other exposures	37	37	7	1	241	241	48	4
<b>Total STD</b>	<b>1,507</b>	<b>1,507</b>	<b>886</b>	<b>70</b>	<b>39,084</b>	<b>39,040</b>	<b>3,170</b>	<b>254</b>
<b>Total IRB and STD</b>	<b>28,823</b>	<b>28,744</b>	<b>15,244</b>	<b>1,219</b>	<b>70,548</b>	<b>70,346</b>	<b>11,613</b>	<b>929</b>

## Credit risk (including counterparty credit risk and securitisations)

### CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: RBS and significant subsidiaries *continued*

	RBS			NWB Plc			RBS Plc		
	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m
<b>Counterparty credit risk</b>									
30 June 2018									
<b>IRB</b>									
Central governments and central banks	3,157	239	19	2,150	51	5	—	—	—
Institutions	7,845	5,683	455	57	19	1	—	—	—
Corporates	16,911	7,159	573	377	190	15	—	—	—
<i>Specialised lending</i>	957	742	59	58	42	3	—	—	—
<i>SME</i>	86	62	5	32	24	2	—	—	—
<i>Other corporate</i>	15,868	6,355	509	287	124	10	—	—	—
Securitisation positions	815	464	37	—	—	—	—	—	—
<b>Total IRB</b>	<b>28,728</b>	<b>13,545</b>	<b>1,084</b>	<b>2,584</b>	<b>260</b>	<b>21</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>STD</b>									
Central governments and central banks	1,085	—	—	671	—	—	—	—	—
Regional governments and local authorities	60	12	1	—	—	—	—	—	—
Institutions	5,168	309	25	12,104	14	1	9	—	—
Corporates	1,261	1,212	97	16	16	1	—	—	—
Retail	5	4	—	—	—	—	—	—	—
<b>Total STD</b>	<b>7,579</b>	<b>1,537</b>	<b>123</b>	<b>12,791</b>	<b>30</b>	<b>2</b>	<b>9</b>	<b>—</b>	<b>—</b>
<b>Total IRB and STD</b>	<b>36,307</b>	<b>15,082</b>	<b>1,207</b>	<b>15,375</b>	<b>290</b>	<b>23</b>	<b>9</b>	<b>—</b>	<b>—</b>

## Credit risk (including counterparty credit risk and securitisations)

### CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: RBS and significant subsidiaries *continued*

	UBI DAC			NWM Plc		
	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m
<b>Counterparty credit risk</b>						
30 June 2018						
<b>IRB</b>						
Central governments and central banks	—	—	—	1,007	188	15
Institutions	5	4	—	7,780	5,654	452
Corporates	62	48	4	16,277	6,701	536
<i>Specialised lending</i>	49	37	3	822	643	51
<i>SME</i>	1	2	—	54	37	3
<i>Other corporate</i>	12	9	1	15,401	6,021	482
Securitisation positions	—	—	—	659	276	22
<b>Total IRB</b>	<b>67</b>	<b>52</b>	<b>4</b>	<b>25,723</b>	<b>12,819</b>	<b>1,025</b>
<b>STD</b>						
Central governments and central banks	—	—	—	411	—	—
Regional governments and local authorities	—	—	—	34	7	1
Institutions	548	267	22	22,256	315	25
Corporates	—	—	—	516	224	18
<b>Total STD</b>	<b>548</b>	<b>267</b>	<b>22</b>	<b>23,217</b>	<b>546</b>	<b>44</b>
<b>Total IRB and STD</b>	<b>615</b>	<b>319</b>	<b>26</b>	<b>48,940</b>	<b>13,365</b>	<b>1,069</b>

## Credit risk (including counterparty credit risk and securitisations)

### CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: RBS and significant subsidiaries *continued*

Credit risk	RBS				NWB plc				UBI DAC				NWM Plc			
	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m	EAD pre CRM £m	EAD post CRM £m	RWAs £m	MCR £m
31 December 2017																
<b>IRB</b>																
Central governments and central banks	57,057	56,990	3,278	262	1,297	1,229	37	3	3,880	3,880	408	33	51,006	51,006	2,783	223
Institutions	15,506	13,672	3,901	312	1,928	693	219	18	445	445	87	7	8,058	7,621	2,543	203
Corporates	149,530	140,976	68,187	5,455	43,364	38,060	20,829	1,666	5,225	5,147	3,766	301	72,156	69,125	32,790	2,624
<i>Specialised lending</i>	23,774	23,661	16,090	1,287	6,694	6,684	4,583	367	1,195	1,195	880	70	13,601	13,499	9,211	737
<i>SME</i>	24,907	24,271	11,252	900	11,828	11,455	5,318	425	1,229	1,224	734	59	5,900	5,688	2,694	216
<i>Other corporate</i>	100,849	93,044	40,845	3,268	24,842	19,921	10,928	874	2,801	2,728	2,152	172	52,655	49,938	20,885	1,671
Retail	202,142	202,142	35,837	2,867	141,751	141,752	17,656	1,413	17,132	17,132	10,892	871	38,807	38,807	5,600	448
<i>Secured by real estate property - SME</i>	1,389	1,389	504	40	1,041	1,041	379	30	—	—	—	—	349	349	126	10
<i>- non-SME</i>	162,871	162,871	19,822	1,586	113,944	113,945	7,036	563	15,916	15,916	10,084	806	30,736	30,736	2,094	168
<i>Qualifying revolving</i>	22,528	22,528	6,022	482	17,224	17,224	4,249	340	366	366	228	18	4,587	4,587	1,450	116
<i>Other retail - SME</i>	9,352	9,352	3,988	319	5,506	5,506	2,108	169	634	634	422	34	1,746	1,746	675	54
<i>- non-SME</i>	6,002	6,002	5,501	440	4,036	4,036	3,884	311	216	216	158	13	1,389	1,389	1,255	100
Equities	861	861	1,961	157	—	—	—	—	—	—	—	—	145	145	435	35
Securitisation	12,563	12,563	2,298	184	5,237	5,237	1,080	86	—	—	—	—	7,319	7,319	1,154	92
Non-credit obligation assets	7,180	7,180	4,740	379	1,516	1,516	930	74	486	486	200	16	2,558	2,558	1,878	150
<b>Total IRB</b>	<b>444,839</b>	<b>434,384</b>	<b>120,202</b>	<b>9,616</b>	<b>195,093</b>	<b>188,487</b>	<b>40,751</b>	<b>3,260</b>	<b>27,168</b>	<b>27,090</b>	<b>15,353</b>	<b>1,228</b>	<b>180,049</b>	<b>176,581</b>	<b>47,183</b>	<b>3,775</b>
<b>STD</b>																
Central governments and central banks	92,807	92,821	1,039	83	34,925	34,930	1,318	105	—	—	—	—	55,147	55,155	1,183	95
Regional governments and local authorities	157	157	144	12	1	1	—	—	2	2	2	—	9	9	2	—
Multilateral development banks	30	30	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	419	474	217	17	53,997	53,998	10	1	1,132	1,132	226	18	44,808	44,808	453	36
Corporates	10,821	10,477	10,158	812	508	509	498	40	405	405	402	31	4,939	4,881	4,229	338
Retail	3,071	3,041	2,111	169	380	380	227	18	12	12	7	1	103	103	60	5
Secured by mortgages on:																
immovable property - residential	12,798	12,798	4,926	394	55	55	51	4	47	47	47	4	922	922	373	30
- commercial	2,522	2,516	2,536	203	74	67	67	5	—	—	—	—	279	279	307	25
Exposures in default	980	978	1,102	88	39	39	53	4	15	15	23	2	562	562	605	48
Items associated with particularly high risk	34	34	51	4	—	—	—	—	—	—	—	—	34	34	51	4
Covered bonds	159	159	32	3	—	—	—	—	—	—	—	—	—	—	—	—
Equity exposures	650	650	1,461	117	1,936	1,936	5,488	440	5	5	12	1	11,218	11,218	39,718	3,177
Other exposures	1,709	1,709	697	56	562	562	112	9	33	33	7	1	474	474	95	8
<b>Total STD</b>	<b>126,157</b>	<b>125,844</b>	<b>24,474</b>	<b>1,958</b>	<b>92,477</b>	<b>92,477</b>	<b>7,824</b>	<b>626</b>	<b>1,651</b>	<b>1,651</b>	<b>726</b>	<b>58</b>	<b>118,495</b>	<b>118,445</b>	<b>47,076</b>	<b>3,766</b>
<b>Total IRB and STD</b>	<b>570,996</b>	<b>560,228</b>	<b>144,676</b>	<b>11,574</b>	<b>287,570</b>	<b>280,964</b>	<b>48,575</b>	<b>3,886</b>	<b>28,819</b>	<b>28,741</b>	<b>16,079</b>	<b>1,286</b>	<b>298,544</b>	<b>295,026</b>	<b>94,259</b>	<b>7,541</b>

## Credit risk (including counterparty credit risk and securitisations)

### CR2: IRB and STD: EAD, RWAs and MCR by CRR exposure class: RBS and significant subsidiaries *continued*

	RBS			NWB Plc			UBI DAC			NWM Plc		
	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m	EAD post CRM £m	RWAs £m	MCR £m
<b>Counterparty credit risk</b>												
31 December 2017												
<b>IRB</b>												
Central governments and central banks	4,688	335	27	—	—	—	—	—	—	4,688	335	27
Institutions	7,344	5,255	420	1	—	—	7	5	—	7,335	5,243	419
Corporates	18,151	7,764	621	548	266	21	83	59	5	17,029	6,952	556
<i>Specialised lending</i>	1,690	1,282	103	85	60	5	55	38	4	1,494	1,144	92
<i>SME</i>	125	103	8	62	44	4	2	3	—	61	56	4
<i>Other corporate</i>	16,336	6,379	510	401	162	12	26	18	1	15,474	5,752	460
Securitisation positions	1,033	532	43	—	—	—	—	—	—	772	277	22
<b>Total IRB</b>	<b>31,216</b>	<b>13,886</b>	<b>1,111</b>	<b>549</b>	<b>266</b>	<b>21</b>	<b>90</b>	<b>64</b>	<b>5</b>	<b>29,824</b>	<b>12,807</b>	<b>1,024</b>
<b>STD</b>												
Central governments and central banks	542	—	—	—	—	—	—	—	—	522	—	—
Regional governments and local authorities	50	10	1	—	—	—	—	—	—	38	8	1
Institutions	4,334	367	29	1,697	—	—	531	257	21	7,283	383	31
Corporates	1,104	1,128	91	—	—	—	—	—	—	497	493	39
Retail	6	4	—	—	—	—	—	—	—	—	—	—
<b>Total STD</b>	<b>6,036</b>	<b>1,509</b>	<b>121</b>	<b>1,697</b>	<b>—</b>	<b>—</b>	<b>531</b>	<b>257</b>	<b>21</b>	<b>8,340</b>	<b>884</b>	<b>71</b>
<b>Total IRB and STD</b>	<b>37,252</b>	<b>15,395</b>	<b>1,232</b>	<b>2,246</b>	<b>266</b>	<b>21</b>	<b>621</b>	<b>321</b>	<b>26</b>	<b>38,164</b>	<b>13,691</b>	<b>1,095</b>

### Credit risk and counterparty credit risk

Period-on-period movements for significant subsidiaries were due to asset transfers as part of RBS's ring-fencing implementation, therefore changes cannot be compared.

## Credit risk (excluding counterparty credit risk and securitisations)

### Risk profile by credit quality

#### EU CR1\_A: IRB and STD: Credit risk exposures by exposure class - Defaulted and non-defaulted split

In this section, securitisations completed in Q4 2017 have been excluded from the following Corporates exposure classes as at 30 June 2018: Specialised Lending, SME and Other Corporate. As at 31 December 2017, they were all excluded from the Other Corporate exposure class. This applies to EU CR1\_A, EU CR3, EU CR6\_b, EU CR6\_c and EU CR10\_a.

The table below shows gross carrying values of credit risk exposures and specific credit risk adjustments (SCRA) analysed by credit quality, split by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations. Gross carrying value comprises both on-balance sheet and off-balance sheet exposures including SCRA.

Exposure class	30 June 2018						31 December 2017					
	a		b		c		a		b		c	
	Defaulted exposures(1,2) £m	Non-defaulted exposures £m	Total £m	SCRA (2) £m	Year-to-date Accumulated write-offs £m	Net value £m	Defaulted exposures(1,2) £m	Non-defaulted exposures £m	Total £m	SCRA (2) £m	Year-to-date accumulated write-offs £m	Net value £m
1 Central governments and central banks	2	70,247	70,249	1	—	70,248	—	63,323	63,323	—	—	63,323
2 Institutions	—	21,784	21,784	20	—	21,764	1	20,898	20,899	1	—	20,898
3 Corporates	3,227	184,528	187,755	1,418	290	186,337	3,971	189,393	193,364	1,571	634	191,793
4 Specialised lending	1,205	19,689	20,894	405	47	20,489	1,367	23,031	24,398	439	221	23,959
5 SME	785	23,690	24,475	379	47	24,096	812	26,647	27,459	346	124	27,113
Other corporate	1,237	141,149	142,386	634	196	141,752	1,792	139,715	141,507	786	289	140,721
6 Retail	5,292	209,009	214,301	2,357	15	211,944	5,605	205,611	211,216	2,185	544	209,031
8 Secured by real estate property - SME	24	1,381	1,405	13	—	1,392	30	1,392	1,422	13	—	1,409
9 - non-SME	3,910	161,428	165,338	1,130	1	164,208	3,997	158,898	162,895	1,059	310	161,836
10 Qualifying revolving	652	32,027	32,679	512	4	32,167	690	31,633	32,323	310	66	32,013
12 Other retail - SME	279	8,417	8,696	222	1	8,474	325	8,439	8,764	227	125	8,537
13 - non-SME	427	5,756	6,183	480	9	5,703	563	5,249	5,812	576	43	5,236
14 Equities	1	762	763	—	—	763	2	865	867	6	—	861
Non-credit obligation assets	484	4,118	4,602	2	—	4,600	604	5,609	6,213	—	—	6,213
15 Total IRB	9,006	490,448	499,454	3,798	305	495,656	10,183	485,699	495,882	3,763	1,178	492,119
37 Of which: Loans	7,980	282,305	290,285	3,693	107	286,592	8,762	281,212	289,974	3,684	1,178	286,290
38 Debt securities	—	26,461	26,461	2	—	26,459	11	25,402	25,413	1	—	25,412
Other assets	497	35,743	36,240	10	198	36,230	685	36,462	37,147	71	—	37,076
39 Off-balance sheet exposures	529	145,939	146,468	93	—	146,375	725	142,623	143,348	7	—	143,341

For the notes to this table refer to the following page.

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR1\_A: IRB and STD: Credit risk exposures by exposure class - Defaulted and non-defaulted split continued

	30 June 2018						31 December 2017					
	Gross carrying values			Year-to-date			Gross carrying values			Year-to-date		
	Defaulted exposures(1,2)	Non-defaulted exposures	Total	SCRA (2)	Accumulated write-offs	Net value	Defaulted exposures(1,2)	Non-defaulted exposures	Total	SCRA (2)	Accumulated write-offs	Net value
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>STD</b>												
16 Central governments and central banks	—	98,445	98,445	2	—	98,443	—	93,248	93,248	—	—	93,248
17 Regional governments and local authorities	—	408	408	—	—	408	—	432	432	—	—	432
19 Multilateral development banks	—	30	30	—	—	30	—	30	30	—	—	30
21 Institutions	—	754	754	—	—	754	—	683	683	—	—	683
22 Corporates	—	13,636	13,636	24	—	13,612	—	13,596	13,596	10	—	13,586
24 Retail	—	6,838	6,838	34	—	6,804	—	7,542	7,542	1	—	7,541
Secured by mortgages on immovable property:												
26 - residential	—	13,474	13,474	1	—	13,473	—	13,331	13,331	4	—	13,327
27 - commercial	—	2,943	2,943	2	—	2,941	—	2,723	2,723	—	—	2,723
28 Exposures in default	1,339	—	1,339	468	248	871	1,417	—	1,417	439	32	978
29 Items associated with particularly high risk	—	75	75	47	—	28	—	74	74	40	1	34
30 Covered bonds	—	131	131	—	—	131	—	159	159	—	—	159
33 Equity exposures	—	623	623	—	—	623	—	651	651	1	—	650
34 Other exposures	—	2,588	2,588	—	—	2,588	—	1,599	1,599	—	—	1,599
35 Total STD	1,339	139,945	141,284	578	248	140,706	1,417	134,068	135,485	495	33	134,990
37 Of which: Loans	1,114	28,848	29,962	387	247	29,575	1,191	28,648	29,839	342	33	29,497
38 Debt securities	20	23,181	23,201	20	—	23,181	20	23,399	23,419	20	—	23,399
Other assets	195	77,323	77,518	166	1	77,352	188	71,266	71,454	133	—	71,321
39 Off-balance sheet exposures	10	10,593	10,603	5	—	10,598	18	10,755	10,773	—	—	10,773
37 Total: Loans	9,094	311,153	320,247	4,080	354	316,167	9,953	309,860	319,813	4,026	1,211	315,787
38 Debt securities	20	49,642	49,662	22	—	49,640	31	48,801	48,832	21	—	48,811
Other assets	692	113,066	113,758	176	199	113,582	873	107,728	108,601	204	—	108,397
39 Off-balance sheet exposures	539	156,532	157,071	98	—	156,973	743	153,378	154,121	7	—	154,114
36 Total IRB and STD	10,345	630,393	640,738	4,376	553	636,362	11,600	619,767	631,367	4,258	1,211	627,109

#### Notes:

(1) Defaulted exposures are those with a PD of 1 and past due exposures of one day or more on the payment of a credit obligation. They differ from accounting values principally due to defaulted exposure in Alawwal Bank and derivative close-out costs.

(2) SCRA as at 30 June 2018 is based on IFRS 9 which replaced IAS 39. SCRA includes ECL for defaulted and non-defaulted customers and differs from equivalent accounting values principally due to derivative close out costs and Alawwal Bank balances.



## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR1\_B: IRB and STD: Credit risk exposures by industry sector - Defaulted and non-defaulted split

The table below shows gross carrying values of credit risk exposures and specific credit risk adjustments (SCRA) analysed by credit quality, split by industry. It excludes counterparty credit risk and securitisations. Industry analysis reflects the sector classification used by RBS for risk management purposes. Gross carrying value comprises both on-balance sheet and off-balance sheet exposures including SCRA.

Industry type	30 June 2018						31 December 2017					
	Gross carrying values of			Specific credit risk adjustment (4)	Year-to-date accumulated write-offs	Net value	Gross carrying values of			Specific credit risk adjustment (3)	Year-to-date accumulated write-offs	Net value
	Defaulted exposures(3)	Non-defaulted exposures	Total exposure				Defaulted exposures	Non-defaulted exposures	Total exposure			
	£m	£m	£m				£m	£m	£m			
Central banks (1)	—	120,850	120,850	3	—	120,847	—	111,209	111,209	—	—	111,209
Central government	2	44,117	44,119	1	—	44,118	—	41,324	41,324	—	—	41,324
Other sovereign	2	6,488	6,490	1	—	6,489	2	6,055	6,057	—	—	6,057
Banks	—	20,435	20,435	3	—	20,432	1	20,223	20,224	—	—	20,224
Non-bank financial institutions (1)	78	33,803	33,881	59	—	33,822	74	31,876	31,950	49	—	31,901
Securitisation entities	30	424	454	20	—	434	30	549	579	20	—	559
Property	1,936	53,425	55,361	834	56	54,527	2,251	54,496	56,747	845	169	55,902
Natural resources	161	19,730	19,891	85	72	19,806	381	21,043	21,424	147	—	21,277
Transport	798	22,461	23,259	302	17	22,957	822	23,508	24,330	259	165	24,071
Manufacturing	228	23,516	23,744	130	18	23,614	256	23,890	24,146	133	25	24,013
Retail and leisure (2)	685	27,136	27,821	422	103	27,399	805	29,552	30,357	445	308	29,912
Services	515	24,059	24,574	261	31	24,313	623	24,392	25,015	268	—	24,747
Telecommunications, media and technology	56	9,912	9,968	38	1	9,930	39	9,878	9,917	27	1	9,890
Mortgages	4,122	174,144	178,266	1,154	138	177,112	4,226	171,415	175,641	1,090	309	174,551
Other personal	1,248	43,403	44,651	1,063	117	43,588	1,486	43,348	44,834	975	234	43,859
Not allocated (1)	484	6,490	6,974	—	—	6,974	604	7,009	7,613	—	—	7,613
<b>Total</b>	<b>10,345</b>	<b>630,393</b>	<b>640,738</b>	<b>4,376</b>	<b>553</b>	<b>636,362</b>	<b>11,600</b>	<b>619,767</b>	<b>631,367</b>	<b>4,258</b>	<b>1,211</b>	<b>627,109</b>

#### Notes:

(1) Deferred tax assets (DTA) and significant investments (SI) previously reported in the not allocated sector are now included in the central banks and non-bank FIs sectors respectively. December 2017 values have been restated for comparison. DTA (June 2018: non-defaulted exposures - £675 million) (December 2017: non-defaulted exposures - £413 million), SI (June 2018: non-defaulted exposures - £474 million) (December 2017: non-defaulted exposures - £537 million).

(2) Reduction in the STD exposure was a result of refined sector cluster classification.

(3) Defaulted exposures are those with a PD of 1 and past due exposures of one day or more on the payment of a credit obligation. They differ from accounting values principally due to defaulted exposure in Alawwal Bank and derivative close out costs.

(4) SCRA as at 30 June 2018 is based on IFRS 9 which replaced IAS 39. SCRA includes ECL for defaulted and non-defaulted customers and differs from equivalent accounting values principally due to derivative close out costs and Alawwal Bank balances.

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR1\_C: IRB & STD: Credit risk exposures by geographic region - Defaulted and non-defaulted split

The table below shows gross carrying values of credit risk exposures and specific credit risk adjustments (SCRA) analysed by credit quality, split by geography. It excludes counterparty credit risk and securitisations. Geographical analysis is based on the country of operation of the customer. Gross carrying value comprises both on-balance sheet and off-balance sheet exposures including SCRA.

		a	b	c	e	g	a	b	c	e	g		
		30 June 2018						31 December 2017					
		Gross carrying values of			Specific credit risk	Year-to-date		Gross carrying values of			Specific credit risk	Year-to-date	
		Defaulted exposures	Non-defaulted exposures	Total exposure	adjustment (2)	Accumulated write-offs	Net value	Defaulted exposures	Non-defaulted exposures	Total exposure	adjustment (2)	Accumulated write-offs	Net value
1	Region	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2	UK (1)	5,373	463,562	468,935	2,459	426	466,476	6,059	460,326	466,385	2,374	894	464,011
3	Republic of Ireland	3,051	23,767	26,818	1,134	24	25,684	3,249	24,260	27,509	1,151	124	26,358
7	Other Western Europe	786	92,066	92,852	281	70	92,571	1,149	85,474	86,623	282	131	86,341
8	US	67	28,666	28,733	49	4	28,684	82	25,667	25,749	49	6	25,700
10	Rest of world (1)	1,068	22,332	23,400	453	29	22,947	1,061	24,040	25,101	402	56	24,699
11	Total	10,345	630,393	640,738	4,376	553	636,362	11,600	619,767	631,367	4,258	1,211	627,109

Notes:

- (1) Deferred tax assets (DTA) and significant investments (SI) previously reported in rest of world are now included in UK. December 2017 values have been restated for comparison. DTA (June 2018: non-defaulted exposures - £675 million) (December 2017: non-defaulted exposures - £413 million); SI (June 2018: non-defaulted exposures - £474 million) (December 2017: non-defaulted exposures - £537 million).
- (2) SCRA as at 30 June 2018 is based on IFRS 9 which replaced IAS 39. SCRA includes ECL for defaulted and non-defaulted customers and differs from equivalent accounting values principally due to derivative close out costs and Alawwal Bank balances.

### Key points

- The increase in other Western Europe was driven by the requirement for RBS International to maintain its own liquid assets portfolio.
- EAD post CRM relating to the US increased mainly due to a rise in exposures to US banks and US government bonds.

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR1\_D: Ageing of past-due exposure

The table below shows on balance sheet gross carrying values of past due exposures analysed by number of days past due. It includes securitisations and SCRA, but excludes counterparty risk.

	a	b	c	d	e	f
	Gross carrying values					
	≤30 days £m	>30 days ≤60 days £m	>60 days ≤90 days £m	>90 days ≤180 days £m	>180 days ≤1 year £m	>1 year £m
30 June 2018						
1 Loans (1)	437,929	1,037	4,736	949	793	4,249
2 Debt securities	55,113	—	24	—	—	—
3 On balance sheet exposure	493,042	1,037	4,760	949	793	4,249
31 December 2017						
1 Loans (1)	429,483	576	7,239	1,002	1,233	3,071
2 Debt securities	52,359	—	30	—	—	—
3 On balance sheet exposure	481,842	576	7,269	1,002	1,233	3,071

Note:

(1) Loans include £101 billion of cash at central banks and £13 billion demand deposits in line with FINREP reporting. Other tables in this section such as EU\_CR1\_A have these balances included within 'Other assets'.

### EU CR1\_E: Non-performing and forborne exposures

The table below shows gross carrying values split by performing, non-performing and forborne exposure. It excludes counterparty credit risk. Gross carrying value comprises both on-balance sheet and off-balance sheet exposures including securitisations and SCRA.

	b	c	d	e	f	g	h	i	j	k		
	Gross carrying values of performing and non-performing exposures						Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
	Performing		non-performing				On performing exposures:		On non-performing exposures:		On	Of which
	Of which: past due >30 days and <=90 days		Of which	Of which	Of which	Of which	Total	Of which	Total	Of which	non-performing	forborne
	Total	≤30 days	forborne	defaulted	impaired	forborne	ECL	forborne	ECL	forborne	exposures	exposures
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
30 June 2018												
1 Loans (1)	449,693	1,037	3,138	9,672	10,117	5,835	(1,064)	(47)	(3,093)	(1,387)	5,271	5,831
2 Debt securities	55,137	—	—	20	23	—	(5)	—	(24)	—	—	—
3 Off balance sheet	159,577	—	265	526	—	46	(64)	(1)	(14)	—	38	100
Total	664,407	1,037	3,403	10,218	10,140	5,881	(1,133)	(48)	(3,131)	(1,387)	5,309	5,931
31 December 2017												
1 Loans (1)	442,604	802	2,524	9,603	7,585	6,689	(473)	(37)	(3,563)	(1,464)	6,104	6,006
2 Debt securities	52,389	—	—	23	30	—	—	—	(28)	—	—	—
3 Off balance sheet	156,243	—	220	736	—	201	—	—	(5)	—	116	116
Total	651,236	802	2,744	10,362	7,615	6,890	(473)	(37)	(3,596)	(1,464)	6,122	6,122

Note:

(1) Loans include £101 billion of cash at central banks and £13 billion demand deposits in line with FINREP reporting. Other tables such as EU CR1\_A have these balances included within 'Other assets'.

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR2\_A: Changes in the stock of general and specific credit risk adjustments

The table below presents the drivers of movements in specific credit risk adjustments held against defaulted or impaired loans, debt securities and contingent liabilities. There is no general credit risk adjustment under RBS's IFRS 9 framework.

	Accumulated specific credit risk adjustment £m
At 31 December 2017	4,046
Impact of implementation of IFRS 9	667
1 At 1 January 2018	4,713
2 Increases due to amounts set aside for estimated loan losses during the period	39
3 Decreases due to amounts reversed for estimated loan losses during the period	—
4 Decreases due to amounts taken against accumulated credit risk adjustments	55
5 Transfers between credit risk adjustments	180
6 Impact of exchange rate differences	4
7 Business combinations, including acquisitions and disposals of subsidiaries	—
8 Other adjustments	(622)
9 At 30 June 2018 <sup>(1)</sup>	4,259
10 Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	n/a
11 Specific credit risk adjustments directly recorded to the statement of profit or loss	n/a

Note:

(1) SCRA includes ECL for defaulted and non-defaulted customers and differs from equivalent accounting values principally due to Alawwal Bank balances.

#### Key point

- The reduction in credit losses since the beginning of the year primarily reflected write-offs (reported within Other adjustments) of £553 million related to financial assets and Alawwal Bank.

### EU CR2\_B: Changes in the stock of defaulted and impaired loans and debt securities

The table below presents the drivers in movements in gross carrying value defaulted exposure held against loans and debt securities.

	Gross carrying value defaulted exposure £m
At 31 December 2017	10,362
Impact of implementation IFRS9	1,830
At 1 January 2018	12,192
Loans and debt securities that have defaulted or impaired since the last reporting period	805
Returned to non-defaulted status	(395)
Amounts written-off	(553)
Other changes	(1,831)
At 30 June 2018	10,218

Note:

(1) Defaulted exposures include accounting values as well as those relating to Alawwal Bank.

#### Key point

- The reduction in defaulted exposures since 1 January 2018 primarily reflected net loan repayments and maturities (reported within Other changes) as new defaults were more than offset by write-offs and cures.

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR3: IRB: Credit risk mitigation techniques by exposure class

The table below presents net carrying values of credit risk exposures analysed by use of different credit risk mitigation techniques, split by regulatory approach balance sheet caption and also exposure class, as required by CRR.

The EBA guidelines require net carrying values to be analysed by exposure values of the secured assets, irrespective of the level of collateralisation. For example, two mortgage loans, each of £100,000 but one with property collateral of £50,000 and the other with property collateral of £150,000, would both be reported in the net carrying value secured by collateral column at £100,000. Unsecured exposure represents loans that have no security or collateral attached.

30 June 2018	a	c	d		e	
	Unsecured	Collateral	Net carrying values secured by		Total secured	Total
	net carrying value		Guarantees	Credit derivatives		
	£m	£m	£m	£m	£m	£m
IRB						
Central governments and central banks	69,974	135	139	—	274	70,248
Institutions	16,291	2,062	3,354	57	5,473	21,764
Corporates	107,574	76,484	2,142	137	78,763	186,337
Specialised lending	1,288	18,750	451	—	19,201	20,489
SME	4,787	18,680	629	—	19,309	24,096
Other corporate	101,499	39,054	1,062	137	40,253	141,752
Retail	46,344	165,600	—	—	165,600	211,944
Secured by real estate property - SME	—	1,392	—	—	1,392	1,392
- non-SME	—	164,208	—	—	164,208	164,208
Qualifying revolving	32,167	—	—	—	—	32,167
Other retail - SME	8,474	—	—	—	—	8,474
- non-SME	5,703	—	—	—	—	5,703
Equities	763	—	—	—	—	763
Non-credit obligation assets	4,600	—	—	—	—	4,600
Total IRB	245,546	244,281	5,635	194	250,110	495,656
Of which: Loans	70,170	214,743	1,622	57	216,422	286,592
Debt securities	26,459	—	—	—	—	26,459
Other assets	35,439	789	2	—	791	36,230
Off-balance sheet exposures	113,478	28,749	4,011	137	32,897	146,375
Defaulted	1,912	4,033	78	—	4,111	6,023
STD						
Central governments and central banks	98,443	—	—	—	—	98,443
Regional governments and local authorities	408	—	—	—	—	408
Multilateral development banks	30	—	—	—	—	30
Institutions	754	—	—	—	—	754
Corporates	12,782	776	54	—	830	13,612
Retail	6,494	310	—	—	310	6,804
Secured by mortgages on immovable property:						
- residential	—	13,473	—	—	13,473	13,473
- commercial	—	2,941	—	—	2,941	2,941
Exposures in default	869	2	—	—	2	871
Items associated with particularly high risk	28	—	—	—	—	28
Covered bonds	131	—	—	—	—	131
Equity exposures	623	—	—	—	—	623
Other exposures	2,588	—	—	—	—	2,588
Total STD	123,150	17,502	54	—	17,556	140,706
Of which: Loans	13,984	15,538	53	—	15,591	29,575
Debt securities	23,181	—	—	—	—	23,181
Other assets	77,301	51	—	—	51	77,352
Off-balance sheet exposures	8,684	1,913	1	—	1,914	10,598
Defaulted	869	2	—	—	2	871
Total IRB and STD	368,696	261,783	5,689	194	267,666	636,362
Total: Loans	84,154	230,281	1,675	57	232,013	316,167
Debt securities	49,640	—	—	—	—	49,640
Other assets	112,740	840	2	—	842	113,582
Off-balance sheet exposures	122,162	30,662	4,012	137	34,811	156,973
Defaulted	2,781	4,035	78	—	4,113	6,894

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR3: IRB: Credit risk mitigation techniques by exposure class continued

	a	c	d	e		
	Unsecured		Net carrying values secured by			
	net carrying value	Collateral	Guarantees	Credit derivatives	Total secured	Total
	£m	£m	£m	£m	£m	£m
31 December 2017						
IRB						
Central governments and central banks	63,201	120	2	—	122	63,323
Institutions	15,505	1,987	3,369	37	5,393	20,898
Corporates	109,001	78,517	4,024	251	82,792	191,793
Specialised lending	3,281	20,150	528	—	20,678	23,959
SME	7,255	18,064	1,794	—	19,858	27,113
Other corporate	98,465	40,303	1,702	251	42,256	140,721
Retail	45,786	163,245	—	—	163,245	209,031
Secured by real estate property - SME	—	1,409	—	—	1,409	1,409
Secured by real estate property - non-SME	—	161,836	—	—	161,836	161,836
Qualifying revolving	32,013	—	—	—	—	32,013
Other retail - SME	8,537	—	—	—	—	8,537
- non-SME	5,236	—	—	—	—	5,236
Equities	861	—	—	—	—	861
Non-credit obligation assets	6,213	—	—	—	—	6,213
Total IRB	240,567	243,869	7,395	288	251,552	492,119
Of which: Loans	67,612	215,737	2,903	38	218,678	286,290
Debt securities	25,245	167	—	—	167	25,412
Other assets	36,269	807	—	—	807	37,076
Off-balance sheet exposures	111,441	27,158	4,492	250	31,900	143,341
Defaulted	2,369	4,327	102	—	4,429	6,798
STD						
Central governments and central banks	93,110	—	138	—	138	93,248
Regional governments and local authorities	432	—	—	—	—	432
Multilateral development banks	30	—	—	—	—	30
Institutions	683	—	—	—	—	683
Corporates	12,728	766	92	—	858	13,586
Retail	7,243	298	—	—	298	7,541
Secured by mortgages on immovable property						
- residential	—	13,327	—	—	13,327	13,327
- commercial	—	2,717	6	—	2,723	2,723
Exposures in default	975	2	1	—	3	978
Items associated with particularly high risk	34	—	—	—	—	34
Covered bonds	159	—	—	—	—	159
Equity exposures	650	—	—	—	—	650
Other exposures	1,599	—	—	—	—	1,599
Total STD	117,643	17,110	237	—	17,347	134,990
Of which: Loans	13,483	15,800	214	—	16,014	29,497
Debt securities	23,399	—	—	—	—	23,399
Other assets	71,268	53	—	—	53	71,321
Off-balance sheet exposures	9,493	1,257	23	—	1,280	10,773
Defaulted	976	2	1	—	3	979
Total IRB and STD	358,210	260,979	7,632	288	268,899	627,109
Total: Loans	81,095	231,537	3,117	38	234,692	315,787
Debt securities	48,644	167	—	—	167	48,811
Other assets	107,537	860	—	—	860	108,397
Off-balance sheet exposures	120,934	28,415	4,515	250	33,180	154,114
Defaulted	3,345	4,329	103	—	4,432	7,777

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR7: IRB: Effect on the RWAs of credit derivatives used as CRM techniques

	30 June 2018		31 December 2017	
	a	b	a	b
	Pre-credit derivatives RWAs £m	Actual RWAs £m	Pre-credit derivatives RWAs £m	Actual RWAs £m
<b>Exposures under IRB</b>				
Central governments and central banks	3,345	3,345	3,278	3,278
Institutions	4,169	4,120	3,901	3,901
Corporates - SMEs	11,416	11,416	11,252	11,252
Corporates - Specialised lending	13,500	13,500	16,090	16,090
Corporates - Other	43,153	43,153	40,862	40,845
Retail - Secured by real estate SMEs	499	499	504	504
Retail - Secured by real estate non-SMEs	19,395	19,395	19,822	19,822
Retail - Qualifying revolving	6,048	6,048	6,022	6,022
Retail - Other SMEs	4,097	4,097	3,988	3,988
Retail - Other non-SMEs	6,225	6,225	5,501	5,501
Equity IRB	1,653	1,653	1,961	1,961
Other non-credit obligation assets	4,052	4,052	4,740	4,740
<b>Total</b>	<b>117,552</b>	<b>117,503</b>	<b>117,921</b>	<b>117,904</b>

## Credit risk (excluding counterparty credit risk and securitisations)

### RBS profile by RWA calculation approach

RBS uses the PD/LGD slotting and standardised approaches to calculate RWAs for credit risk exposures.

### IRB approach: PD/LGD

#### EU CR6 a: IRB: Exposures by exposure class and PD range - Retail

The table below presents the key parameters used for the calculation of capital requirements for credit risk exposures in Retail exposure classes under the IRB approach, split by PD range. It excludes exposures calculated under the supervisory slotting approach, equities under the simple risk-weight approach and non-credit assets. It also excludes counterparty credit risk and securitisations. A maturity adjustment is not a component of the IRB RWA formula for retail exposures and is therefore not reported in this table. Original on-balance sheet gross exposure includes specific credit risk adjustments.

In accordance with regulatory requirements, for defaulted exposures RWAs are calculated as the difference between the LGD for an economic downturn and the best estimate LGD. This is the unexpected loss amount for which capital must be held. Retail EAD models estimate EAD directly, so credit conversion factors (CCF) are not reported in this table for retail exposure classes.

	a	b	d	e	f	g	i	l	j	k	l
	PD Range %	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	RWAs £m	RWA density %	Expected loss £m	IFRS 9 ECL Provisions £m
30 June 2018											
Retail - Secured by real estate SME	0.00 to <0.15	—	45	32	0.13	4,706	53	4	13	—	
Retail - Secured by real estate SME	0.15 to <0.25	—	—	—	—	—	—	—	—	—	
Retail - Secured by real estate SME	0.25 to <0.50	53	13	63	0.45	2,465	41	14	22	—	
Retail - Secured by real estate SME	0.50 to <0.75	147	1	149	0.64	2,906	36	35	24	—	
Retail - Secured by real estate SME	0.75 to <2.50	859	46	888	1.17	12,893	41	310	35	4	
Retail - Secured by real estate SME	2.50 to <10.0	168	3	171	4.60	2,485	41	83	48	3	
Retail - Secured by real estate SME	10.0 to <100.00	44	1	45	24.61	807	43	34	77	5	
Retail - Secured by real estate SME	100.00 (default)	24	—	25	100.00	529	60	19	77	14	
<b>Total - Retail - Secured by real estate SME</b>		<b>1,295</b>	<b>109</b>	<b>1,373</b>	<b>4.06</b>	<b>26,791</b>	<b>41</b>	<b>499</b>	<b>36</b>	<b>26</b>	<b>13</b>
Retail - Secured by real estate non-SME	0.00 to <0.15	65,745	4,348	70,233	0.13	582,005	9	1,975	3	8	
Retail - Secured by real estate non-SME	0.15 to <0.25	1,932	—	1,935	0.17	13,440	24	169	9	1	
Retail - Secured by real estate non-SME	0.25 to <0.50	61,012	8,140	68,595	0.33	508,429	13	5,478	8	30	
Retail - Secured by real estate non-SME	0.50 to <0.75	9,965	159	10,243	0.63	93,861	17	1,661	16	11	
Retail - Secured by real estate non-SME	0.75 to <2.50	5,405	154	5,614	1.09	54,711	18	1,349	24	10	
Retail - Secured by real estate non-SME	2.50 to <10.0	1,837	16	1,860	5.19	15,826	12	752	40	11	
Retail - Secured by real estate non-SME	10.0 to <100.00	2,713	2	2,738	23.40	21,133	18	2,947	108	133	
Retail - Secured by real estate non-SME	100.00 (default)	3,898	12	4,014	100.00	29,807	32	5,064	126	875	
<b>Total - Retail - Secured by real estate non-SME</b>		<b>152,507</b>	<b>12,831</b>	<b>165,232</b>	<b>3.15</b>	<b>1,319,212</b>	<b>12</b>	<b>19,395</b>	<b>12</b>	<b>1,079</b>	<b>1,130</b>
Retail - Qualifying revolving	0.00 to <0.15	5	7,171	10,164	0.04	7,830,840	54	170	2	2	
Retail - Qualifying revolving	0.15 to <0.25	78	107	212	0.17	92,856	63	13	6	—	
Retail - Qualifying revolving	0.25 to <0.50	957	7,086	3,230	0.36	2,897,403	64	377	12	8	
Retail - Qualifying revolving	0.50 to <0.75	330	5,477	1,603	0.61	1,871,463	65	285	18	6	
Retail - Qualifying revolving	0.75 to <2.50	1,614	4,931	3,501	1.39	2,893,679	69	1,248	36	34	
Retail - Qualifying revolving	2.50 to <10.0	2,003	1,851	2,896	4.68	1,735,687	74	2,612	90	101	
Retail - Qualifying revolving	10.0 to <100.00	352	65	502	22.98	368,312	73	988	197	84	
Retail - Qualifying revolving	100.00 (default)	362	290	386	100.00	425,894	82	355	92	287	
<b>Total - Retail - Qualifying revolving</b>		<b>5,701</b>	<b>26,978</b>	<b>22,494</b>	<b>3.16</b>	<b>18,116,134</b>	<b>62</b>	<b>6,048</b>	<b>27</b>	<b>522</b>	<b>512</b>



## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR6\_a: IRB: Exposures by exposure class and PD range - Retail *continued*

		a	b	d	e	f	g	i	j	k	l
	PD Range	Original on-balance sheet gross exposure	Off-balance sheet exposures pre CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	RWAs	RWA density	Expected loss	IFRS 9 ECL Provisions
30 June 2018	%	£m	£m	£m	%		%	£m	%	£m	£m
Retail - Other SME	0.00 to <0.15	—	490	499	0.13	246,354	53	65	13	—	
Retail - Other SME	0.15 to <0.25	—	59	100	0.18	12,246	68	20	20	—	
Retail - Other SME	0.25 to <0.50	637	227	1,036	0.40	274,408	49	248	24	2	
Retail - Other SME	0.50 to <0.75	612	43	729	0.64	95,526	44	212	29	2	
Retail - Other SME	0.75 to <2.50	4,456	420	5,011	1.31	369,949	48	2,160	43	33	
Retail - Other SME	2.50 to <10.0	1,071	110	1,307	4.46	194,321	55	839	64	32	
Retail - Other SME	10.0 to <100.00	273	20	319	22.41	56,292	58	325	102	42	
Retail - Other SME	100.00 (default)	279	—	294	100.00	27,249	72	228	78	195	
Total - Retail - Other SME		7,328	1,369	9,295	5.36	1,276,345	50	4,097	44	306	222
Retail - Other non-SME	0.00 to <0.15	1	—	1	0.14	5	73	—	—	—	
Retail - Other non-SME	0.15 to <0.25	1	—	2	0.17	236	74	—	—	—	
Retail - Other non-SME	0.25 to <0.50	217	—	221	0.40	21,403	67	99	45	1	
Retail - Other non-SME	0.50 to <0.75	476	—	484	0.65	83,189	69	294	61	2	
Retail - Other non-SME	0.75 to <2.50	3,127	—	3,185	1.30	407,471	75	2,795	88	31	
Retail - Other non-SME	2.50 to <10.0	1,488	—	1,523	4.82	173,884	78	1,847	121	58	
Retail - Other non-SME	10.0 to <100.00	446	—	458	27.07	61,577	81	862	188	101	
Retail - Other non-SME	100.00 (default)	427	—	482	100.00	68,986	65	328	68	334	
Total - Retail - Other non-SME		6,183	—	6,356	11.41	816,751	75	6,225	98	527	480
Total - Retail all portfolios		173,014	41,287	204,750	3.51	21,555,233	22	36,264	18	2,460	2,357

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR6\_a: IRB: Exposures by exposure class and PD range - Retail *continued*

		a	b	d	e	f	g	i	j	k	l
	PD Range %	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	RWAs £m	RWA density %	Expected loss £m	IAS 39 Provisions £m
31 December 2017											
Retail - Secured by real estate SME	0.00 to <0.15	—	51	36	0.13	4,932	52	5	13	—	—
Retail - Secured by real estate SME	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—
Retail - Secured by real estate SME	0.25 to <0.50	8	14	19	0.38	1,970	48	4	23	—	—
Retail - Secured by real estate SME	0.50 to <0.75	193	2	194	0.66	3,621	37	48	25	—	—
Retail - Secured by real estate SME	0.75 to <2.50	809	49	840	1.10	12,688	41	289	34	4	4
Retail - Secured by real estate SME	2.50 to <10.0	219	2	222	4.20	3,179	40	103	47	4	4
Retail - Secured by real estate SME	10.0 to <100.00	45	1	46	24.55	806	42	35	75	5	5
Retail - Secured by real estate SME	100.00 (default)	29	—	32	100.00	671	61	20	63	18	18
Total - Retail - Secured by real estate SME		1,303	119	1,389	4.58	27,867	41	504	36	31	13
Retail - Secured by real estate non-SME	0.00 to <0.15	65,222	4,477	69,848	0.13	587,578	9	1,993	3	8	8
Retail - Secured by real estate non-SME	0.15 to <0.25	962	—	963	0.17	8,994	20	76	8	—	—
Retail - Secured by real estate non-SME	0.25 to <0.50	59,131	5,778	64,482	0.32	470,806	12	5,000	8	27	27
Retail - Secured by real estate non-SME	0.50 to <0.75	7,685	311	8,023	0.64	77,766	14	1,115	14	7	7
Retail - Secured by real estate non-SME	0.75 to <2.50	10,595	150	10,915	1.03	97,599	21	2,993	27	23	23
Retail - Secured by real estate non-SME	2.50 to <10.0	1,687	16	1,710	5.25	14,981	12	718	42	11	11
Retail - Secured by real estate non-SME	10.0 to <100.00	2,881	3	2,910	23.60	22,496	19	3,281	113	148	148
Retail - Secured by real estate non-SME	100.00 (default)	3,985	12	4,020	100.00	30,408	32	4,646	116	910	910
Total - Retail - Secured by real estate non-SME		152,148	10,747	162,871	3.23	1,310,628	12	19,822	12	1,134	1,059
Retail - Qualifying revolving	0.00 to <0.15	1	7,106	10,104	0.04	7,771,302	54	166	2	2	2
Retail - Qualifying revolving	0.15 to <0.25	105	168	274	0.16	99,049	64	17	6	—	—
Retail - Qualifying revolving	0.25 to <0.50	927	8,796	3,501	0.37	3,391,929	65	427	12	9	9
Retail - Qualifying revolving	0.50 to <0.75	427	3,602	1,369	0.63	1,393,840	63	243	18	5	5
Retail - Qualifying revolving	0.75 to <2.50	1,575	5,046	3,415	1.40	2,926,162	68	1,216	36	33	33
Retail - Qualifying revolving	2.50 to <10.0	2,050	1,434	2,927	4.67	1,785,308	74	2,635	90	102	102
Retail - Qualifying revolving	10.0 to <100.00	338	59	482	23.18	368,357	73	941	195	80	80
Retail - Qualifying revolving	100.00 (default)	420	270	456	100.00	491,282	81	377	83	340	340
Total - Retail - Qualifying revolving		5,843	26,481	22,528	3.46	18,227,229	62	6,022	27	571	310

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR6\_a: IRB: Exposures by exposure class and PD range - Retail *continued*

		a	b	d	e	f	g	i	j	k	l
	PD Range %	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	RWAs £m	RWA density %	Expected loss £m	IAS 39 Provisions £m
31 December 2017											
Retail - Other SME	0.00 to <0.15	—	606	638	0.13	254,981	56	87	14	—	
Retail - Other SME	0.15 to <0.25	—	46	65	0.15	9,642	58	10	16	—	
Retail - Other SME	0.25 to <0.50	245	216	628	0.36	271,298	55	163	26	1	
Retail - Other SME	0.50 to <0.75	1,096	35	1,190	0.62	88,163	43	338	28	3	
Retail - Other SME	0.75 to <2.50	3,996	451	4,570	1.18	361,098	48	1,905	42	27	
Retail - Other SME	2.50 to <10.0	1,375	97	1,615	4.08	225,121	51	961	59	34	
Retail - Other SME	10.0 to <100.00	258	17	299	22.53	53,032	57	299	100	38	
Retail - Other SME	100.00 (default)	325	—	347	100.00	29,018	72	225	65	235	
Total - Retail - Other SME		7,295	1,468	9,352	5.83	1,292,353	50	3,988	43	338	227
Retail - Other non-SME	0.00 to <0.15	—	—	—	0.13	3	79	—	—	—	
Retail - Other non-SME	0.15 to <0.25	1	—	1	0.17	201	75	—	—	—	
Retail - Other non-SME	0.25 to <0.50	295	—	299	0.42	33,543	66	135	45	1	
Retail - Other non-SME	0.50 to <0.75	642	—	651	0.63	97,670	70	392	60	3	
Retail - Other non-SME	0.75 to <2.50	2,779	—	2,835	1.24	367,959	75	2,435	86	27	
Retail - Other non-SME	2.50 to <10.0	1,215	—	1,244	4.90	152,795	79	1,530	123	48	
Retail - Other non-SME	10.0 to <100.00	316	—	324	28.77	46,732	80	612	189	75	
Retail - Other non-SME	100.00 (default)	563	—	648	100.00	84,803	80	397	61	485	
Total - Retail - Other non-SME		5,811	—	6,002	14.04	783,706	76	5,501	92	639	576
Total - Retail all portfolios		172,400	38,815	202,142	3.71	21,641,783	22	35,837	18	2,713	2,185

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR6\_b: IRB: Exposures by exposure class and PD range - Wholesale

The table below presents the key parameters used for the calculation of capital requirements for credit risk exposures in Wholesale exposure classes under the IRB approach, split by PD range. It excludes exposures calculated under the supervisory slotting approach, equities under the simple risk-weight approach and non-credit assets. It also excludes counterparty risk and securitisations. The average maturity used in the RWA calculation is capped at five years in accordance with regulatory requirements. The Corporates - Specialised lending exposure class includes only exposures modelled under the PD/LGD method (relating to shipping). For specialised lending exposures under the supervisory slotting approach, refer to EU CR10\_A. Original on-balance sheet gross exposure includes specific credit risk adjustments.

		a	c	d	e	f	g	i	j	k	l	m	n
		Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs £m	RWA density %	Expected loss £m	IFRS 9 ECL Provisions £m
30 June 2018	PD Range %												
Central governments and central banks	0.00 to <0.15	57,201	12,503	20	59,776	0.01	53	45	1.85	3,221	5	3	
Central governments and central banks	0.15 to <0.25	284	50	20	294	0.23	2	51	1.18	121	41	—	
Central governments and central banks	0.25 to <0.50	124	14	40	129	0.45	3	1	4.78	3	3	—	
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
Central governments and central banks	0.75 to <2.50	—	—	—	—	—	—	—	—	—	—	—	
Central governments and central banks	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	
Central governments and central banks	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
Central governments and central banks	100.00 (default)	2	—	—	2	100.00	1	6	1.00	—	—	—	
Total - Central governments and central banks		57,611	12,567	20	60,201	0.02	59	45	1.85	3,345	6	3	1
Institutions	0.00 to <0.15	8,156	6,915	62	12,340	0.09	327	34	3.14	3,063	25	3	
Institutions	0.15 to <0.25	880	3,749	33	2,115	0.17	146	43	1.27	798	38	2	
Institutions	0.25 to <0.50	113	120	26	142	0.40	65	54	1.54	103	72	—	
Institutions	0.50 to <0.75	3	60	26	18	0.64	29	72	1.03	22	123	—	
Institutions	0.75 to <2.50	84	39	28	95	1.58	39	44	1.46	111	117	1	
Institutions	2.50 to <10.0	1	9	28	3	2.99	51	62	1.70	6	198	—	
Institutions	10.0 to <100.00	2	18	20	5	19.51	92	61	1.09	17	310	1	
Institutions	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	
Total - Institutions		9,239	10,910	51	14,718	0.12	749	36	2.85	4,120	28	7	20
Corporates - Specialised lending	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
Corporates - Specialised lending	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
Corporates - Specialised lending	0.25 to <0.50	—	—	—	—	—	—	—	—	—	—	—	
Corporates - Specialised lending	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
Corporates - Specialised lending	0.75 to <2.50	23	—	65	21	0.99	9	35	1.67	15	72	—	
Corporates - Specialised lending	2.50 to <10.0	11	—	—	11	7.24	1	35	1.00	15	137	—	
Corporates - Specialised lending	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
Corporates - Specialised lending	100.00 (default)	26	—	—	25	100.00	1	30	1.00	—	—	8	
Total - Corporates - Specialised lending		60	—	65	57	45.84	11	33	1.24	30	53	8	5

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR6\_b: IRB: Exposures by exposure class and PD range - Wholesale *continued*

		a	b	d	e	f	g	i	k	k	l	m	n
	PD Range	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD % maturity years	Average	RWAs £m	RWA density %	Expected loss £m	IFRS 9 Provisions £m
30 June 2018													
Corporates - SME	0.00 to <0.15	9	3	82	12	0.11	47	26	3.88	2	18	—	
Corporates - SME	0.15 to <0.25	325	152	57	413	0.22	1,137	39	3.59	159	39	—	
Corporates - SME	0.25 to <0.50	2,000	762	60	2,466	0.40	6,707	32	3.17	886	36	3	
Corporates - SME	0.50 to <0.75	2,464	816	53	2,902	0.64	5,426	30	2.97	1,253	43	6	
Corporates - SME	0.75 to <2.50	8,264	2,657	48	9,578	1.32	16,373	30	2.69	5,129	54	37	
Corporates - SME	2.50 to <10.0	3,947	1,042	46	4,471	3.58	7,917	29	2.46	2,952	66	46	
Corporates - SME	10.0 to <100.00	597	80	51	645	15.71	1,123	28	2.45	663	103	28	
Corporates - SME	100.00 (default)	730	48	38	753	100.00	2,092	46	2.89	372	49	341	
Total - Corporates - SME		18,336	5,560	50	21,240	5.51	40,822	31	2.75	11,416	54	461	379
Corporates - Other	0.00 to <0.15	28,901	44,533	45	48,998	0.05	2,596	43	2.78	10,924	22	11	
Corporates - Other	0.15 to <0.25	8,476	11,293	45	13,395	0.19	1,320	45	2.67	6,535	49	12	
Corporates - Other	0.25 to <0.50	5,951	7,695	47	9,366	0.39	1,722	41	2.70	5,909	63	15	
Corporates - Other	0.50 to <0.75	3,428	2,547	49	4,685	0.64	1,440	40	2.68	3,589	77	12	
Corporates - Other	0.75 to <2.50	8,895	5,265	55	11,694	1.33	9,516	35	2.82	10,397	89	55	
Corporates - Other	2.50 to <10.0	4,267	1,959	50	5,210	3.54	7,119	31	2.29	5,021	96	56	
Corporates - Other	10.0 to <100.00	381	184	42	460	16.54	626	31	2.19	739	161	24	
Corporates - Other	100.00 (default)	905	151	24	935	100.00	951	47	2.32	39	4	454	
Total - Corporates - Other		61,204	73,627	46	94,743	1.55	25,290	41	2.72	43,153	46	639	634
Equities	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
Equities	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
Equities	0.25 to <0.50	23	—	—	23	0.40	1	90	5.00	44	192	—	
Equities	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
Equities	0.75 to <2.50	115	—	—	116	1.27	10	90	5.00	323	280	1	
Equities	2.50 to <10.0	65	—	—	65	2.50	19	90	5.00	212	325	2	
Equities	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
Equities	100.00 (default)	1	—	—	1	100.00	1	90	5.00	—	—	1	
Total - Equities		204	—	—	205	2.10	31	90	5.00	579	283	4	—
Total - Wholesale all portfolios		146,654	102,664	44	191,164	1.41	66,962	41	2.46	62,643	33	1,122	1,039

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR6\_b: IRB: Exposures by exposure class and PD range - Wholesale *continued*

		a	b	d	e	f	g	i	j	k	l	m	n
	PD Range	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD % maturity years		RWAs £m	RWA density %	Expected loss £m	IAS 39 Provisions £m
<i>31 December 2017</i>													
Central governments and central banks	0.00 to <0.15	55,115	7,821	20	56,702	0.01	50	46	1.83	3,147	6	3	
Central governments and central banks	0.15 to <0.25	275	50	20	285	0.23	2	56	1.22	129	45	—	
Central governments and central banks	0.25 to <0.50	1	—	100	1	0.45	2	56	3.37	1	100	—	
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
Central governments and central banks	0.75 to <2.50	—	—	78	—	1.81	1	100	1.00	—	—	—	
Central governments and central banks	2.50 to <10.0	—	—	—	—	—	—	—	—	—	—	—	
Central governments and central banks	10.0 to <100.00	1	1	102	2	28.96	1	9	1.00	1	49	—	
Central governments and central banks	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—	
<b>Total - Central governments and central banks</b>		<b>55,392</b>	<b>7,872</b>	<b>20</b>	<b>56,990</b>	<b>0.01</b>	<b>56</b>	<b>46</b>	<b>1.83</b>	<b>3,278</b>	<b>6</b>	<b>3</b>	<b>—</b>
Institutions	0.00 to <0.15	7,057	8,227	56	11,514	0.09	325	34	3.11	2,919	25	4	
Institutions	0.15 to <0.25	830	2,570	39	1,829	0.17	153	43	1.31	694	38	2	
Institutions	0.25 to <0.50	170	131	36	206	0.38	72	50	3.03	167	81	—	
Institutions	0.50 to <0.75	52	92	29	78	0.64	43	58	1.15	82	104	—	
Institutions	0.75 to <2.50	30	21	27	35	1.05	36	28	1.87	21	59	—	
Institutions	2.50 to <10.0	4	4	47	6	2.71	53	50	1.81	9	148	—	
Institutions	10.0 to <100.00	—	18	20	4	11.75	95	46	1.13	9	223	—	
Institutions	100.00 (default)	—	1	—	—	100.00	1	43	1.39	—	—	—	
<b>Total - Institutions</b>		<b>8,143</b>	<b>11,064</b>	<b>51</b>	<b>13,672</b>	<b>0.12</b>	<b>778</b>	<b>36</b>	<b>2.85</b>	<b>3,901</b>	<b>29</b>	<b>6</b>	<b>1</b>
Corporates - Specialised lending	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
Corporates - Specialised lending	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
Corporates - Specialised lending	0.25 to <0.50	1	—	—	—	—	—	—	—	—	—	—	
Corporates - Specialised lending	0.50 to <0.75	—	—	—	—	0.64	3	50	1.00	—	—	—	
Corporates - Specialised lending	0.75 to <2.50	23	—	66	23	0.99	8	35	1.95	17	75	—	
Corporates - Specialised lending	2.50 to <10.0	25	—	—	24	4.86	3	35	1.11	27	115	—	
Corporates - Specialised lending	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
Corporates - Specialised lending	100.00 (default)	50	1	102	50	100.00	8	38	1.38	—	—	20	
<b>Total - Corporates - Specialised lending</b>		<b>99</b>	<b>1</b>	<b>92</b>	<b>97</b>	<b>53.78</b>	<b>22</b>	<b>36</b>	<b>1.44</b>	<b>44</b>	<b>46</b>	<b>20</b>	<b>9</b>

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR6\_b: IRB: Exposures by exposure class and PD range - Wholesale *continued*

		a	b	d	e	f	g	i	j	k	l	m	n
	PD Range	Original on-balance sheet gross exposure £m	Off-balance sheet exposures pre CCF £m	Average CCF %	EAD post CRM and post CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity years	RWAs £m	RWA density %	Expected loss £m	IAS 39 Provisions £m
<b>31 December 2017</b>													
Corporates - SME	0.00 to <0.15	7	3	81	10	0.11	44	20	3.67	1	11	—	
Corporates - SME	0.15 to <0.25	398	112	66	473	0.22	1,174	39	3.15	167	35	—	
Corporates - SME	0.25 to <0.50	2,340	813	62	2,850	0.41	6,718	29	3.11	911	32	3	
Corporates - SME	0.50 to <0.75	2,652	796	59	3,128	0.64	5,434	28	3.04	1,247	40	6	
Corporates - SME	0.75 to <2.50	9,499	2,754	51	10,956	1.32	16,893	26	2.85	5,359	49	38	
Corporates - SME	2.50 to <10.0	4,764	1,259	48	5,411	3.54	8,892	23	2.63	2,940	54	43	
Corporates - SME	10.0 to <100.00	598	116	52	667	16.01	1,261	25	2.51	627	94	26	
Corporates - SME	100.00 (default)	757	50	29	776	100.00	2,282	46	2.80	—	—	357	
<b>Total - Corporates - SME</b>		<b>21,015</b>	<b>5,903</b>	<b>53</b>	<b>24,271</b>	<b>5.16</b>	<b>42,698</b>	<b>27</b>	<b>2.85</b>	<b>11,252</b>	<b>46</b>	<b>473</b>	<b>346</b>
Corporates - Other	0.00 to <0.15	26,775	45,687	46	47,747	0.05	2,667	37	2.85	9,040	19	10	
Corporates - Other	0.15 to <0.25	8,418	12,811	48	14,481	0.19	1,395	45	2.95	7,336	51	12	
Corporates - Other	0.25 to <0.50	5,744	7,969	47	9,399	0.39	1,981	41	2.79	6,003	64	14	
Corporates - Other	0.50 to <0.75	2,830	2,951	50	4,291	0.64	1,702	39	2.36	3,232	75	11	
Corporates - Other	0.75 to <2.50	8,392	4,823	53	10,776	1.28	10,698	36	2.51	9,727	90	50	
Corporates - Other	2.50 to <10.0	3,281	2,163	58	4,488	3.69	8,044	31	1.95	4,895	109	54	
Corporates - Other	10.0 to <100.00	382	167	40	451	20.62	709	23	1.78	612	136	24	
Corporates - Other	100.00 (default)	1,304	354	34	1,411	100.00	1,040	49	2.26	—	—	692	
<b>Total - Corporates - Other</b>		<b>57,126</b>	<b>76,925</b>	<b>47</b>	<b>93,044</b>	<b>2.07</b>	<b>28,236</b>	<b>38</b>	<b>2.74</b>	<b>40,845</b>	<b>44</b>	<b>867</b>	<b>786</b>
Equities	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
Equities	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
Equities	0.25 to <0.50	19	—	—	19	0.40	1	90	5.00	37	192	—	
Equities	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
Equities	0.75 to <2.50	175	—	—	176	1.52	8	90	5.00	509	291	3	
Equities	2.50 to <10.0	64	—	—	63	2.50	22	90	5.00	206	325	1	
Equities	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
Equities	100.00 (default)	2	—	—	—	—	—	—	—	—	—	—	
<b>Total - Equities</b>		<b>260</b>	<b>—</b>	<b>—</b>	<b>258</b>	<b>1.68</b>	<b>31</b>	<b>90</b>	<b>5.00</b>	<b>752</b>	<b>292</b>	<b>4</b>	<b>3</b>
<b>Total - Wholesale all portfolios</b>		<b>142,035</b>	<b>101,765</b>	<b>46</b>	<b>188,332</b>	<b>1.73</b>	<b>71,821</b>	<b>39</b>	<b>2.49</b>	<b>60,072</b>	<b>32</b>	<b>1,373</b>	<b>1,145</b>

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR6\_c: IRB: Geographical split of PD and LGD

The table below presents weighted average PD and LGD for credit risk, analysed by geography, split by exposure class. It excludes exposures calculated under the supervisory slotting approach, equities under the simple risk-weight approach and non-credit assets. It also excludes counterparty credit risk and securitisations.

	Total		UK		RoI		Other Western Europe		US		Rest of World	
	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %	PD %	LGD %
30 June 2018												
Central governments and central banks	0.02	45	0.01	48	0.06	45	0.01	45	0.01	45	0.11	45
Institutions	0.12	36	0.07	41	1.92	44	0.11	26	0.12	45	0.27	51
Corporates	2.30	39	2.42	37	5.73	37	1.03	46	0.39	47	4.84	45
<i>Specialised lending</i>	45.84	33	—	—	—	—	—	—	—	—	45.84	33
<i>SME</i>	5.51	31	5.19	31	9.31	29	10.09	28	11.97	30	45.54	53
<i>Other corporate</i>	1.55	41	1.60	39	4.25	41	0.98	46	0.37	47	3.45	45
Retail	3.51	22	2.13	21	18.76	32	2.94	60	3.07	58	3.43	59
<i>Secured by real estate property - SME</i>	4.06	41	4.05	41	12.00	39	1.58	39	1.33	38	7.84	40
- non SME	3.15	12	1.41	11	19.63	29	—	—	—	—	—	—
<i>Qualifying revolving</i>	3.16	62	3.15	62	5.05	72	2.27	60	1.96	59	2.28	59
<i>Other retail - SME</i>	5.36	50	5.26	49	6.79	71	6.24	51	8.93	47	12.78	47
- non-SME	11.41	75	11.39	75	11.61	72	13.47	73	43.28	75	14.00	73
Equities	2.10	90	2.14	90	—	—	1.51	90	2.08	90	1.76	90
Total	2.50	31	2.20	26	14.31	35	0.27	43	0.16	46	1.67	46
31 December 2017												
Central governments and central banks	0.01	46	0.01	48	0.06	45	0.01	45	0.01	45	0.06	52
Institutions	0.12	36	0.08	40	0.22	43	0.11	27	0.12	45	0.16	49
Corporates	2.75	36	2.60	33	5.05	39	2.87	47	0.66	47	6.49	44
<i>Specialised lending</i>	53.78	36	—	—	—	—	—	—	—	—	53.78	36
<i>SME</i>	5.16	27	4.82	27	9.69	34	12.49	22	10.96	32	37.87	42
<i>Other corporate</i>	2.07	38	1.84	35	3.27	41	2.82	47	0.64	47	4.56	44
Retail	3.71	22	2.29	21	18.93	33	3.10	60	3.37	58	3.87	59
<i>Secured by real estate property - SME</i>	4.58	41	4.58	41	6.98	40	4.51	39	1.79	38	7.88	40
- non SME	3.23	12	1.45	10	19.67	30	—	—	—	—	—	—
<i>Qualifying revolving</i>	3.46	62	3.44	62	5.66	72	2.25	60	2.13	59	2.48	59
<i>Other retail - SME</i>	5.83	50	5.66	49	8.17	71	4.59	49	11.37	46	11.15	46
- non-SME	14.04	76	13.81	76	19.79	71	17.89	75	44.10	79	21.06	75
Equities	1.68	90	1.62	90	—	—	1.78	90	1.69	90	1.69	90
Total	2.75	30	2.37	25	14.36	35	0.71	44	0.24	46	2.27	49

### Key point

- The increase in weighted average LGDs for UK corporates resulted from revisions to UK mid-corporate and quasi-government LGD models.



## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR10\_A IRB: IRB specialised lending

The table below presents EAD post CRM (exposure amount) for IRB specialised lending exposures subject to the supervisory slotting approach (income-producing real estate and project finance portfolios), analysed by type of lending and regulatory category. It excludes counterparty credit risk and securitisations. For specialised lending exposures under the PD/LGD method (relating to shipping), refer to EU CR6\_b.

Regulatory categories	Remaining maturity	On-balance sheet amount £m	Off-balance sheet amount £m	Risk- weight %	Exposure amount £m	RWAs £m	Expected loss £m
30 June 2018							
1 - Strong	Less than 2.5 years	4,404	613	50	4,808	2,404	—
	Equal to or more than 2.5 years	6,111	853	70	6,634	4,644	27
2 - Good	Less than 2.5 years	3,910	455	70	4,330	3,031	17
	Equal to or more than 2.5 years	2,298	208	90	2,479	2,231	20
3 - Satisfactory	Less than 2.5 years	199	2	115	201	231	6
	Equal to or more than 2.5 years	248	83	115	329	378	9
4 - Weak	Less than 2.5 years	100	4	250	104	261	8
	Equal to or more than 2.5 years	93	52	250	116	290	9
5 - Default	Less than 2.5 years	870	3	—	871	—	437
	Equal to or more than 2.5 years	283	25	—	305	—	153
Total		18,516	2,298	—	20,177	13,470	686
31 December 2017							
1 - Strong	Less than 2.5 years	4,356	416	50	4,655	2,328	—
	Equal to or more than 2.5 years	7,958	1,184	70	8,678	6,076	35
2 - Good	Less than 2.5 years	4,245	507	70	4,700	3,290	19
	Equal to or more than 2.5 years	3,065	228	90	3,253	2,927	26
3 - Satisfactory	Less than 2.5 years	127	2	115	128	148	4
	Equal to or more than 2.5 years	522	84	115	605	695	17
4 - Weak	Less than 2.5 years	117	12	250	129	323	10
	Equal to or more than 2.5 years	83	45	250	104	259	8
5 - Default	Less than 2.5 years	926	9	—	931	—	468
	Equal to or more than 2.5 years	356	31	—	381	—	190
Total		21,755	2,518	—	23,564	16,046	777

## Credit risk (excluding counterparty credit risk and securitisations)

### EU CR10\_B IRB: IRB equities

The table below presents EAD post CRM (exposure amount) for IRB equity exposures subject to the simple risk-weight approach. It excludes counterparty credit risk and securitisations.

30 June 2018	On-balance sheet amount £m	Off-balance sheet amount £m	Risk-weight %	Exposure amount £m	RWAs £m	Capital requirements £m
Exchange-traded equity exposures	2	—	290	2	7	1
Private equity exposures	333	218	190	550	1,045	83
Other equity exposures	4	1	370	6	22	2
<b>Total</b>	<b>339</b>	<b>219</b>	<b>—</b>	<b>558</b>	<b>1,074</b>	<b>86</b>

### 31 December 2017

Exchange-traded equity exposures	41	—	290	41	119	10
Private equity exposures	302	248	190	550	1,045	84
Other equity exposures	14	1	370	12	45	4
<b>Total</b>	<b>357</b>	<b>249</b>	<b>—</b>	<b>603</b>	<b>1,209</b>	<b>98</b>

### EU CR4: STD: Exposures and CRM effects

The table below shows the effect of CRM techniques on credit risk exposures under the standardised approach. It shows exposures both pre and post CRM and credit conversion factors (CCF) as well as associated RWAs and RWA density, split by exposure class. It excludes counterparty credit risk and securitisations.

		a		b		c		d		e		f	
		Exposures before CCF and CRM		Exposures post CCF and CRM									
		On-balance sheet £m	Off-balance sheet £m	On-balance sheet £m	Off-balance sheet £m			RWA £m		RWA density %			
30 June 2018													
1	Central governments and central banks	97,866	517	97,732	1	1,694	2						
2	Regional governments and local authorities	141	251	141	1	138	97						
4	Multilateral development banks	30	—	30	—	—	—						
6	Institutions	342	412	380	113	201	41						
7	Corporates	9,239	4,165	8,809	1,629	9,677	93						
8	Retail	3,095	3,710	3,022	114	2,129	68						
9	Secured by mortgages on immovable property - residential	12,211	1,262	12,211	419	4,531	36						
	- commercial	2,614	276	2,608	97	2,722	101						
10	Exposures in default	861	10	866	3	991	114						
11	Items associated with particularly high risk	28	—	28	—	42	150						
12	Covered bonds	131	—	131	—	26	20						
14	Equity exposures	623	—	623	—	1,339	215						
16	Other exposures	2,588	—	2,686	—	909	34						
17	Total	129,769	10,603	129,267	2,377	24,399	19						
31 December 2017													
1	Central governments and central banks	92,647	540	92,812	9	1,039	1						
2	Regional governments and local authorities	153	271	153	4	144	92						
4	Multilateral development banks	30	—	30	—	—	—						
6	Institutions	322	361	377	97	217	46						
7	Corporates	9,273	4,053	8,870	1,607	10,158	97						
8	Retail	2,966	4,575	2,894	147	2,111	69						
9	Secured by mortgages on immovable property - residential	12,616	712	12,614	184	4,926	38						
10	- commercial	2,479	243	2,448	68	2,536	101						
11	Exposures in default	960	18	973	5	1,102	113						
12	Items associated with particularly high risk	34	—	34	—	51	150						
13	Covered bonds	159	—	159	—	32	20						
15	Equity exposures	650	—	650	—	1,461	225						
16	Other exposures	1,599	—	1,709	—	697	41						
17	Total	123,888	10,773	123,723	2,121	24,474	19						

Note:

(1) Exposure classes with no exposure are excluded from the table above.

## Credit risk (excluding counterparty credit risk)

### EU CR5: STD: Credit risk exposure class and risk-weights

The table below analyses credit risk EAD post CRM under the standardised approach by risk-weight, split by exposure class. It excludes counterparty credit risk and securitisations. Exposure classes with no exposure are excluded from the table below.

EAD post CRM	Risk-weight																Total	Of which: Unrated (2)
	0% £m	2% £m	4% £m	10% £m	20% £m	35% £m	50% £m	70% £m	75% £m	100% £m	150% (1) £m	250% £m	370% £m	1,250% £m	Others £m	Deducted £m	£m	£m
30 June 2018																		
1 Central governments and central banks	97,026	—	—	—	32	—	—	—	—	—	—	675	—	—	—	—	97,733	2,315
2 Regional governments and local authorities	—	—	—	—	5	—	—	—	—	137	—	—	—	—	—	—	142	142
3 Multilateral development banks	30	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	30	30
4 Institutions	—	—	—	—	270	—	152	—	—	71	—	—	—	—	—	—	493	383
5 Corporates	—	—	—	—	327	—	965	—	—	9,058	83	—	—	—	5	—	10,438	10,268
6 Retail	—	—	—	—	60	—	—	—	3,073	3	—	—	—	—	—	—	3,136	—
7 Secured by mortgages on immovable property - residential	—	—	—	—	—	12,442	—	—	—	188	—	—	—	—	—	—	12,630	12,630
- commercial	—	—	—	—	—	—	—	—	—	2,653	52	—	—	—	—	—	2,705	2,705
10 Exposures in default	—	—	—	—	—	—	—	—	—	624	245	—	—	—	—	—	869	869
11 Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	28	—	—	—	—	—	28	28
12 Covered bonds	—	—	—	—	131	—	—	—	—	—	—	—	—	—	—	—	131	131
14 Equity exposures	—	—	—	—	—	—	—	—	—	145	—	478	—	—	—	—	623	614
15 Other exposures	735	—	—	—	1,242	—	23	—	—	643	—	—	—	—	43	—	2,686	2,686
16 Total EAD post CRM	97,791	—	—	—	2,067	12,442	1,140	—	3,073	13,522	408	1,153	—	—	48	—	131,644	32,801
17 EAD pre CRM	97,791	—	—	—	2,067	12,442	1,092	—	3,117	13,876	409	1,153	—	—	97	—	132,044	33,206
31 December 2017																		
1 Central governments and central banks	92,373	—	—	—	35	—	—	—	—	—	—	413	—	—	—	—	92,821	2,012
2 Regional governments and local authorities	—	—	—	—	16	—	—	—	—	141	—	—	—	—	—	—	157	139
3 Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
4 Multilateral development banks	30	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	30	30
5 International organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
6 Institutions	—	—	—	—	223	—	129	—	—	80	—	—	—	—	42	—	474	349
7 Corporates	4	—	—	—	325	—	133	—	—	9,858	154	—	—	—	3	—	10,477	9,999
8 Retail	—	—	—	—	—	—	—	—	2,657	—	—	—	—	—	384	—	3,041	—
9 Secured by mortgages on immovable property - residential	—	—	—	—	—	11,766	—	—	845	186	1	—	—	—	—	—	12,798	12,798
- commercial	—	—	—	—	—	—	—	—	—	2,458	58	—	—	—	—	—	2,516	2,516
10 Exposures in default	1	—	—	—	—	—	—	—	—	694	235	—	—	—	48	—	978	978
11 Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	34	—	—	—	—	—	34	34
12 Covered bonds	—	—	—	—	159	—	—	—	—	—	—	—	—	—	—	—	159	104
14 Equity exposures	—	—	—	—	—	—	—	—	—	109	—	541	—	—	—	—	650	16
15 Other exposures	68	—	—	—	1,113	—	27	—	—	454	—	—	—	—	47	—	1,709	1,696
16 Total EAD post CRM	92,476	—	—	—	1,871	11,766	289	—	3,502	13,980	482	954	—	—	524	—	125,844	30,671
17 EAD pre CRM	92,476	—	—	—	1,871	11,766	275	—	3,532	14,320	484	954	—	—	479	—	126,157	31,173

Notes:

(1) Credit risk EAD post CRM with a 150% risk-weight relates to legacy assets.

(2) Unrated exposures (except central governments and central banks) relate to exposures in Private Banking.

## Counterparty credit risk

### EU CCR1: CCR: Analysis of exposure by EAD calculation approach

The table below presents the methods used to calculate counterparty credit risk exposure and RWAs. It excludes credit valuation adjustment charges, securitisations and exposures cleared through a CCP.

	a	b	c	d	e	f	g
	Notional £m	Replacement cost/current market value £m	Potential future exposure £m	EEPE (1) £m	Multiplier	EAD post-CRM £m	RWA £m
<b>30 June 2018</b>							
1 Mark-to-market method	n/a	6,405	2,764	n/a	n/a	5,317	2,862
2 Original exposure	—	n/a	n/a	n/a	n/a	—	—
3 Standardised approach	n/a	—	n/a	n/a	n/a	—	—
4 Internal model method (for derivatives)	n/a	n/a	n/a	11,298	1.4	15,817	7,128
5 <i>Securities financing transactions</i>	n/a	n/a	—	—	n/a	—	—
6 <i>Derivatives and long settlement transactions</i>	n/a	n/a	n/a	11,298	1.4	15,817	7,128
7 <i>From contractual cross product netting</i>	n/a	n/a	—	—	n/a	—	—
8 Financial collateral simple method (for SFTs)	n/a	n/a	n/a	n/a	n/a	—	—
9 Financial collateral comprehensive method (for SFTs)	n/a	n/a	n/a	n/a	n/a	9,313	1,877
10 VaR for SFTs	n/a	n/a	n/a	n/a	n/a	—	—
11 Total	n/a	n/a	n/a	n/a	n/a	30,447	11,867
<b>31 December 2017</b>							
1 Mark-to-market method	n/a	11,367	2,917	n/a	n/a	5,949	3,128
2 Original exposure	—	n/a	n/a	n/a	n/a	—	—
3 Standardised approach	n/a	—	n/a	n/a	—	—	—
4 Internal model method (for derivatives)	n/a	n/a	—	11,775	1.4	16,485	7,447
5 <i>Securities financing transactions</i>	n/a	n/a	—	—	—	—	—
6 <i>Derivatives and long settlement transactions</i>	n/a	n/a	—	11,775	1.4	16,485	7,447
7 <i>From contractual cross product netting</i>	n/a	n/a	—	—	—	—	—
8 Financial collateral simple method (for SFTs)	n/a	n/a	n/a	n/a	n/a	—	—
9 Financial collateral comprehensive method (for SFTs)	n/a	n/a	n/a	n/a	n/a	9,603	1,431
10 VaR for SFTs	n/a	n/a	n/a	n/a	n/a	—	—
11 Total	n/a	n/a	n/a	n/a	n/a	32,037	12,006

Note:

(1) This contains the higher of (i) Effective EPE calculated using current market data and (ii) Effective EPE using a stress calibration. The higher of those two EEPE measures is used for the calculation of RWAs as prescribed by article 284(3).

### Key points

- Total RWAs were broadly unchanged. A reduction in asset size under the IMM, which reflected trade novations and maturing transactions, was partly offset by an increase in trading activity in SFTs.
- The decrease in replacement cost under the mark-to-market method reflects collateralised trades with a significant positive net mark-to-market value moving into the IMM.

## Counterparty credit risk

### EU CCR4: CCR IRB: Exposures by portfolio and PD scale

The table below presents a detailed view of counterparty credit risk positions subject to the IRB approach by exposure class and PD scale. It excludes CVA charges, securitisations and exposures cleared through a CCP. Counterparty credit risk exposures are managed on a portfolio basis, hence, it is not meaningful to report valuation adjustments and provisions at the regulatory exposure class level.

30 June 2018	PD Scale	a	b	c	d	e	f	g
		EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
Central governments and central banks	0.00 to <0.15	3,145	0.01	24	45	1.88	217	—
Central governments and central banks	0.15 to <0.25	7	0.16	3	45	5.00	4	1
Central governments and central banks	0.25 to <0.50	1	0.45	2	45	1.00	1	1
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—
Central governments and central banks	0.75 to <2.50	1	0.91	1	45	0.07	1	1
Central governments and central banks	2.50 to <10.00	—	—	—	—	—	—	—
Central governments and central banks	10.00 to <100.00	4	10.24	1	79	3.14	15	4
Central governments and central banks	100.00 (Default)	—	—	—	—	—	—	—
<b>Total - Central governments and central banks</b>		<b>3,158</b>	<b>0.02</b>	<b>31</b>	<b>45</b>	<b>1.88</b>	<b>238</b>	<b>—</b>
Institutions	0.00 to <0.15	3,072	0.10	134	45	2.80	1,208	39
Institutions	0.15 to <0.25	3,790	0.18	174	46	2.98	2,423	64
Institutions	0.25 to <0.50	764	0.42	108	46	1.11	503	66
Institutions	0.50 to <0.75	90	0.64	31	57	1.86	96	107
Institutions	0.75 to <2.50	80	1.29	43	53	1.66	103	129
Institutions	2.50 to <10.00	21	2.56	18	43	3.19	30	141
Institutions	10.00 to <100.00	8	10.24	3	45	0.11	16	207
Institutions	100.00 (Default)	19	100.00	1	45	3.14	—	—
<b>Total - Institutions</b>		<b>7,844</b>	<b>0.45</b>	<b>512</b>	<b>46</b>	<b>2.69</b>	<b>4,379</b>	<b>56</b>
Corporates - SME	0.00 to <0.15	—	0.11	2	100	1.00	—	36
Corporates - SME	0.15 to <0.25	2	0.21	19	49	1.88	1	32
Corporates - SME	0.25 to <0.50	17	0.40	154	41	2.05	8	46
Corporates - SME	0.50 to <0.75	15	0.64	155	41	1.41	7	47
Corporates - SME	0.75 to <2.50	37	1.27	422	38	3.46	30	81
Corporates - SME	2.50 to <10.00	11	3.93	185	32	3.68	9	83
Corporates - SME	10.00 to <100.00	4	11.58	21	37	4.60	7	171
Corporates - SME	100.00 (Default)	—	100.00	17	35	2.03	—	—
<b>Total - Corporates - SME</b>		<b>86</b>	<b>2.22</b>	<b>975</b>	<b>39</b>	<b>2.85</b>	<b>62</b>	<b>71</b>

## Counterparty credit risk

### EU CCR4: CCR IRB: Exposures by portfolio and PD scale *continued*

		a	b	c	d	e	f	g
30 June 2018	PD Scale	EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
Corporates - Specialised lending	Strong	654	—	272	—	4.60	446	68
Corporates - Specialised lending	Good	201	—	118	—	4.76	178	89
Corporates - Specialised lending	Satisfactory	81	—	9	—	4.57	94	115
Corporates - Specialised lending	Weak	9	—	8	—	3.83	23	250
Corporates - Specialised lending	Default	12	—	6	—	3.41	—	—
Total - Corporates - Specialised lending <sup>(1)</sup>		957	—	413	—	4.60	741	78
Corporates - Other	0.00 to <0.15	11,543	0.05	2,757	41	2.71	2,286	20
Corporates - Other	0.15 to <0.25	3,185	0.19	387	48	2.86	1,911	60
Corporates - Other	0.25 to <0.50	527	0.38	308	59	2.04	421	80
Corporates - Other	0.50 to <0.75	153	0.64	117	49	1.34	120	78
Corporates - Other	0.75 to <2.50	381	1.26	264	42	3.15	358	94
Corporates - Other	2.50 to <10.00	74	2.85	140	49	1.35	95	128
Corporates - Other	10.00 to <100.00	4	22.31	12	32	3.14	8	180
Corporates - Other	100.00 (Default)	1	100.00	4	36	1.09	—	—
Total - Corporates - Other		15,868	0.15	3,989	43	2.70	5,199	33
Total - Wholesale all portfolios		27,913	0.23	5,920	44	2.83	10,619	3,600

Note:

(1) For these specialised lending exposures, the supervisory slotting method is used to calculate RWAs, rather than the PD/LGD method.

## Counterparty credit risk

### EU CCR4: CCR IRB: Exposures by portfolio and PD scale *continued*

		a	b	c	d	e	f	g
	PD Scale	EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
31 December 2017								
Central governments and central banks	0.00 to <0.15	4,679	0.01	31	45	1.84	328	7
Central governments and central banks	0.15 to <0.25	6	0.16	4	45	4.96	4	64
Central governments and central banks	0.25 to <0.50	2	0.45	1	47	0.36	1	47
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—
Central governments and central banks	0.75 to <2.50	1	0.91	1	45	0.04	1	62
Central governments and central banks	2.50 to <10.00	—	—	—	—	—	—	—
Central governments and central banks	10.00 to <100.00	—	—	—	—	—	—	—
Central governments and central banks	100.00 (Default)	—	—	—	—	—	—	—
Total - Central governments and central banks		4,688	0.01	37	45	1.84	334	7
Institutions	0.00 to <0.15	3,802	0.10	140	45	2.76	1,471	39
Institutions	0.15 to <0.25	3,001	0.17	181	46	2.97	1,891	63
Institutions	0.25 to <0.50	357	0.40	102	48	2.11	294	82
Institutions	0.50 to <0.75	99	0.64	54	60	2.28	118	119
Institutions	0.75 to <2.50	57	1.30	46	50	2.50	78	137
Institutions	2.50 to <10.00	28	2.77	15	37	3.20	34	122
Institutions	10.00 to <100.00	—	—	—	—	—	—	—
Institutions	100.00 (Default)	—	—	—	—	—	—	—
Total - Institutions		7,344	0.17	538	46	2.81	3,886	53
Corporates - SME	0.00 to <0.15	1	0.11	1	100	1.00	1	29
Corporates - SME	0.15 to <0.25	2	0.20	20	77	1.84	1	45
Corporates - SME	0.25 to <0.50	14	0.40	177	63	1.58	8	58
Corporates - SME	0.50 to <0.75	20	0.64	186	54	1.32	13	64
Corporates - SME	0.75 to <2.50	57	1.19	482	48	2.86	52	92
Corporates - SME	2.50 to <10.00	29	3.38	238	35	2.85	25	87
Corporates - SME	10.00 to <100.00	1	16.48	26	30	1.39	1	91
Corporates - SME	100.00 (Default)	1	100.00	24	32	1.98	—	—
Total - Corporates - SME		125	2.67	1,154	48	2.42	101	81

## Counterparty credit risk

### EU CCR4: CCR IRB: Exposures by portfolio and PD scale *continued*

		a	b	c	d	e	f	g
	PD Scale	EAD post CRM and post-CCF £m	Average PD %	Number of obligors	Average LGD %	Average maturity Years	RWAs £m	RWA density %
31 December 2017								
Corporates - Specialised lending	Strong	1,236	—	312	—	4.58	850	69
Corporates - Specialised lending	Good	342	—	136	—	4.53	304	89
Corporates - Specialised lending	Satisfactory	91	—	14	—	4.49	104	115
Corporates - Specialised lending	Weak	9	—	4	—	2.26	23	250
Corporates - Specialised lending	Default	12	—	11	—	3.56	—	—
Total - Corporates - Specialised lending (1)		1,690	—	477	—	4.54	1,281	76
Corporates - Other	0.00 to <0.15	11,826	0.05	2,477	39	2.70	2,182	18
Corporates - Other	0.15 to <0.25	3,285	0.19	401	48	3.09	2,053	62
Corporates - Other	0.25 to <0.50	606	0.40	297	57	2.26	477	79
Corporates - Other	0.50 to <0.75	209	0.64	139	48	1.21	155	74
Corporates - Other	0.75 to <2.50	344	1.25	258	37	3.58	311	90
Corporates - Other	2.50 to <10.00	60	3.34	144	46	1.28	75	126
Corporates - Other	10.00 to <100.00	4	27.85	8	34	4.76	9	215
Corporates - Other	100.00 (Default)	2	100.00	4	51	1.14	—	—
Total - Corporates - Other		16,336	0.16	3,728	42	2.76	5,262	32
Total - Wholesale all portfolios		30,183	0.14	5,934	43	2.73	10,864	36

Note:

(1) For these specialised lending exposures, the supervisory slotting method is used to calculate RWAs, rather than the PD/LGD method.



## Counterparty credit risk

### EU CCR3: CCR STD: Exposures by regulatory portfolio and risk-weight

In the table below rows with nil reportable values are excluded.

Exposure class	Risk-weight					Total £m	Of which: Unrated £m
	0% £m	20% £m	50% £m	75% £m	100% £m		
30 June 2018							
1 Central governments and central banks	1,085	—	—	—	—	1,085	—
2 Regional government and local authorities	—	60	—	—	—	60	—
6 Institutions	—	86	37	—	—	123	—
7 Corporates	—	76	9	—	1,176	1,261	36
8 Retail	—	—	—	5	—	5	—
11 Total	1,085	222	46	5	1,176	2,534	36
31 December 2017							
1 Central governments and central banks	542	1	—	—	—	542	—
2 Regional government and local authorities	—	50	—	—	—	50	—
6 Institutions	—	117	34	—	—	151	—
7 Corporates	—	14	11	—	1,078	1,104	97
8 Retail	—	—	—	6	—	6	—
11 Total	542	182	46	6	1,078	1,853	97

#### Key point

- Total exposures under the standardised approach increased, primarily in the 0% band. This reflected fluctuations in exposure to central banks.

### EU CCR2: CCR: Credit valuation adjustment capital charge

The table below presents the CVA charge split by approach.

	30 June 2018		31 December 2017	
	a	b	a	b
	Exposure amount £m	RWAs £m	Exposure amount £m	RWAs £m
Total portfolios subject to the advanced CVA capital charge	8,006	1,814	7,227	1,863
1 (i) VaR component (including the 3x multiplier)	—	331	—	425
2 (ii) Stressed VaR component (including the 3x multiplier)	—	1,483	—	1,439
3 All portfolios subject to the standardised CVA capital charge	2,185	682	2,233	692
EU4 Based on original exposure method	—	—	—	—
5 Total	10,191	2,496	9,460	2,556

#### Key point

- There was a slight reduction in the total CVA capital charge, mainly due to a reduction in the advanced CVA capital charge. Although the portfolios subject to this charge had an increase in exposure, their average credit quality improved.

## Counterparty credit risk

### EU CCR5\_A: Impact of netting and collateral held on exposure values

	a	b	c	d	e
	Gross positive fair value £m	Netting benefits £m	Netted current credit exposure £m	Collateral held £m	Net credit exposure £m
30 June 2018					
1 Derivatives	103,433	76,767	26,665	18,850	7,816
2 SFTs	193,038	—	193,039	184,095	8,943
3 Cross-product netting	—	—	—	—	—
4 Total	296,471	76,767	219,704	202,945	16,759
31 December 2017					
1 Derivatives	197,187	158,300	38,887	34,716	9,565
2 SFTs	197,972	—	197,972	193,383	8,782
3 Cross-product netting	—	—	—	—	—
4 Total	395,159	158,300	236,859	228,099	18,347

#### Key points

- Derivative exposure declined. This reflected trade novations and maturing transactions.
- SFT exposure increased slightly. This differs from the movement seen in EU CCR1 where SFT exposure additionally includes collateral pledges to central banks.

### EU CCR6: CCR: Credit derivatives

As part of its strategy to manage credit risk concentrations, RBS buys credit derivative products. The counterparties from which this protection is bought are subject to standard credit risk analysis. Eligibility criteria apply: credit protection bought from the same counterparty group as the reference entity is not eligible in cases where double default applies under the relevant regulation. The table below presents credit derivatives bought and sold by notional and fair values.

	30 June 2018		31 December 2017	
	a	b	a	b
	Protection bought £m	Protection sold £m	Protection bought £m	Protection sold £m
<b>Notionals</b>				
Single-name credit default swaps	8,847	7,011	10,260	8,552
Index credit default swaps	7,540	5,883	11,428	7,481
Total return swaps	500	90	676	267
Credit options	—	—	—	—
Other credit derivatives (1)	—	—	15	15
Total notionals	16,887	12,984	22,379	16,315
Of which: Own credit portfolio - notionals (2)	314	11	355	—
<b>Fair values</b>				
Positive fair value (asset)	237	126	203	285
Negative fair value (liability)	(189)	(156)	(435)	(127)

Notes:

(1) Credit derivatives are used for internal hedging and client transactions.

(2) Own credit portfolio consists of trades held in the regulatory banking book used for hedging and credit management. Fair values are not material. Intermediation activities cover all other credit derivatives.

#### Key point

- Overall, credit default swap notionals and fair values declined, in line with the reduction in trade count through maturing transactions.

## Counterparty credit risk

### EU CCR8: CCR: Exposures (EAD post CRM) to central counterparties

The table below presents counterparty credit risk exposures to CCPs including default fund contributions. A qualifying CCP (QCCP) means a CCP that has been either authorised or recognised in accordance with the relevant regulation. In the table below rows with nil reportable values are excluded.

	30 June 2018		31 December 2017	
	a	b	a	b
	EAD post-CRM £m	RWA £m	EAD post-CRM £m	RWA £m
1 Exposures to QCCPs (total)	n/a	253	n/a	280
2 Exposures for trades at QCCPs (excluding OTC initial margin and default fund contributions)	4,678	173	3,605	159
Of which:				
3 (i) OTC derivatives	970	97	535	95
4 (ii) Exchange-traded derivatives including initial margin	1,118	24	849	20
5 (iii) Securities financing transactions	2,590	52	2,221	44
8 Non-segregated initial margin	252	32	300	60
9 Pre-funded default fund contributions	209	48	254	61
Unfunded default fund contributions	—	—	—	—

### Key points

- Clearing activity with qualified clearing houses increased in all categories.
- For OTC derivatives, while RWAs were broadly unchanged, reported exposure increased. This reflected the move to the non-modelled approach in NWB Plc as part of ring-fencing implementation.

## Market risk

### EU MR1: MR IMA and STD: RWAs and MCR - RBS and significant subsidiaries

The following table presents market risk RWAs and MCR by calculation method and type of risk for RBS and significant subsidiaries.

30 June 2018	RBS		NWB Plc		RBS plc		NWM Plc		NWM Securities Inc	
	a	b	a	b	a	b	a	b	a	b
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
<b>STD</b>	2,656	213	52	4	162	13	1,642	131	717	57
1 Interest rate position risk (outright products)	1,349	109	—	—	—	—	619	50	705	56
2 Equity position risk (outright products)	—	—	—	—	—	—	—	—	—	—
3 Foreign exchange position risk (outright products)	578	46	52	4	162	13	306	24	—	—
4 Commodity position risk (outright products)	12	1	—	—	—	—	—	—	12	1
6 Option position risk (delta-plus approach)	—	—	—	—	—	—	—	—	—	—
8 Securitisation positions	717	57	—	—	—	—	717	57	—	—
<b>Internal model approach</b>	14,667	1,173	3	—	—	—	14,423	1,154	—	—
VaR	1,971	158	1	—	—	—	1,883	151	—	—
SVaR	6,735	538	2	—	—	—	6,579	526	—	—
Incremental risk charge	2,613	209	—	—	—	—	2,613	209	—	—
Other (RNIV)	3,348	268	—	—	—	—	3,348	268	—	—
<i>of which: VaR-based RNIV</i>	401	32	—	—	—	—	401	32	—	—
<i>SVaR-based RNIV</i>	1,307	105	—	—	—	—	1,307	105	—	—
<i>Stress RNIV</i>	1,640	131	—	—	—	—	1,640	131	—	—
<b>Total</b>	17,323	1,386	55	4	162	13	16,065	1,285	717	57

31 December 2017	RBS		NWB Plc		NWM Plc		NWM Securities Inc	
	a	b	a	b	a	b	a	b
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
<b>STD</b>	2,994	240	135	11	2,090	167	681	55
1 Interest rate position risk (outright products)	1,151	92	19	2	438	35	680	54
2 Equity position risk (outright products)	—	—	—	—	—	—	—	—
3 Foreign exchange position risk (outright products)	812	66	115	9	624	50	—	—
4 Commodity position risk (outright products)	—	—	—	—	—	—	—	—
6 Option position risk (delta-plus approach)	1	—	—	—	—	—	1	—
8 Securitisation positions	1,029	82	—	—	1,029	82	—	—
<b>Internal model approach</b>	14,018	1,121	2	—	13,719	1,097	—	—
VaR	2,769	222	—	—	2,639	211	—	—
SVaR	4,990	398	1	—	4,820	386	—	—
Incremental risk charge	3,715	297	—	—	3,715	297	—	—
Other (RNIV)	2,544	204	—	—	2,544	204	—	—
<i>of which: VaR-based RNIV</i>	303	24	—	—	303	24	—	—
<i>SVaR-based RNIV</i>	658	53	—	—	658	53	—	—
<i>Stress RNIV</i>	1,583	127	—	—	1,583	127	—	—
<b>Total</b>	17,012	1,361	136	11	15,809	1,265	681	55

### Key points

#### RBS

- RBS's total market risk RWAs increased over the period. The majority of the exposure related to NatWest Markets Plc.

#### NWM Plc

- There was a rise in RWAs related to the internal model approach. Increases in the SVaR and RNIV-based requirements were partly offset by declines in the VaR-based requirement and the incremental risk charge.
- The SVaR increase primarily related to an increase in currency options risk with additional contribution from sterling interest rate risk.
- The VaR decline chiefly reflected reduced interest rate risk on euro-denominated bonds.
- The RNIV increase was largely due to changes in interest rate risk over the period.
- The lower incremental risk charge largely reflected a reduction in eurozone government bond positions.
- There was a decrease in RWAs related to the standardised approach. This mainly reflected disposals and expiries in trading book securitisations and a lower banking book foreign exchange charge.

#### NWB Plc

- The RWA decline was mainly driven by a lower US dollar open position, following the agreement in principle with the US Department of Justice in May 2018. Interest rate position risk RWAs decreased from £19 million to below £1 million reflecting the transfer of loans to NatWest Markets Plc under the RFTS.

#### RBS plc

- Market risk RWAs for this entity, which related solely to the banking book foreign exchange charge at 30 June 2018, are reported for the first time following completion of the RFTS. For more details, refer to page 2.

## Market risk

### EU MR2\_A: MR IMA: RWAs and MCR

The following table presents market risk RWAs and MCR by component under the internal model approach.

	30 June 2018		31 December 2017	
	a RWAs £m	b MCR £m	a RWAs £m	b MCR £m
1 VaR (higher of a and b)	1,971	158	2,769	222
a Period end VaR	796	64	750	60
b Average of the daily VaR for preceding 60 business days x multiplication factor	1,971	158	2,769	222
2 SVaR (higher of a and b)	6,735	538	4,990	398
a Period end SVaR	1,452	116	1,839	147
b Average of the SVaR for preceding 60 business days x multiplication factor	6,735	538	4,990	398
3 Incremental risk charge (higher of a and b)	2,613	209	3,715	297
a Period end IRC value	2,375	190	3,715	297
b Average IRC over preceding 60 business days	2,613	209	3,400	272
5 Other (RNIV at period end)	3,348	268	2,544	204
6 Total	14,667	1,173	14,018	1,121

### EU MR3: MR IMA: IMA values for trading portfolios - RBS and significant subsidiaries

The following table presents the minimum, maximum, average and period end values, over the reporting period, derived from the models approved under the IMA for use in calculating market risk capital requirements and RWAs, for RBS and significant subsidiaries. The reported values do not include any capital multipliers or other additional capital charges that may be applied at the supervisor's discretion.

	30 June 2018		31 December 2017	
	RBS £m	NWB Plc £m	RBS £m	NWB Plc £m
VaR (10 day 99%)				
1 Maximum value	112	110	84	81
2 Average value	68	66	54	53
3 Minimum value	44	42	40	37
4 Period end	64	62	60	58
SVaR (10 day 99%)				
5 Maximum value	359	356	155	154
6 Average value	206	204	126	124
7 Minimum value	116	114	85	83
8 Period end	116	114	147	144
IRC (99.9%)				
9 Maximum value	229	229	297	297
10 Average value	199	199	228	228
11 Minimum value	157	157	164	164
12 Period end	190	190	297	297

### Key points

- The movements in VaR, SVaR and IRC values for RBS and NatWest Markets Plc were broadly in line with the trends in market risk capital requirements under the internal model approach, as presented in EU MR2\_A.
- For NWB Plc, capital requirements under the internal model approach are below £1 million.

### VaR back-testing

Back-testing is the main approach employed to assess the ongoing performance of the VaR model. This approach counts the number of days when a loss exceeds the corresponding daily VaR estimate, measured at a 99% confidence level.

Two types of profit and loss (P&L) are used in back-testing comparisons: Actual P&L and Hypothetical (Hypo) P&L.

The Actual P&L for a particular business day is the firm's actual P&L for that day in respect of the trading activities within the scope of the firm's regulatory VaR model. It includes intraday activities, adjusted by stripping out fees and commissions, brokerage, and additions to and releases from reserves that are not directly related to market risk.

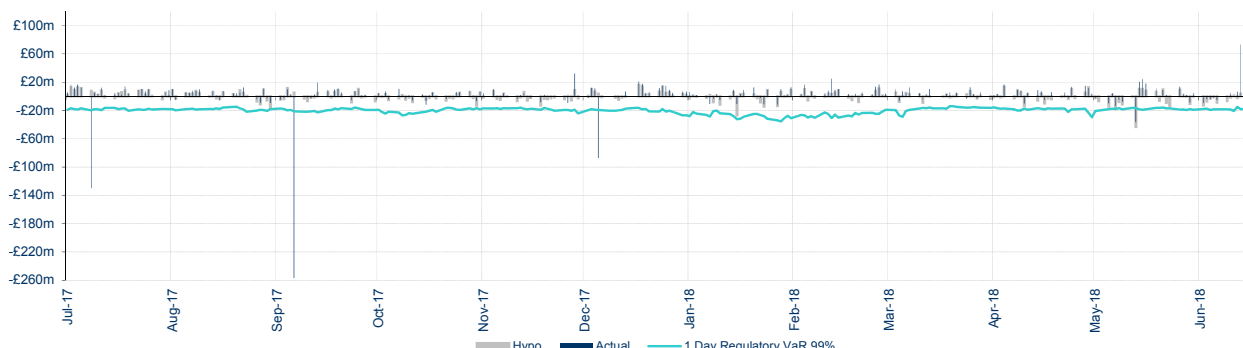
The Hypo P&L is the firm's Actual P&L excluding any intraday activities.

A portfolio is said to produce a back-testing exception when the Actual or Hypo P&L exceeds the VaR level on a given day. Such an event may be caused by a large market movement or may highlight issues such as missing risk factors or inappropriate time series. Any such issues identified are analysed and addressed by taking appropriate remediation or development action. RBS monitors both Actual and Hypo back-testing exceptions.

## Market risk

### EU MR4: 1-day 99% regulatory VaR vs. Actual and Hypo P&L

The graph below presents 1-day 99% regulatory VaR compared with Actual and Hypo P&L for NatWest Markets Plc, RBS's largest legal entity by market risk RWAs and positions.



#### Key points

- The exception in May 2018 was driven by market reaction to political events in Italy, prior to the eventual formation of a government on 1 June.
- The exceptions in July, September and December 2017 resulted from disposal losses and other adjustments in the legacy portfolio in NatWest Markets.

### MR4\_A: Regulatory VaR model back-testing exceptions

The table below shows regulatory back-testing exceptions for the period of 250 business days ending 30 June 2018 for 1-day 99% traded regulatory VaR compared with Actual and Hypo P&L for the material legal entities with PRA approval to use an internal model approach.

Description	Back-testing exceptions	
	Actual	Hypo
National Westminster Bank Plc	2	—
NatWest Markets Plc	4	1

#### Key points

- Statistically RBS would expect to see back-testing exceptions 1% of the time over a period of 250 business days. A VaR model recording four or fewer exceptions in a continuous 250-day period is regarded as satisfactory. A model recording five or more exceptions is regarded as having potential issues regarding its quality or accuracy.
- The back-testing exceptions that occurred in NatWest Markets Plc are detailed under EU MR4 above. The causes of two of the four exceptions over the rolling 250-day period did not imply issues with the quality or performance of the model. The regulator concurred with this view.
- The back-testing exceptions in NatWest Bank Plc were driven by adverse market moves and technical issues. Given that RWAs for NatWest Bank Plc are very low in comparison to NatWest Markets Plc, small losses can result in back-testing exceptions for this entity.