



The Royal Bank of Scotland plc

Q3 2022 Pillar 3 Supplement

Contents

	Page
Presentation of information	3
Key points	4
UK KM1: Key metrics	5
IFRS 9-FL: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECL	6

Presentation of information

This document presents the Pillar 3 disclosures for The Royal Bank of Scotland plc (RBS plc) at 30 September 2022.

RBS plc is incorporated in the United Kingdom and is a large non-listed subsidiary of NatWest Group plc. Based on the criteria set out in the CRR, NatWest Group primarily defines its large subsidiaries as those designated as an Other Systemically Important Institution (O-SII) by the national competent authority or those with total assets equal to or greater than €30 billion.

RBS plc being a large subsidiary of NatWest Group is subject to the disclosure requirements set out in the Level of Application part of the PRA Rulebook. In accordance with the PRA's Level of Application, large subsidiaries which are non-listed entities are permitted to reduce the scope of the disclosures which are presented, and RBS plc has prepared these disclosures to comply with the reduced requirements.

Disclosures for large subsidiaries of NatWest Group that are UK entities are calculated in accordance with the UK CRR (split across primary legislation and the PRA rulebook) and completed in accordance with the Disclosure (CRR) part of the PRA rulebook. The disclosures required under the PRA framework are substantially equivalent to those required by Part Eight of the EU CRR.

The liquidity disclosures completed at UK Domestic Liquidity Subgroup (UK DoLSub) level are published in the NatWest Holdings Group Pillar 3 document. The UK DoLSub waiver allows NWB Plc, RBS plc and Coutts & Co to manage liquidity as a single subgroup rather than at an entity level. The NWH Group Pillar 3 document is available on the NatWest Group website, located at investors.natwestgroup.com.

Within this document, row and column references are based on those prescribed in the PRA templates. Any rows or columns that are not applicable have not been shown. Where applicable, comparatives have not been provided for first-time disclosures.

Key points

CET1 ratio

Q3 2022 **12.8%**

The CET1 ratio decreased by 90 basis points to 12.8%. The decrease was due to a £0.2 billion decrease in CET1 capital and a £0.4 billion decrease in RWAs.

Q4 2021 **13.7%**

The CET1 decrease was mainly driven by dividend paid of £0.7 billion, partially offset by the £0.5 billion attributable profit in the period.

RWA

Q3 2022 **£19.2 bn**

Total RWAs decreased by £0.4 billion to £19.2 billion, mainly reflecting:

- A decrease in operational risk RWAs of £0.6 billion due to the annual recalculation in Q1 2022.
- An increase in credit risk RWAs of £0.1 billion primarily due to model adjustments applied because of new regulations applicable to IRB models from 1 January 2022. This is partially offset by reduced exposures in Commercial & Institutional and Private Banking.

Q4 2021 **£19.6 bn**

UK Leverage ratio

Q3 2022 **6.6%**

The Leverage ratio at 30 September 2022 was 6.6% and was calculated in accordance with changes to the UK's Leverage ratio framework which were introduced by the PRA and came into effect from 1 January 2022. As at 31 December 2021, the UK Leverage ratio was 7.0%, which was calculated under the prior year's UK Leverage methodology. The key driver of the decrease in the period was a £0.2 billion decrease in Tier 1 capital.

Q4 2021 **7.0%**

UK KM1: Key metrics

The table below provides a summary of the main prudential regulation ratios and measures. Capital ratios and measures are presented on a transitional basis, therefore include permissible adjustments for the remaining IFRS 9 relief. RBS plc has elected to take advantage of the IFRS 9 transitional capital rules in respect of ECL provisions. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024.

		RBS plc				
		30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021
		£m	£m	£m	£m	£m
Available own funds (amounts)						
1	Common equity tier 1 (CET1) capital	2,461	2,284	2,815	2,682	2,782
2	Tier 1 capital	3,431	3,254	3,784	3,651	3,751
3	Total capital	5,165	4,838	5,278	5,106	5,145
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	19,168	19,720	19,684	19,592	20,617
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity tier 1 ratio (%)	12.8	11.6	14.3	13.7	13.5
6	Tier 1 ratio (%)	17.9	16.5	19.2	18.6	18.2
7	Total capital ratio (%)	26.9	24.5	26.8	26.1	25.0
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	2.0	1.9	1.9	1.9	2.1
UK 7b	Additional AT1 SREP requirements (%)	0.6	0.6	0.6	0.7	0.7
UK 7c	Additional Tier 2 SREP requirements (%)	0.9	0.9	0.9	0.8	0.9
UK 7d	Total SREP own funds requirements (%)	11.5	11.4	11.4	11.4	11.7
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.5	2.5	2.5	2.5	2.5
9	Institution specific countercyclical capital buffer (%) (1)	0.0	0.0	0.0	0.0	0.0
10	Global Systemically Important Institution buffer (%) (2)					
UK 10a	Other Systemically Important Institution buffer (%) (3)					
11	Combined buffer requirement (%)	2.5	2.5	2.5	2.5	2.5
UK 11a	Overall capital requirements (%)	14.0	13.9	13.9	13.9	14.2
12	CET1 available after meeting the total SREP own funds requirements (%) (4)	6.3	5.2	7.9	7.3	6.9
Leverage ratio (5)						
13	Total exposure measure excluding claims on central banks	52,253	51,563	51,964		
14	Leverage ratio excluding claims on central banks (%)	6.6	6.3	7.3		
Additional leverage ratio disclosure requirements (6)						
UK 14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)					
UK 14b	Leverage ratio including claims on central banks (%)					
UK 14c	Average leverage ratio excluding claims on central banks (%)					
UK 14d	Average leverage ratio including claims on central banks (%)					
UK 14e	Countercyclical leverage ratio buffer (%)					
Liquidity coverage ratio (7)						
15	Total high-quality liquid assets (HQLA) (weighted value-average)					
UK 16a	Cash outflows - Total weighted value					
UK 16b	Cash inflows - Total weighted value					
16	Total net cash outflows (adjusted value)					
17	Liquidity coverage ratio (%)					

- (1) The institution specific countercyclical capital buffer requirement is based on the weighted average of the buffer rates in effect for the countries in which institutions have exposures.
- (2) NatWest Group entities are not subject to a G-SII buffer.
- (3) RBS plc is not designated as an Other Systemically Important Institution (O-SII).
- (4) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).
- (5) As of 1 January 2022, changes to the UK's Leverage ratio framework which were introduced by the PRA allowing claims on central banks to be excluded. Comparatives for September 2021 and December 2021 were not restated.
- (6) RBS plc is not an LREQ firm therefore not subject to the additional leverage ratio disclosure requirements.
- (7) Under the UK DoLS waiver RBS plc liquidity is managed and disclosed at the sub-group level rather than entity level.

IFRS 9-FL⁽¹⁾: Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECL

The table below shows key prudential regulation ratios and measures with and without the application of IFRS 9 transitional relief. RBS plc has elected to take advantage of the transitional capital rules in respect of ECL provisions. Following the adoption of IFRS 9 from 1 January 2018, the CRR introduced transitional rules to phase in the full CET1 effect over a five-year period. The revised transitional amendments will maintain a CET1 add-back of relevant ECL provisions until 31 December 2024. Capital measures in this table are presented in line with table UK KM1.

		RBS plc				
		30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021
		£m	£m	£m	£m	£m
Available capital (amounts) - transitional						
1	Common equity tier 1	2,461	2,284	2,815	2,682	2,782
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	2,384	2,217	2,731	2,556	2,600
3	Tier 1 capital	3,431	3,254	3,784	3,651	3,751
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	3,354	3,187	3,700	3,525	3,569
5	Total capital	5,165	4,838	5,278	5,106	5,145
6	Total capital as if IFRS 9 transitional arrangements had not been applied	5,100	4,801	5,198	4,985	5,030
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	19,168	19,720	19,684	19,592	20,617
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	19,161	19,711	19,680	19,584	20,609
Capital ratios		%	%	%	%	%
9	Common equity tier 1 ratio	12.8	11.6	14.3	13.7	13.5
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	12.4	11.2	13.9	13.1	12.6
11	Tier 1 ratio	17.9	16.5	19.2	18.6	18.2
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.5	16.2	18.8	18.0	17.3
13	Total capital ratio	26.9	24.5	26.8	26.1	25.0
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	26.6	24.4	26.4	25.5	24.4
Leverage ratio (2)						
15	Leverage ratio exposure measure (£m)	52,253	51,563	51,964	88,670	89,081
16	Leverage ratio (%)	6.6	6.3	7.3	4.1	4.2
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	6.4	6.2	7.1	4.0	4.0

(1) The requirement to complete this table until the end of transitional period is based on EBA guidelines (EBA/GL/2018/01) and has been onshored in the UK disclosure framework via a joint Statement of Policy by the Bank of England and PRA.

(2) From 1 January 2022, the leverage metrics for UK entities are calculated in accordance with the Leverage (CRR) part of the PRA Rulebook.