



NatWest
Group

The Royal Bank of Scotland plc

H1 2023 Pillar 3

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Forward-looking statements

This document may contain forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, such as statements that include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'will', '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 plc's future economic results, business plans and strategies. In particular, this document may include forward-looking statements relating to RBS plc in respect of, but not limited to: its credit risk; its capital, liquidity and funding risk; its non-traded market risk; its compliance and conduct risk; its financial crime risk; its climate risk; its operational risk; its model risk; and its reputational risk. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, the outcome of legal, regulatory and governmental actions and investigations, the level and extent of future impairments and write-downs, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations, general economic and political conditions, the impact of climate related risks and the transitioning to a net zero economy. These and other factors, risks and uncertainties that may impact any forward-looking statement or RBS plc's actual results are discussed in RBS plc's 2022 Annual Report and Accounts (ARA), and other public filings. The forward-looking statements contained in this document speak only as of the date of this document and RBS plc 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

This document presents the interim Pillar 3 disclosures for The Royal Bank of Scotland plc (RBS plc) as at 30 June 2023. It should be read in conjunction with the H1 2023 NatWest Holdings Group Pillar 3 report, which is published in the same location at: investors.natwestgroup.com/reports-archive/2023

RBS plc is incorporated in the United Kingdom and is a subsidiary of NatWest Holdings Limited ('NWH Ltd'). NatWest Group plc is 'the ultimate holding company'. The term 'NatWest Group' refers to NatWest Group plc and its subsidiary and associated undertakings.

Based on the criteria set out in the UK CRR, NatWest Group primarily defines its large subsidiaries in scope of PRA Pillar 3 disclosures as those designated as an Other Systemically Important Institution (O-SII) by the PRA or those with total assets equal to or greater than €30 billion.

As a large, non-listed subsidiary of NatWest Group, RBS plc is subject to a reduced number of disclosures as set out in the PRA Rulebook.

The disclosures for RBS plc 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 liquidity disclosures completed at UK Domestic Liquidity Subgroup (UK DoLSub) level are published in the NatWest Holdings Group Pillar 3 report. The UK DoLSub waiver allows NWH Plc, RBS plc and Coutts & Co to manage liquidity and funding as a single sub-group rather than at an entity level.

Row and column references are based on those prescribed in the PRA templates. The IFRS 9-FL disclosures have been prepared using the uniform format published by the EBA.

In this report, in line with the regulatory framework, the term credit risk excludes counterparty credit risk, unless specifically indicated otherwise.

The Pillar 3 disclosures are presented in pounds sterling ('£') and have not been subject to external audit.

RBS plc - Key points

CET1 ratio



The CET1 ratio increased by 80 basis points to 12.4%. The increase was due to a £0.1 billion increase in CET1 capital and a £0.4 billion decrease in RWAs.

The CET1 increase was mainly driven by a £0.6 billion profit, offset with a foreseeable dividend of £0.5 billion.

RWAs



Total RWA's decreased by £0.4 billion to £18.2 billion, reflecting:

- a decrease in credit risk RWAs of £0.3 billion, reflecting a reduction in exposures.
- a decrease in operational risk RWAs of £0.1 billion following the annual recalculation.

UK leverage ratio



The leverage ratio increased by 30 basis points to 6.7%. This was driven by a £0.1 billion increase in Tier 1 capital and a £1.0 billion decrease in leverage exposure. The decrease in leverage exposure is primarily driven by a reduction in on balance sheet exposures.

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 June 2023	31 March 2023	31 December 2022	30 September 2022	30 June 2022
		£m	£m	£m	£m	£m
Available own funds (amounts)						
1	Common equity tier 1 (CET1) capital	2,250	2,434	2,149	2,461	2,284
2	Tier 1 capital	3,220	3,404	3,119	3,431	3,254
3	Total capital	4,746	4,971	4,715	5,165	4,838
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	18,182	18,409	18,540	19,168	19,720
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common equity tier 1 ratio (%)	12.4	13.2	11.6	12.8	11.6
6	Tier 1 ratio (%)	17.7	18.5	16.8	17.9	16.5
7	Total capital ratio (%)	26.1	27.0	25.4	26.9	24.5
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
UK 7a	Additional CET1 SREP requirements (%)	1.4	1.4	1.4	2.0	1.9
UK 7b	Additional AT1 SREP requirements (%)	0.5	0.5	0.5	0.6	0.6
UK 7c	Additional Tier 2 SREP requirements (%)	0.6	0.6	0.6	0.9	0.9
UK 7d	Total SREP own funds requirements (%)	10.5	10.5	10.5	11.5	11.4
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)	1.0	0.9	0.9	0.0	0.0
11	Combined buffer requirement (%)	3.5	3.4	3.4	2.5	2.5
UK 11a	Overall capital requirements (%)	14.0	13.9	13.9	14.0	13.9
12	CET1 available after meeting the total SREP own funds requirements (%) (2)	6.5	7.3	5.7	6.3	5.2
Leverage ratio						
13	Total exposure measure excluding claims on central banks	47,962	47,418	48,957	52,253	51,563
14	Leverage ratio excluding claims on central banks (%)	6.7	7.2	6.4	6.6	6.3
Additional leverage ratio disclosure requirements (3)						
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						
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 (%)					
Net stable funding ratio (4)						
18	Total available stable funding					
19	Total required stable funding					
20	NSFR 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) Represents the CET1 ratio less CET1 currently used to meet SREP requirements (Pillar 1 & 2A).

(3) RBS plc is not an LREQ firm therefore not subject to the additional leverage ratio disclosure requirements.

(4) Under the UK DoLS waiver RBS plc liquidity is managed and disclosed at the sub-group level rather than entity level.

(5) The following rows are not presented in the table above because they have zero values: UK8a, UK9a, 10 and UK10a.

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

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 June 2023 £m	31 March 2023 £m	31 December 2022 £m	30 September 2022 £m	30 June 2022 £m
Available capital (amounts) - transitional						
1	Common equity tier 1	2,250	2,434	2,149	2,461	2,284
2	Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	2,208	2,390	2,078	2,384	2,217
3	Tier 1 capital	3,220	3,404	3,119	3,431	3,254
4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	3,178	3,360	3,048	3,354	3,187
5	Total capital	4,746	4,971	4,715	5,165	4,838
6	Total capital as if IFRS 9 transitional arrangements had not been applied	4,718	4,942	4,672	5,100	4,801
Risk-weighted assets (amounts)						
7	Total risk-weighted assets	18,182	18,409	18,540	19,168	19,720
8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	18,180	18,404	18,528	19,161	19,711
Capital ratios		%	%	%	%	%
9	Common equity tier 1 ratio	12.4	13.2	11.6	12.8	11.6
10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	12.1	13.0	11.2	12.4	11.2
11	Tier 1 ratio	17.7	18.5	16.8	17.9	16.5
12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	17.5	18.3	16.5	17.5	16.2
13	Total capital ratio	26.1	27.0	25.4	26.9	24.5
14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	26.0	26.9	25.2	26.6	24.4
Leverage ratio						
15	Leverage ratio exposure measure (£m)	47,962	47,418	48,957	52,253	51,563
16	Leverage ratio (%)	6.7	7.2	6.4	6.6	6.3
17	Leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	6.6	7.1	6.2	6.4	6.2