Q3 2018
Pillar 3 Supplement

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Pillar 3 Supplement Q3 2018

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Forward looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, 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 explains terms used.
- The disclosures in this document complement those in RBS's Q3 2018 Interim Management Statement (IMS): Business performance summary – Capital and leverage ratios.
- 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 Q3 2018.

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 30 September 2018, 90% was treated as capital deduction and 10% as RWAs compared with 80% and 20% respectively at 31 December 2017.

	30 September 2018					31 December 2017			
	RBS	NWB Plc	RBS plc	UBI DAC	NWM Plc	RBS	NWB Plc	UBI DAC	NWM Plc
Capital adequacy ratios - transitional (1)	%	%	%	%	%	%	%	%	%
CET1	16.7	16.5	16.6	24.2	22.7	15.9	23.5	31.2	14.7
Tier 1	20.6	19.6	19.3	24.2	27.5	19.7	23.5	31.2	16.1
Total	24.7	21.9	23.1	26.9	36.5	23.9	30.9	33.8	18.7
Capital adequacy ratios - end point									
CET1	16.7					15.9			
Tier 1	18.8					17.9			
Total	22.1					21.3			
Capital - transitional	£m	£m	£m	£m	£m	£m	£m	£m	£m
CET1	32,455	12,170	6,090	3,958	9,277	31,957	13,301	5,481	20,169
Tier 1	40,092	14,453	7,059	3,958	11,231	39,554	13,301	5,481	21,966
Total	48,015	16,097	8,477	4,397	14,923	47,931	17,536	5,941	25,600
Capital - end point									
CET1	32,455					31,957			
Tier 1	36,506					35,998			
Total	42,961					42,763			
RWAs									
Credit risk	142,527	61,772	30,664	15,097	9,954	144,676	48,575	16,079	94,259
Counterparty credit risk	14,078	119	—	276	12,560	15,395	266	321	13,691
Market risk	15,471	77	140	30	14,173	17,012	136	68	15,809
Operational risk	22,391	11,660	5,819	953	4,152	23,840	7,724	1,101	13,052
	194,467	73,628	36,623	16,356	40,839	200,923	56,701	17,569	136,811
CRR leverage - transitional (2)									
Tier 1 capital	40,092	14,453	7,059	3,958	11,231	39,554	13,301	5,481	21,966
Exposure	676,198	304,444	98,752	27,902	176,370	679,120	213,474	27,857	390,055
Leverage ratio (%)	5.9	4.7	7.1	14.2	6.4	5.8	6.2	19.7	5.6
CRR leverage - end point									
Tier 1 capital	36,506					35,998			
Exposure	676,198					679,120			
Leverage ratio (%)	5.4					5.3			
Average Tier 1 capital	36,252					36,360			
Average exposure (3)	683,165					692,507			
Average leverage ratio (%)	5.3					5.3			
UK leverage - end point									
Tier 1 capital	36,506					35,998			
Exposure	580,266					587,095			
Leverage ratio (%)	6.3					6.1			
Average Tier 1 capital	36,252					36,360			
Average exposure (3)	588,133					602,984			
Average leverage ratio (%)	6.2					6.0			
UK GSIB leverage (4)									
CET1 buffer	1,523					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.

Key points

Capital and leverage

RBS

- The CET1 ratio increased by 80 basis points to 16.7% as a result of lower RWAs, £1,336 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 2p interim dividend paid to ordinary shareholders and the foreseeable Q3 dividend of 1p per ordinary share.
- RWAs reduced driven by decreases across credit and counterparty credit risk of £3.5 billion, market risk £1.5 billion and operational risk £1.4 billion.
- Both the CRR end-point and UK leverage ratios increased to 5.4% and 6.3% respectively.
- The average CRR leverage ratio was unchanged at 5.3% with the average UK leverage ratio increasing to 6.2%.

NWB Plc

- The CET1 ratio decreased by 700 basis points to 16.5%, mainly due to increased RWAs resulting from the Ring-Fencing Transfer Scheme (RFTS). These transfers into NWB Plc included Treasury services, including a significant proportion of the ring-fenced group liquidity portfolio.
- RWAs increased by £16.9 billion and the leverage ratio on a PRA transitional basis decreased to 4.7%, both of which are primarily driven by the exposure increases resulting from the RFTS.

RBS plc

- The CET1 ratio increased from 15.9% to 16.6%, in the quarter, as a result of £110 million attributable profit and a decrease in RWAs. RWAs decreased by £0.9 billion driven by a decrease in credit risk mainly reflecting reduced asset size due to repayments.
- The leverage ratio increased to 7.1% reflecting the reduction in exposure measure.

UBI DAC

- The CET1 ratio decreased to 24.2% following capital repatriation as part of ring-fencing implementation in January 2018 and a reduction in RWAs by £1.2 billion mainly due to improvements in risk parameters, primarily mortgages.
- The leverage ratio decreased as a result of the capital repatriation exercise.

NWM Plc

- The CET1 ratio increased from 20.7% to 22.7%, in the quarter, primarily due to a decrease in RWAs of £4.4 billion. Market risk RWAs reduced by £1.9 billion mainly driven by SVaR-based requirements reflecting lower interest rate and currency option risk. Credit risk reduced by £1.7 billion and counterparty risk by £0.8 billion which are primarily reflecting reduced asset size due to repayments, maturities and trade novations.
- The leverage ratio increased to 6.4% as a result of a reduction in leverage exposure.

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	Capital	30 September 2018 £m	30 June 2018 £m	31 March 2018 £m	31 December 2017 £m	30 September 2017 £m
1	1	Common equity tier 1 (CET1)	32,455	31,950	33,334	31,957	32,558
	2	Common equity tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	32,455	31,950	33,334	n/a	n/a
2	3	Tier 1	36,506	36,001	37,375	35,998	36,559
	4	Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	36,506	36,001	37,375	n/a	n/a
3	5	Total capital	42,961	42,660	43,756	42,763	43,440
	6	Total capital as if IFRS 9 transitional arrangements had not been applied	42,961	42,660	43,756	n/a	n/a
		Risk-weighted assets (amounts)					
4	7	Total risk-weighted assets (RWAs)	194,467	198,780	202,700	200,923	210,643
	8	Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	194,467	198,780	202,700	n/a	n/a
		Risk-based capital ratios as a percentage of RWA	%	%	%	%	%
5	9	Common equity tier 1 ratio	16.7	16.1	16.4	15.9	15.5
	10	Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.7	16.1	16.4	n/a	n/a
6	11	Tier 1 ratio	18.8	18.1	18.4	17.9	17.4
	12	Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	18.8	18.1	18.4	n/a	n/a
7	13	Total capital ratio	22.1	21.5	21.6	21.3	20.6
	14	Total capital ratio as if IFRS 9 transitional arrangements had not been applied	22.1	21.5	21.6	n/a	n/a
		Additional CET1 buffer requirements as a percentage of RWA					
8		Capital conservation buffer requirement (2.5% from 2019)	2.5	2.5	2.5	2.5	2.5
9		Countercyclical buffer requirement	0.4	0.4	—	—	—
10		Bank GSIB and/or DSIB additional requirements	1.0	1.0	1.0	1.0	1.0
11		Total of CET1 specific buffer requirements (8 + 9 + 10)	3.9	3.9	3.5	3.5	3.5
12		CET1 available after meeting the bank's minimum capital requirements	12.2	11.6	11.9	11.4	11.0
		Leverage ratio	£m	£m	£m	£m	£m
13	15	CRR leverage ratio exposure measure	676,198	693,344	693,181	679,120	691,401
		UK leverage ratio exposure measure	580,266	597,694	602,489	587,095	609,276
			%	%	%	%	%
14	16	CRR leverage ratio	5.4	5.2	5.4	5.3	5.3
	17	CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied	5.4	5.2	5.4	n/a	n/a
		UK leverage ratio	6.3	6.0	6.2	6.1	6.0
		Liquidity coverage ratio	£m	£m	£m	£m	£m
15		Total HQLA	135,653	131,131	127,084	122,900	116,996
16		Total net cash outflows	87,595	87,427	87,640	87,600	87,460
17		LCR ratio (%) (1)	155	150	145	140	134
		Net stable funding ratio (NSFR)					
18		Total available stable funding	374,358	374,710	366,005	370,350	363,283
19		Total required stable funding	268,932	267,107	266,706	281,517	288,919
20		NSFR % (2)	139	140	137	132	126

Notes:
(1) The LCR uses the simple average of the preceding12 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, H1 2018 IMS and Q3 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%.

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 September 2018				
	RBS	NWB Plc	RBS plc	UBI DAC	NWM Plc
Available capital (amounts) - transitional	£m	£m	£m	£m	£m
1 Common equity tier 1	32,455	12,170	6,090	3,958	9,277
2 Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	32,455	12,170	6,090	3,958	9,277
3 Tier 1	40,092	14,453	7,059	3,958	11,231
4 Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	40,092	14,453	7,059	3,958	11,231
5 Total capital	48,015	16,097	8,477	4,397	14,923
6 Total capital as if IFRS 9 transitional arrangements had not been applied	48,015	16,097	8,477	4,397	14,923
Risk-weighted assets (amounts)					
7 Total risk-weighted assets	194,467	73,628	36,623	16,356	40,839
8 Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	194,467	73,628	36,623	16,356	40,839
Risk-based capital ratios as a percentage of RWA	%	%	%	%	%
9 Common equity tier 1 ratio	16.7	16.5	16.6	24.2	22.7
10 Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	16.7	16.5	16.6	24.2	22.7
11 Tier 1 ratio	20.6	19.6	19.3	24.2	27.5
12 Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	20.6	19.6	19.3	24.2	27.5
13 Total capital ratio	24.7	21.9	23.1	26.9	36.5
14 Total capital ratio as if IFRS 9 transitional arrangements had not been applied	24.7	21.9	23.1	26.9	36.5
Leverage ratio					
15 CRR leverage ratio exposure measure (£m)	676,198	304,444	98,752	27,902	176,370
16 CRR leverage ratio (%)	5.9	4.7	7.1	14.2	6.4
17 CRR leverage ratio as if IFRS 9 transitional arrangements had not been applied (%)	5.9	4.7	7.1	14.2	6.4

	30 June 2018				
	RBS	NWB Plc	RBS plc	UBI DAC	NWM Plc
Available capital (amounts) - transitional	£m	£m	£m	£m	£m
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
Risk-weighted assets (amounts)					
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
Risk-based capital ratios as a percentage of RWA	%	%	%	%	%
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
Leverage ratio					
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	NWB Plc	UBI DAC	NWM Plc
Available capital (amounts) - transitional	£m	£m	£m	£m
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
Risk-weighted assets (amounts)				
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
Risk-based capital ratios as a percentage of RWA	%	%	%	%
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
Leverage ratio				
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

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.

LCR outflows do not capture all liquidity risks (e.g. intra-day liquidity), RBS assesses these risks as part of its Individual Liquidity Adequacy Assessment Process (ILAAP) and maintains appropriate levels of liquidity.

		Total unweighted value (average)						
		30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017
Number of data points used in the calculation of averages		12	12	12	12	12	12	12
		£m	£m	£m	£m	£m	£m	£m
High quality liquid assets								
1	Total high-quality liquid assets (HQLA)							
Cash outflows								
2	Retail deposits and deposits from small business customers	202,132	200,478	198,292	195,615	192,678	189,543	186,523
3	of which: stable deposits	127,851	129,345	130,725	131,448	130,194	125,633	119,924
4	of which: less stable deposits	73,997	76,861	76,883	62,349	62,209	63,652	66,356
5	Unsecured wholesale funding	137,041	138,225	139,722	140,522	140,635	141,806	141,574
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	74,790	76,861	76,883	76,953	77,332	79,366	81,043
7	Non-operational deposits (all counterparties)	61,180	60,193	61,587	62,349	62,158	61,262	59,284
8	Unsecured debt	1,071	1,172	1,253	1,220	1,146	1,178	1,246
9	Secured wholesale funding							
10	Additional requirements	80,128	81,838	83,187	84,387	85,318	85,217	85,641
11	Outflows related to derivative exposures and other collateral requirements	8,946	9,717	10,519	11,054	11,294	11,567	12,555
12	Outflows related to loss of funding on debt products	74	74	74	74	56	56	56
13	Credit and liquidity facilities	71,108	72,046	72,595	73,258	73,968	73,594	73,030
14	Other contractual funding obligations	23,053	23,344	22,970	21,492	20,052	17,762	14,922
15	Other contingent funding obligations	50,194	51,245	52,434	53,893	54,748	55,983	57,229
16	Total cash outflows							
Cash inflows								
17	Secured lending (e.g. reverse repos)	82,463	85,003	85,279	81,876	79,909	78,106	75,705
18	Inflows from fully performing exposures	12,843	13,472	14,328	15,090	14,924	14,695	14,596
19	Other cash inflows	13,119	12,970	13,473	13,302	12,419	10,386	7,435
EU-19a	Difference between total weighted inflows and outflows							
EU-19b	Excess inflows from a related specialised credit institution							
20	Total cash inflows	108,425	111,445	113,080	110,268	107,252	103,187	97,735
EU-20a	Fully exempt inflows	—	—	—	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—	—	—	—
EU-20c	Inflows subject to 75% cap	93,139	94,948	95,752	93,306	89,976	85,883	81,401
	Total adjusted value							
21	Liquidity buffer							
22	Total net cash outflows							
23	Liquidity coverage ratio (%)							

EU LIQ1: Liquidity coverage ratio continued

		Total weighted value (average)						
		30 September 2018	30 June 2018	31 March 2018	31 December 2017	30 September 2017	30 June 2017	31 March 2017
Number of data points used in the calculation of averages		12	12	12	12	12	12	12
		£m	£m	£m	£m	£m	£m	£m
High quality liquid assets								
1	Total high-quality liquid assets (HQLA)	135,653	131,131	127,084	122,900	116,996	111,786	107,845
Cash outflows								
2	Retail deposits and deposits from small business customers	15,797	15,289	14,746	14,182	13,962	13,871	13,851
3	of which: stable deposits	6,393	6,467	6,536	6,572	6,510	6,282	5,996
4	of which: less stable deposits	9,121	8,548	7,940	7,347	7,178	7,331	7,611
5	Unsecured wholesale funding	57,812	57,933	59,049	59,740	59,725	59,921	59,193
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	18,379	18,893	18,893	18,909	19,004	19,566	20,069
7	Non-operational deposits (all counterparties)	38,361	37,868	38,903	39,611	39,576	39,177	37,877
8	Unsecured debt	1,071	1,172	1,253	1,220	1,146	1,178	1,246
9	Secured wholesale funding	3,534	2,931	2,413	1,890	1,787	1,860	1,873
10	Additional requirements	22,068	23,024	23,779	24,146	24,101	24,272	25,085
11	Outflows related to derivative exposures and other collateral requirements	8,135	8,891	9,608	9,987	9,924	10,210	11,219
12	Outflows related to loss of funding on debt products	74	74	74	74	56	56	56
13	Credit and liquidity facilities	13,859	14,059	14,098	14,084	14,121	14,006	13,810
14	Other contractual funding obligations	1,352	1,106	1,162	1,125	1,101	1,117	1,080
15	Other contingent funding obligations	3,716	3,540	3,522	3,701	3,661	3,908	4,193
16	Total cash outflows	104,279	103,822	104,671	104,783	104,337	104,949	105,275
Cash inflows								
17	Secured lending (e.g. reverse repos)	2,919	2,484	2,000	1,671	1,735	2,151	2,685
18	Inflows from fully performing exposures	8,927	9,225	9,847	10,481	10,338	10,216	10,113
19	Other cash inflows	4,838	4,686	5,184	5,031	4,805	4,710	3,548
EU-19a	Difference between total weighted inflows and outflows	—	—	—	—	—	—	—
EU-19b	Excess inflows from a related specialised credit institution	—	—	—	—	—	—	—
20	Total cash inflows	16,684	16,396	17,031	17,183	16,878	17,078	16,346
EU-20a	Fully exempt inflows	—	—	—	—	—	—	—
EU-20b	Inflows subject to 90% cap	—	—	—	—	—	—	—
EU-20c	Inflows subject to 75% cap	16,684	16,396	17,031	17,183	16,878	17,078	16,346
	Total adjusted value							
21	Liquidity buffer	135,653	131,131	127,084	122,900	116,996	111,786	107,845
22	Total net cash outflows	87,595	87,427	87,640	87,600	87,460	87,872	88,929
23	Liquidity coverage ratio (%)	155	150	145	140	134	127	122

Key point

- LCR decreased in the quarter driven by a number of one off items (conduct settlement and pension fund contribution) but LCR increased on an average basis driven by lower NatWest Markets funding usage, reflecting debt issuance and secured funding.

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

Capital resources based on the relevant local regulatory capital transitional arrangements for the significant legal entities within RBS are set out below.

	30 September 2018					31 December 2017			
Capital	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
Tangible equity	34,672	14,574	6,142	4,340	10,471	35,164	14,865	5,684	44,522
Expected loss less impairment provisions	(606)	(258)	(52)	(12)	(242)	(1,286)	(511)	(133)	(579)
Prudential valuation adjustment	(574)	(1)	—	—	(536)	(496)	(1)	—	(471)
Deferred tax assets	(731)	(466)	—	(260)	—	(849)	(537)	(259)	(50)
Own credit adjustments	(264)	—	—	(1)	(128)	(90)	—	(1)	10
Pension fund assets	(283)	(11)	—	(49)	(194)	(287)	(11)	(49)	(196)
Significant investment in financial institutions	—	(1,662)	—	—	—	—	(456)	—	(22,539)
Cash flow hedging reserve	370	—	—	—	(91)	(227)	—	—	49
Other adjustments for regulatory purposes	(129)	(6)	—	(60)	(3)	28	(48)	239	(577)
Total deductions	(2,217)	(2,404)	(52)	(382)	(1,194)	(3,207)	(1,564)	(203)	(24,353)
CET1 capital	32,455	12,170	6,090	3,958	9,277	31,957	13,301	5,481	20,169
AT1 capital before regulatory adjustments	7,637	2,487	969	—	1,954	7,597	140	(13)	1,877
Regulatory adjustments to AT1 capital	—	(204)	—	—	—	—	(140)	13	(80)
AT1 capital	7,637	2,283	969	—	1,954	7,597	—	—	1,797
Tier 1 capital	40,092	14,453	7,059	3,958	11,231	39,554	13,301	5,481	21,966
Tier 2 capital before regulatory adjustments	7,923	1,890	1,418	439	4,170	8,377	4,412	473	4,353
Regulatory adjustments to Tier 2 capital	—	(246)	—	—	(478)	—	(177)	(13)	(719)
Tier 2 capital	7,923	1,644	1,418	439	3,692	8,377	4,235	460	3,634
Total regulatory capital	48,015	16,097	8,477	4,397	14,923	47,931	17,536	5,941	25,600

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

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

	30 September 2018					31 December 2017			
Leverage exposure	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
Cash and balances at central banks	106,503	57,246	19,585	138	24,733	98,337	34,763	286	61,625
Derivatives	132,574	1,926	21	358	135,669	160,843	2,277	517	164,179
Loans and advances	337,202	210,467	76,619	22,997	57,260	339,438	216,467	23,065	154,953
Reverse repos	29,807	1,074	—	724	18,321	40,732	—	764	34,224
Other assets	113,802	48,954	520	2,680	31,656	98,706	6,210	2,217	110,908
Total assets	719,888	319,667	96,745	26,897	267,639	738,056	259,717	26,849	525,889
Derivatives									
- netting and variation margin	(136,894)	(1,500)	—	(48)	(136,723)	(161,653)	(1,696)	(76)	(164,101)
- potential future exposures	42,744	1,392	100	317	43,307	49,429	287	255	51,654
Securities financing transactions gross up	1,683	929	—	—	1,316	2,262	—	—	2,958
Undrawn commitments	49,460	19,656	12,029	1,058	7,791	53,062	10,466	1,066	33,714
Regulatory deductions and other adjustments	(683)	(3,542)	(113)	(322)	(754)	(2,036)	(2,188)	(237)	(24,372)
Exclusion of core UK-group exposures	—	(32,158)	(10,009)	—	(6,206)	—	(53,112)	—	(35,687)
CRR leverage exposure	676,198	304,444	98,752	27,902	176,370	679,120	213,474	27,857	390,055
Claims on central banks	(95,932)					(92,025)			
UK leverage exposure	580,266					587,095			

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 September 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)	137,484	10,998	56,148	4,491	30,346	2,428	15,088	1,207	7,758	621
2	*Standardised (STD) approach*	*20,875*	*1,670*	*4,342*	*347*	*2,152*	*172*	*942*	*75*	*1,664*	*133*
4	*Advanced IRB approach* (2)	*115,588*	*9,246*	*51,806*	*4,144*	*28,194*	*2,256*	*14,146*	*1,132*	*6,076*	*487*
5	*Equity IRB under the simple risk-weight or the internal model approach (IMA)*	1,021	82	—	—	—	—	—	—	18	1
6	Counterparty credit risk	13,659	1,093	119	10	—	—	276	22	12,285	983
6a	*of which: securities financing transactions*	*2,010*	*161*	*69*	*5*	—	—	*6*	—	*980*	*78*
7	*of which: marked to market*	*2,368*	*189*	*19*	*2*	—	—	*183*	*15*	*2,024*	*162*
10	*of which: internal model method*	*6,800*	*544*	*22*	*2*	—	—	*86*	*7*	*6,920*	*554*
11	*of which: risk exposure amount for contributions to the default fund of a central counterparty*	*60*	*5*	*9*	*1*	—	—	—	—	*45*	*4*
12	*of which: credit valuation adjustment (CVA)*	*2,421*	*194*	—	—	—	—	*1*	—	*2,316*	*185*
14	Securitisation exposures in banking book	2,561	205	1,149	92	191	15	—	—	1,043	83
15	*IRB approach*	*2,548*	*204*	*1,149*	*92*	*191*	*15*	—	—	*1,030*	*82*
17	*Internal assessment approach*	*13*	*1*	—	—	—	—	—	—	*13*	*1*
19	Market risk	15,471	1,238	77	6	140	11	30	2	14,173	1,134
20	*STD approach*	*2,537*	*203*	*75*	*6*	*140*	*11*	*30*	*2*	*1,419*	*114*
21	*IMA*	*12,934*	*1,035*	*2*	—	—	—	—	—	*12,754*	*1,020*
23	Operational risk - STD approach	22,391	1,791	11,660	933	5,819	466	953	76	4,152	332
27	Amounts below the thresholds for deduction (subject to 250% risk-weight)	2,901	232	4,475	358	127	10	9	1	1,428	114
29	Total	194,467	15,557	73,628	5,890	36,623	2,930	16,356	1,308	40,839	3,267
	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	*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 IMA*	*1,209*	*97*	—	—			—	—	*17*	*1*
6	Counterparty credit risk	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*	*7,590*	*607*	*232*	*19*			*123*	*10*	*7,753*	*619*
11	*of which: risk exposure amounts for contributions to the default fund of a central counterparty*	*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 deduction (subject to 250% risk-weight)	2,375	190	4,769	381			12	1	3,965	317
28	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 £625 million RWAs (31 December 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).

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.

OV1_a: Bridge between EU OV1 and credit risk RWAs

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

	RWAs	
	30 September 2018 £m	31 December 2017 £m
Credit risk excluding counterparty credit risk (EU OV1 row 1)	137,484	140,003
Securitisations (banking book only)	2,142	2,298
Threshold (EU OV1 row 27)	2,901	2,375
Credit risk including securitisations (EU CR8 row 9)	142,527	144,676
Counterparty risk total (EU OV1 row 6)	13,659	14,842
Less: CVA capital charge (EU OV1 row 12)	(2,421)	(2,556)
Settlement risk (EU OV1 row 13)	—	21
Securitisations (trading book)	419	532
Counterparty risk (EU CCR7 row 9)	11,657	12,839
Total STD (EU OV1 row 2)	20,875	22,099
Threshold (EU OV1 row 27)	2,901	2,375
Total STD credit risk (EU CR8 row 9)	23,776	24,474
Total AIRB credit risk (EU OV1 row 4)	115,588	116,695
Equity (EU OV1 row 5)	1,021	1,209
Securitisations in credit risk (banking book)	2,142	2,298
Total AIRB credit risk (EU CR8 row 9)	118,751	120,202

RWA and MCR movement tables

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

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

		a			b
		RWAs			
		IRB £m	STD £m	Total RWAs £m	MCR £m
1	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)	(5,286)	(873)	(6,159)	(493)
3	Asset quality (2)	(1,219)	44	(1,175)	(94)
4	Model updates (3)	4,714	—	4,714	377
7	Foreign exchange movements (4)	340	230	570	46
9	30 September 2018	118,751	23,776	142,527	11,402

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.

Key points

- The fall in RWAs mainly reflected a decrease in asset size due to repayments as well as selective reductions, mainly in the corporates portfolio.
- The overall reduction in RWAs was partly offset by increases due to regular model enhancements in certain retail portfolios (mainly mortgages), revisions to LGD models in both the UK mid-corporate and quasi-government portfolios, and foreign exchange rate 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 during the period. Additionally, there were no acquisitions or disposals of subsidiaries during the period.

		a RWAs			b MCR		
		IMM £m	Non-IMM £m	Total £m	IMM £m	Non-IMM £m	Total £m
1	1 January 2018	7,709	5,130	12,839	617	410	1,027
2	Asset size (1)	(769)	(240)	(1,009)	(62)	(19)	(81)
3	Credit quality of counterparties (2)	—	(108)	(108)	—	(9)	(9)
7	Foreign exchange movements (3)	(38)	(27)	(65)	(3)	(2)	(5)
9	30 September 2018	6,902	4,755	11,657	552	380	932

Notes:
(1) Organic changes in 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. Impacts due to IMM model changes are not included here.
(3) Changes arising from foreign currency retranslation movements.

Key point

- RWAs decreased primarily due to a reduction in asset size under the IMM, partly offset by an increase in asset size for securities financing transactions. The decrease in asset size for the IMM model was due to trade novations and expiries as well as, to a lesser extent, an increase in the scope of the IMM model.

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 policy changes. 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)									
		a	b	c	e	f	g				
		VaR £m	SVaR £m	IRC £m	Other (RNIV) £m	Total £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
1	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)	(881)	240	(991)	592	(1,040)	(82)	(457)	(37)	(1,497)	(119)
3	Model updates/changes (3)	—	—	—	(44)	(44)	(4)	—	—	(44)	(4)
8	30 September 2018	1,888	5,230	2,724	3,092	12,934	1,035	2,537	203	15,471	1,238

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

Key points

- The decrease in RWAs associated with the internal model approach was largely driven by a decrease in the incremental risk charge as well as VaR requirements. This was partly offset by an increase in SVaR-based requirements.
- The incremental risk charge decrease primarily reflects a reduction in eurozone government bond positions.
- The net decrease in VaR and SVaR mainly reflected lower interest rate risk and risk arising from currency options.
- The RNIV increase was largely due to interest rate risk changes over the period. This was partly offset by a reduction resulting from model updates.
- The decrease in RWAs associated with exposures under the standardised approach was driven by disposals and expiries in trading book securitisations and a lower banking book foreign exchange charge. This was partly offset by an increase in interest rate risk.