# Q1 2017
# Pillar 3 Supplement

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# Pillar 3 Supplement Q1 2017

**Contents** Page



## Forward-looking statements

This document contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, including those related to RBS and its subsidiaries' regulatory capital position and requirements, financial position, future pension funding requirements, litigation and government and regulatory investigations, profitability (including financial performance targets), structural reform and the implementation of the UK ring-fencing regime, the implementation of RBS's transformation programme, impairment losses and credit exposures under certain specified scenarios and RBS's exposure to political risks, 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, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, exchange rate fluctuations and general economic 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 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 Reports on Form 6-K and most recent Annual Report on Form 20-F. The forward-looking statements contained in this announcement 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 announcement, whether as a result of new information, future events or otherwise, except to the extent legally required.

## Presentation of information

Key aspects are:

- RBS's main risks are described in the Capital and risk management section of the 2016 ARA and the 2016 Pillar 3 Report.
- The disclosures in this document complement those in RBS's Q1 2017 Interim Management Statement: Analysis of results - Capital and leverage ratios.
- RBS's significant subsidiaries are unchanged from 2016 and are The Royal Bank of Scotland plc (RBS plc), National Westminster Bank Plc (NWB Plc) and Ulster Bank Ireland Designated Activity Company (UBI DAC).
- The Pillar 3 disclosures made by The Royal Bank of Scotland Group plc and its consolidated subsidiaries (together RBS) are designed to comply with Capital Requirements Regulation (CRR). The disclosures in this supplement are based on the regulatory framework extant at the reporting periods presented. Therefore disclosures are based on CRR as promulgated by the PRA with effect from 1 January 2014, as well as amendments issued since for RBS, RBS plc and NWB Plc. UBI DAC disclosures are based on CRR as implemented by the Central Bank of Ireland (CBI).
- RWAs in capital ratios summary (CAP 1) and RWA movement tables (EU CR8 and EU CCR7) are based on credit and counterparty credit risk as managed internally within RBS whereby securitisations, thresholds and credit valuation adjustment (CVA) are included within credit and counterparty credit risk as relevant. These elements are separately reported in the RWA summary table (EU OV1). We have included a bridge (EU OV1_a) reconciling the two RWA approaches.
- RBS has not omitted any disclosures on the grounds that the information may be proprietary or confidential.
- The information presented in this Pillar 3 Supplement is not required to be, and has not been, subject to external audit.

## Capital requirements and leverage: RBS and significant subsidiaries

### CAP 1: CAP and LR: Capital and leverage ratios

Capital, RWAs and leverage on a PRA transitional basis for RBS and its significant subsidiaries (CBI basis for UBI DAC) are set out below. RBS metrics are presented for comparison purposes. In addition, certain end-point leverage disclosures are included for RBS only.

| | 31 March 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | RBS | RBS plc | NWB Plc | UBI DAC | RBS | RBS plc | NWB Plc | UBI DAC |
| Risk asset ratios (1) | £m | £m | £m | £m | £m | £m | £m | £m |
| CET1 | 14.1 | 13.8 | 23.3 | 29.7 | 13.4 | 13.1 | 16.1 | 29.0 |
| Tier 1 | 18.1 | 15.2 | 23.3 | 29.7 | 17.7 | 14.1 | 16.1 | 29.0 |
| Total | 22.7 | 20.5 | 30.9 | 32.7 | 22.9 | 19.1 | 23.3 | 31.9 |
| Capital | | | | | | | | |
| CET1 | 31,252 | 21,094 | 13,785 | 5,257 | 30,623 | 23,333 | 10,393 | 5,224 |
| Tier 1 | 40,093 | 23,189 | 13,785 | 5,257 | 40,419 | 25,292 | 10,393 | 5,224 |
| Total | 50,276 | 31,221 | 18,268 | 5,793 | 52,303 | 34,151 | 15,016 | 5,746 |
| RWAs | | | | | | | | |
| Credit risk | | | | | | | | |
| - non-counterparty | 160,112 | 104,721 | 50,723 | 16,163 | 162,162 | 127,019 | 56,066 | 16,263 |
| - counterparty | 20,807 | 18,957 | 380 | 442 | 22,925 | 21,214 | 473 | 505 |
| Market risk | 16,973 | 15,801 | 295 | 31 | 17,438 | 15,698 | 676 | 12 |
| Operational risk | 23,840 | 13,051 | 7,724 | 1,059 | 25,695 | 14,862 | 7,209 | 1,215 |
| | 221,732 | 152,530 | 59,122 | 17,695 | 228,220 | 178,793 | 64,424 | 17,995 |
| CRR leverage - transitional (2) | | | | | | | | |
| Tier 1 capital | 40,093 | 23,189 | 13,785 | 5,257 | 40,419 | 25,292 | 10,393 | 5,224 |
| Exposure | 700,716 | 452,297 | 172,240 | 28,302 | 683,302 | 447,238 | 169,586 | 27,337 |
| Leverage ratio (%) | 5.7 | 5.1 | 8.0 | 18.6 | 5.9 | 5.7 | 6.1 | 19.1 |
| CRR leverage - end-point | | | | | | | | |
| Tier 1 capital | 35,293 | | | | 34,664 | | | |
| Exposure | 700,716 | | | | 683,302 | | | |
| Leverage ratio (%) | 5.0 | | | | 5.1 | | | |
| Average Tier 1 capital | 34,947 | | | | 37,959 | | | |
| Average exposure | 712,601 | | | | 712,145 | | | |
| Average leverage ratio (%) | 4.9 | | | | 5.3 | | | |
| UK leverage - end point (3,4) | | | | | | | | |
| Tier 1 capital | 35,293 | | | | 34,664 | | | |
| Exposure | 622,237 | | | | 614,602 | | | |
| Leverage ratio (%) | 5.7 | | | | 5.6 | | | |
| Average Tier 1 capital | 34,947 | | | | 37,959 | | | |
| Average exposure | 635,646 | | | | 648,232 | | | |
| Average leverage ratio (%) | 5.5 | | | | 5.9 | | | |
| UK GSIB leverage (5) | | | | | | | | |
| CET1 buffer | 1,089 | | | | 807 | | | |

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 0.00%. These minimum ratios exclude the G-SIB buffer and any bank specific buffers, including Pillar 2A and PRA buffer. The 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.
(3) The PRA has set a Tier 1 leverage ratio requirement for UK banks of 3.00% (CET1 requirement of 2.25%), excluding any additional leverage ratio buffer which is applicable to RBS as a G-SIB. CBI has not currently set a binding leverage requirement; a binding 3% leverage ratio has been proposed by the European Commission as part of its proposals to amend the CRR.
(4) Based on PRA end-point Tier 1 capital and UK leverage exposures reflecting the post EU referendum measures announced by the Bank of England in the third quarter of 2016.
(5) RBS's PRA minimum leverage ratio requirement of 3% has been supplemented with an additional GSIB leverage buffer of 0.175% (31 December 2016 - 0.13125%) in CET1 capital.

**CAP 1: CAP and LR: Capital and leverage ratios** continued

**RBS**

- CET1 ratio increased by 70 basis points in the quarter to 14.1% as a result of £259 million profit in the period, release in prudential valuation adjustment of £155 million and the reduction in RWAs.
- AT1 has decreased following the annual phasing in of CRR end-point rules.
- RWAs have decreased by £6.5 billion primarily driven by a £4.0 billion reduction in Capital Resolution reflecting disposal and run offs in line with exit strategy and a £1.1 billion reduction in NatWest Markets (NWM).
- Leverage ratio decreased marginally as increased lending exposure was offset by movements in capital.
- Basel I floor minimum capital requirement increased from £0.8 billion to £1.2 billion principally reflecting the £3.5 billion growth in mortgage lending.
- Average leverage ratio, both CRR and UK, were lower than the period end reflecting increased trading and market-making activities in NWM following year end lows. Funded assets in NWM increased by £13.0 billion in the quarter.

**RBS plc**

- CET1 ratio increased by 70 basis points in the quarter to 13.8% predominantly due to the reduction in RWAs.
- The impact of the annual phasing in of the CRR end-point rules (refer to page 4 for more details) relating to significant investments was a reduction of 90 basis points, however this was partially offset by the ICB transfers which took place on 1 January 2017. RBSI became a subsidiary of RBSG plc and the Lombard and Invoicing Finance subsidiaries were transferred to NWB Plc.
- RWAs decreased by £26.3 billion to £152.5 billion predominantly as a result of rule changes relating to significant investments which reduced standardised credit risk RWAs by £20.1 billion.
- The leverage ratio on a PRA transitional basis was adversely impacted by lower CET1 capital (as above) and higher leverage exposure, principally in NWM.

**NWB Plc**

- The CET1 ratio increased from 16.1% to 23.3% predominantly due to the profit in the period and the reduction in significant investments following ICB transfers. UBI DAC was transferred to RBS plc.
- RWAs decreased by £5.3 billion predominantly as a result of rule changes relating to significant investments.
- The leverage ratio on a PRA transitional basis improved predominantly due to the impact of ICB transfers on CET1 capital.
- Basel I floor minimum capital requirement increased from £1.1 billion to £1.6 billion principally reflecting the £3.8 billion growth in mortgage lending.

**UBI DAC**

- The CET1 ratio increased to 29.7%.
- RWAs decreased mainly due to the annual recalculation of operational risk which resulted in a £0.2 billion reduction.
- The leverage ratio decreased reflecting lending growth.

### CAP 2: Capital resources

Capital based on the relevant local regulatory capital transitional arrangements for the significant legal entities within RBS are set out below. The key driver of the movements in RBS plc and NWB Plc is the annual phasing-in of the CRR transition rules. The significant investment deduction has increased reflecting an incremental 10% rise in the percentage of significant investments which are treated as a capital deduction and a commensurate 10% decrease in the percentage of significant investments which are treated as risk-weighted assets. At 31 March 2017, 80% is treated as capital deduction and 20% risk-weighted assets, compared with 70% and 30% respectively at 31 December 2016.

| | 31 March 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| Capital | RBS £m | RBS plc £m | NWB Plc £m | UBI DAC £m | RBS £m | RBS plc £m | NWB Plc £m | UBI DAC £m |
| Tangible equity | 35,186 | 45,301 | 16,061 | 5,552 | 34,982 | 45,355 | 14,820 | 5,556 |
| Expected loss less impairment provisions | (1,396) | (612) | (570) | (156) | (1,371) | (642) | (534) | (165) |
| Prudential valuation adjustment | (377) | (371) | (1) | — | (532) | (524) | (1) | — |
| Deferred tax assets | (887) | (43) | (582) | (249) | (906) | (47) | (599) | (250) |
| Own credit adjustments | (245) | (84) | — | (2) | (304) | (152) | — | (3) |
| Pension fund assets | (186) | (179) | (11) | 4 | (208) | (198) | (15) | 61 |
| Significant investment in financial institutions | — | (22,721) | (763) | — | — | (20,433) | (3,099) | — |
| Cash flow hedging reserve | (888) | (161) | (1) | — | (1,030) | (261) | — | — |
| Other adjustments for regulatory purposes | 45 | (36) | (348) | 108 | (8) | 235 | (179) | 25 |
| Total deductions | (3,934) | (24,207) | (2,276) | (295) | (4,359) | (22,022) | (4,427) | (332) |
| CET1 capital | 31,252 | 21,094 | 13,785 | 5,257 | 30,623 | 23,333 | 10,393 | 5,224 |
| AT1 capital before regulatory adjustments | 8,841 | 2,492 | 146 | — | 9,796 | 2,993 | 175 | — |
| Regulatory adjustments to AT1 capital | — | (397) | (146) | — | — | (1,034) | (175) | — |
| AT1 capital | 8,841 | 2,095 | — | — | 9,796 | 1,959 | — | — |
| Tier 1 capital | 40,093 | 23,189 | 13,785 | 5,257 | 40,419 | 25,292 | 10,393 | 5,224 |
| Tier 2 capital before regulatory adjustments | 10,183 | 9,064 | 4,563 | 551 | 11,884 | 12,161 | 4,735 | 555 |
| Regulatory adjustments to Tier 2 capital | — | (1,032) | (80) | (15) | — | (3,302) | (112) | (33) |
| Tier 2 capital | 10,183 | 8,032 | 4,483 | 536 | 11,884 | 8,859 | 4,623 | 522 |
| Total regulatory capital | 50,276 | 31,221 | 18,268 | 5,793 | 52,303 | 34,151 | 15,016 | 5,746 |

### CAP 3: Leverage exposure summary

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

| | 31 March 2017 | | | | 31 December 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| Leverage | RBS £m | RBS plc £m | NWB Plc £m | UBI DAC £m | RBS £m | RBS plc £m | NWB Plc £m | UBI DAC £m |
| Cash and balances at central banks | 83,160 | 80,119 | 610 | 145 | 74,250 | 70,615 | 1,198 | 290 |
| Derivatives | 204,052 | 208,677 | 2,848 | 793 | 246,981 | 251,476 | 3,082 | 878 |
| Loans and advances | 347,258 | 166,655 | 233,309 | 24,015 | 340,312 | 167,174 | 214,748 | 22,506 |
| Reverse repos | 45,452 | 36,207 | — | 131 | 41,787 | 32,035 | — | 308 |
| Other assets | 103,353 | 116,617 | 6,307 | 2,177 | 95,326 | 112,313 | 9,893 | 2,309 |
| Total assets | 783,275 | 608,275 | 243,074 | 27,261 | 798,656 | 633,613 | 228,921 | 26,291 |
| Derivatives | | | | | | | | |
| - netting and variation margin | (204,191) | (205,977) | (2,029) | (25) | (241,691) | (243,316) | (2,202) | (109) |
| - potential future exposures | 63,405 | 65,218 | 676 | 221 | 65,307 | 67,090 | 190 | 235 |
| Securities financing transactions gross up | 2,758 | 3,469 | — | — | 2,271 | 3,809 | — | — |
| Undrawn commitments | 55,121 | 37,626 | 9,976 | 1,060 | 58,567 | 41,375 | 9,930 | 1,102 |
| Regulatory deductions and other adjustments | 348 | (24,757) | (2,901) | (215) | 192 | (23,702) | (5,101) | (182) |
| Exclusion of core UK-group exposures | — | (31,557) | (76,376) | — | — | (31,631) | (62,152) | — |
| CRR leverage exposure | 700,716 | 452,297 | 172,420 | 28,302 | 683,302 | 447,238 | 169,586 | 27,337 |
| Claims on central banks | (78,479) | | | | (68,700) | | | |
| UK leverage exposure | 622,237 | | | | 614,602 | | | |

### EU OV1: CAP: RWA and MCR summary

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 | | RBS plc | | NWB Plc | | UBI DAC | |
|---|---|---|---|---|---|---|---|---|
| 31 March 2017 | RWAs £m | MCR £m | RWAs £m | MCR £m | RWAs £m | MCR £m | RWAs £m | MCR £m |
| Credit risk (excluding counterparty credit risk) | 156,385 | 12,511 | 98,896 | 7,912 | 45,394 | 3,632 | 16,148 | 1,292 |
| *Standardised (STD) approach* | *35,207* | *2,816* | *46,062* | *3,685* | *5,481* | *438* | *932* | *75* |
| *Internal ratings based (IRB) approach (1)* | *119,846* | *9,588* | *52,687* | *4,215* | *39,913* | *3,194* | *15,216* | *1,217* |
| *Equity IRB under the simple risk-weight or the internal model approach (IMA)* | *1,332* | *107* | *147* | *12* | — | — | — | — |
| Counterparty credit risk (CRR) | 20,418 | 1,633 | 18,607 | 1,489 | 375 | 30 | 442 | 35 |
| *Marked to market* | *4,993* | *399* | *3,909* | *313* | *42* | *3* | *9* | *1* |
| *Securities financing transactions* | *1,878* | *150* | *962* | *77* | — | — | — | — |
| *CCR of which: Internal model method (IMM)* | *13,547* | *1,084* | *13,736* | *1,099* | *333* | *27* | *433* | *34* |
| Settlement risk | 18 | 1 | 18 | 1 | — | — | — | — |
| Securitisation exposures in banking book - IRB | 2,253 | 180 | 1,816 | 145 | 317 | 25 | — | — |
| Market risk | 16,973 | 1,358 | 15,801 | 1,264 | 295 | 24 | 31 | 2 |
| *STD approach* | *2,704* | *216* | *1,714* | *137* | *290* | *23* | *31* | *2* |
| *IMA* | *14,269* | *1,142* | *14,087* | *1,127* | *5* | *1* | — | — |
| Operational risk - STD approach | 23,840 | 1,907 | 13,051 | 1,044 | 7,724 | 618 | 1,059 | 85 |
| Amounts below the thresholds for deduction (subject to 250% risk-weight) | 1,845 | 148 | 4,341 | 347 | 5,017 | 401 | 15 | 1 |
| Floor adjustment (2) | — | 1,220 | — | — | — | 1,599 | — | — |
| Total | 221,732 | 18,958 | 152,530 | 12,202 | 59,122 | 6,329 | 17,695 | 1,415 |

| 31 December 2016 | RBS RWAs £m | RBS MCR £m | RBS plc RWAs £m | RBS plc MCR £m | NWB Plc RWAs £m | NWB Plc MCR £m | UBI DAC RWAs £m | UBI DAC MCR £m |
|---|---|---|---|---|---|---|---|---|
| Credit risk (excluding counterparty credit risk) | 158,777 | 12,702 | 122,262 | 9,780 | 52,818 | 4,225 | 16,247 | 1,300 |
| *STD approach* | *35,107* | *2,808* | *67,557* | *5,404* | *12,640* | *1,011* | *841* | *67* |
| *IRB approach (1)* | *122,336* | *9,787* | *54,566* | *4,365* | *40,178* | *3,214* | *15,406* | *1,233* |
| *Equity IRB under the simple risk-weight or the IMA* | *1,334* | *107* | *139* | *11* | — | — | — | — |
| Counterparty credit risk | 22,579 | 1,806 | 20,903 | 1,672 | 468 | 38 | 505 | 40 |
| *Marked to market* | *5,522* | *442* | *4,324* | *346* | *71* | *6* | *10* | *1* |
| *Securities financing transactions* | *1,581* | *127* | *1,024* | *82* | — | — | — | — |
| *CCR of which: IMM* | *15,476* | *1,237* | *15,555* | *1,244* | *397* | *32* | *495* | *39* |
| Settlement risk | 1 | — | 1 | — | — | — | — | — |
| Securitisation exposures in banking book | 1,954 | 156 | 1,523 | 122 | 316 | 25 | — | — |
| *IRB approach* | *1,943* | *155* | *1,512* | *121* | *316* | *25* | — | — |
| *Internal assessment approach* | *11* | *1* | *11* | *1* | — | — | — | — |
| Market risk | 17,438 | 1,395 | 15,698 | 1,256 | 676 | 54 | 12 | 1 |
| *STD approach* | *3,532* | *283* | *2,115* | *169* | *642* | *51* | *12* | *1* |
| *IMA* | *13,906* | *1,112* | *13,583* | *1,087* | *34* | *3* | — | — |
| Operational risk - STD approach | 25,695 | 2,056 | 14,862 | 1,189 | 7,209 | 577 | 1,215 | 98 |
| Amounts below the thresholds for deduction (subject to 250% risk-weight) | 1,776 | 142 | 3,544 | 284 | 2,937 | 235 | 16 | 1 |
| Floor adjustment (2) | — | 805 | — | — | — | 1,063 | — | — |
| Total | 228,220 | 19,062 | 178,793 | 14,303 | 64,424 | 6,217 | 17,995 | 1,440 |

Notes:
(1) Of which £747 million RWAs (31 December 2016 - £681 million) relates to equity IRB under the probability of default/loss given default approach.
(2) This 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 Basel I capital requirement adjusted for excess expected loss).

### EU OV1_a: RWA bridge

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

| | RWAs | |
|---|---|---|
| | 31 March 2017 £m | 31 December 2016 £m |
| Credit risk excluding counterparty credit risk (EU OV1) | 156,385 | 158,777 |
| Securitisations (banking book only) | 1,882 | 1,609 |
| Threshold (EU OV1) | 1,845 | 1,776 |
| Non-counterparty including securitisations (EU CR8) | 160,112 | 162,162 |
| | | |
| Counterparty risk total (EU OV1) | 20,418 | 22,579 |
| Less: CVA capital charge | (4,117) | (4,664) |
| Securitisations (banking book only) | 371 | 345 |
| Counterparty risk (EU CCR7) | 16,672 | 18,260 |
| | | |
| Total STD (EU OV1) | 35,207 | 35,107 |
| Threshold (EU OV1) | 1,845 | 1,776 |
| Total including threshold | 37,052 | 36,883 |
| | | |
| Total IRB credit Risk (EU OV1) | 119,846 | 122,336 |
| Equity (EU OV1) | 1,332 | 1,334 |
| Securitisations in credit risk (subset of EU OV1) | 1,882 | 1,609 |
| Total IRB credit risk including equity and securitisations (EU CR8) | 123,060 | 125,279 |

## RWA and MCR movement tables

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

The table below presents the drivers of movements in credit risk RWAs and MCR, split by regulatory approach. RWAs include securitisations, deferred tax assets and significant investments to align with the capital management approaches of RBS and its segments.

| | IRB £m | STD £m | Total RWAs £m | MCR £m |
|---|---|---|---|---|
| At 1 January 2017 | 125,279 | 36,883 | 162,162 | 12,973 |
| Asset size (1) | (1,282) | 369 | (913) | (73) |
| Asset quality (2) | (709) | (22) | (731) | (59) |
| Foreign exchange movements (3) | (228) | (178) | (406) | (32) |
| At 31 March 2017 | 123,060 | 37,052 | 160,112 | 12,809 |

Notes:
(1) Organic changes in book size and composition including the origination of new businesses and maturing loans and changes due to acquisitions and disposals of portfolios and exposures
(2) Changes in the assessed quality of assets due to changes in borrower risk, such as rating grade migration or similar effects
(3) Changes arising from foreign currency retranslation movements.

The key drivers of the reduction in RWAs were:

- Decreased asset size, predominantly in Capital Resolution, driven by the continued disposal of non-strategic assets as well as asset sales.
- Asset quality improvement in the retail portfolio reflecting continued benign economic conditions.
- The strengthening of sterling, mainly against the US dollar, the euro and Saudi Arabian riyal.

### 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 exposures cleared through a central counterparty).

| | RWAs | | | MCR | | |
|---|---|---|---|---|---|---|
| | IMM £m | Non-IMM £m | Total £m | IMM £m | Non-IMM £m | Total £m |
| At 1 January 2017 | 11,982 | 6,278 | 18,260 | 959 | 502 | 1,461 |
| Asset size (1) | (1,391) | (78) | (1,469) | (111) | (6) | (117) |
| Credit quality of counterparties (2) | (50) | — | (50) | (4) | — | (4) |
| Foreign exchange movements (3) | (65) | (4) | (69) | (5) | — | (5) |
| At 31 March 2017 | 10,476 | 6,196 | 16,672 | 839 | 496 | 1,335 |

Notes:
(1) Organic changes in book 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.

- The key driver of the decline in RWAs was decreased asset size.
- This reflected continued reduction of exposures in Capital Resolution and additional mitigation of exposures through collateralisation in both Capital Resolution and NWM.

### EU MR2_B: MR IMA and STD: Market risk RWA and MCR flow statement

The following table presents the drivers of movements in market risk RWAs and MCR.

| | IMA | | | | | STD | | Total | |
|---|---|---|---|---|---|---|---|---|---|
| | RWAs | | | | | | | | |
| | VaR (1) £m | SVaR (1) £m | IRC (1) £m | Total £m | MCR £m | RWAs £m | MCR £m | RWAs £m | MCR £m |
| At 1 January 2017 | 4,136 | 7,590 | 2,180 | 13,906 | 1,112 | 3,532 | 283 | 17,438 | 1,395 |
| Movement in risk levels (2) | (924) | 483 | 804 | 363 | 30 | (828) | (67) | (465) | (37) |
| At 31 March 2017 | 3,212 | 8,073 | 2,984 | 14,269 | 1,142 | 2,704 | 216 | 16,973 | 1,358 |
| Of which: risks not in VaR (RNIV) | | | | | | | | | |
| At 1 January 2017 | 426 | 2,193 | — | 2,619 | 210 | — | — | 2,619 | 210 |
| VaR based RNIV | 426 | — | — | 426 | 34 | — | — | 426 | 34 |
| SVaR based RNIV | — | 718 | — | 718 | 57 | — | — | 718 | 57 |
| Stress RNIV | — | 1,475 | — | 1,475 | 119 | — | — | 1,475 | 119 |
| At 31 March 2017 | 503 | 2,491 | — | 2,994 | 240 | — | — | 2,994 | 240 |
| VaR based RNIV | 503 | — | — | 503 | 40 | — | — | 503 | 40 |
| SVaR based RNIV | — | 969 | — | 969 | 78 | — | — | 969 | 78 |
| Stress RNIV | — | 1,522 | — | 1,522 | 122 | — | — | 1,522 | 122 |

Notes:
(1) VaR: value-at-risk; SVaR: stressed VaR; IRC: incremental risk charge.
(2) Changes due to position changes.

- Overall market risk RWAs decreased reflecting net risk reduction, largely due to asset disposals in trading book securitisations, predominantly in NWM.
- The main offsetting increase related to the incremental risk charge, reflecting an increase in periphery bond positions as a result of market activity and client trading.
- The increase in the VaR-based and stress RNIV charges reflected risk profile changes in NWM Rates, as the business supported client activity in line with strategic focus.