



H1 2017

Pillar 3 Supplement

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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 requirements, financial position, future pension funding requirements, ongoing litigation and regulatory investigations, profitability and financial performance (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, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and 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 2016 Annual Report and Accounts (ARA) and its interim results for the six months ended 30 June 2017 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 of the 2016 ARA and the 2016 Pillar 3 Report; also refer to the glossary in both documents.
- The disclosures in this document complement those in RBS's H1 2017 Interim Management Statement: Analysis of results - 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 1 of the Q1 2017 Pillar 3 supplement. There were no changes to these aspects in Q2 2017.

Capital and leverage

Capital and leverage

CAP 1: Capital and leverage ratios - RBS and significant subsidiaries

Capital metrics 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 was the annual phasing-in of the CRR transition rules. The significant investment deduction increased, reflecting an incremental 10% rise in the percentage of significant investments that are treated as a capital deduction and a commensurate 10% decrease in the percentage of significant investments that are treated as risk-weighted assets. At 30 June 2017, 80% was treated as capital deduction and 20% as risk-weighted assets, compared with 70% and 30% respectively at 31 December 2016. 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.

	30 June 2017				31 December 2016			
	RBS %	RBS plc %	NWB Plc %	UBI DAC %	RBS %	RBS plc %	NWB Plc %	UBI DAC %
Risk asset ratios (1)								
CET1	14.8	14.5	21.6	30.5	13.4	13.1	16.1	29.0
Tier 1	18.3	16.1	21.6	30.5	17.7	14.1	16.1	29.0
Total	22.4	21.4	29.2	33.6	22.9	19.1	23.3	31.9
Capital								
	£m	£m	£m	£m	£m	£m	£m	£m
CET1	31,874	21,425	12,497	5,418	30,623	23,333	10,393	5,224
Tier 1	39,505	23,805	12,497	5,418	40,419	25,292	10,393	5,224
Total	48,351	31,647	16,930	5,963	52,303	34,151	15,016	5,746
RWAs								
Credit risk								
- non-counterparty	157,318	104,158	49,373	16,237	162,162	127,019	56,066	16,263
- counterparty	17,774	15,949	332	387	22,925	21,214	473	505
Market risk	16,490	14,837	498	21	17,438	15,698	676	12
Operational risk	23,840	13,052	7,724	1,090	25,695	14,862	7,209	1,215
	215,422	147,996	57,927	17,735	228,220	178,793	64,424	17,995
CRR leverage - transitional (2)								
Tier 1 capital	39,505	23,805	12,497	5,418	40,419	25,292	10,393	5,224
Exposure	701,795	450,920	174,154	27,817	683,302	447,238	169,586	27,337
Leverage ratio (%)	5.6	5.3	7.2	19.5	5.9	5.7	6.1	19.1
CRR leverage - end-point								
Tier 1 capital	35,915				34,664			
Exposure	701,795				683,302			
Leverage ratio (%)	5.1				5.1			
Average Tier 1 capital	35,579				37,959			
Average exposure	706,263				712,145			
Average leverage ratio (%)	5.0				5.3			
UK leverage - end-point (3,4)								
Tier 1 capital	35,915				34,664			
Exposure	618,689				614,602			
Leverage ratio (%)	5.8				5.6			
Average Tier 1 capital	35,579				37,959			
Average exposure	625,852				648,232			
Average leverage ratio (%)	5.7				5.9			
UK GSIB leverage (5)								
CET1 buffer	1,083				807			

Notes:

- (1) CRR end-point for UK banks set by the PRA is 10.5% minimum total capital ratio, with a minimum CET1 ratio of 7.0%. The UK countercyclical capital buffer is currently 0.0%; in June 2017 the Financial Policy Committee (FPC) increased the rate from 0.0% to 0.5% effective June 2018. 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 albeit subject to specific adjustments for derivatives, securities financing transactions 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%), with additional 0.35% factor calculated on G-SIB and countercyclical capital buffer. Joint FPC and PRA consultation on UK leverage ratio has proposed a minimum leverage ratio of 3.25%, with expected implementation in December 2017. 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 CRR 2 package of proposals to amend the CRR.
- (4) Based on PRA end-point Tier 1 capital and UK leverage modified exposure measure excluding central bank claims reflecting the post EU referendum measures announced by the Bank of England in the third quarter of 2016. The arithmetic mean of leverage exposure measure and Tier 1 capital is calculated on the last day of each month in the quarter.
- (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.

Capital and leverage

RBS

- The CET1 ratio increased by 140 basis points in the period to 14.8% as a result of the £939 million profit in the period, and the planned RWA reduction in Capital Resolution, NatWest Markets and Commercial Banking.
- AT1 decreased following the annual phasing in of CRR end-point rules and redemptions in the period.
- RWAs decreased by £12.8 billion, primarily driven by a £7.9 billion reduction in Capital Resolution reflecting disposal and run-offs in line with exit strategy and a £3.5 billion reduction in NatWest Markets.
- CRR end-point leverage ratio was unchanged at 5.1%. UK leverage ratio improved from 5.6% to 5.8%, reflecting high central banks balances which are excluded from the UK framework.
- Average leverage ratios, both CRR and UK, were lower than the period end ratios, reflecting increased trading and market-making activities in NatWest Markets following end of 2016 lows. Funded assets in NatWest Markets increased by £16.1 billion in the period.
- The Basel I floor minimum capital requirement increased from £0.8 billion to £1.5 billion, principally reflecting the £6.7 billion growth in mortgage lending.

RBS plc

- The CET1 ratio increased by 140 basis points in the period to 14.5% as a result of the £457 million profit in the period and the reduction in RWAs offsetting the increase in significant investments.
- The impact of the annual phasing in of the CRR end-point rules (refer to page 2 for more details) relating to significant investments was a reduction of 90 basis points. However, this was partially offset by the ring-fencing related transfers that 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 £30.8 billion to £148 billion, mainly 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 NatWest Markets.

NWB Plc

- The CET1 ratio increased from 16.1% to 21.6%, mainly due to the reduction in significant investments following ring-fencing related transfers. UBI DAC was transferred to NatWest Holdings Ltd.
- RWAs decreased by £6.5 billion, mainly as a result of rule changes relating to significant investments.
- The leverage ratio on a PRA transitional basis improved mainly due to the impact of ring-fencing related transfers on CET1 capital.
- The Basel I floor minimum capital requirement increased from £1.1 billion to £1.8 billion principally reflecting the £6.7 billion growth in mortgage lending.

UBI DAC

- The CET1 ratio increased to 30.5%.
- RWAs decreased mainly due to the annual recalculation of operational risk.
- The leverage ratio increased due to movements in capital.

Capital and leverage

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

The table below sets out the capital resources in the prescribed template on a CRR transitional basis as relevant for the jurisdiction. The adjustments to end-point CRR are presented for RBS only, as prescribed.

				30 June 2017					
				RBS					
				PRA transitional	CRR prescribed residual amounts	Final CRD IV			
				£m	£m	£m			
					RBS plc	NWB Plc	UBI DAC		
				£m	£m	£m	£m		
CET1 capital: instruments and reserves									
1	Capital instruments and the related share premium accounts			11,876	—	11,876	33,416	3,904	4,196
	<i>Of which: ordinary shares</i>			11,876	—	11,876	6,609	1,678	3,157
2	Retained earnings			14,680	—	14,680	12,170	10,795	1,439
3	Accumulated other comprehensive income (and other reserves)			14,654	—	14,654	40	596	(3)
4	Public sector capital injections grandfathered until 1 January 2018			—	—	—	—	—	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend			939	—	939	457	—	—
6	CET1 capital before regulatory adjustments			42,149	—	42,149	46,083	15,295	5,632
7	Additional value adjustments			(854)	—	(854)	(838)	(3)	—
8	Intangible assets (net of related tax liability)			(6,415)	—	(6,415)	(494)	(480)	—
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)			(877)	—	(877)	(45)	(564)	(257)
11	Fair value reserves related to gains or losses on cash flow hedges			(575)	—	(575)	(97)	40	—
12	Negative amounts resulting from the calculation of expected loss amounts			(1,226)	—	(1,226)	(509)	(507)	(154)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing			(142)	—	(142)	(16)	—	(1)
15	Defined-benefit pension fund assets			(186)	—	(186)	(178)	(11)	—
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)			—	—	—	(22,463)	(913)	—
22	Amount exceeding the 17.65% threshold (negative amount)			—	—	—	(2,954)	(237)	—
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>			—	—	—	(2,746)	(160)	—
25	<i>Of which: deferred tax assets arising from temporary differences</i>			—	—	—	(208)	(77)	—
25a	Losses for the current financial period (negative amount)			—	—	—	—	(6)	—
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment			—	—	—	2,936	237	214
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>			—	—	—	2,936	237	214
27	Qualifying Additional Tier 1 (AT1) deductions that exceed the AT1 capital of the institution (negative amount)			—	—	—	—	(354)	(16)
28	Total regulatory adjustments to CET1			(10,275)	—	(10,275)	(24,658)	(2,798)	(214)
29	CET1 capital			31,874	—	31,874	21,425	12,497	5,418

Capital and leverage

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

		30 June 2017					
		RBS			RBS plc £m	NWB Plc £m	UBI DAC £m
		PRA transitional £m	CRR prescribed residual amounts £m	Final CRD IV £m			
AT1 capital: instruments							
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	3,450	(3,450)	—	2,502	140	—
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	7,641	(3,590)	4,051	2,502	140	—
AT1 capital: regulatory adjustments							
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)	—	—	—	(112)	(140)	—
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 Tier 2 (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)	(122)	(140)	—
44	AT1 capital	7,631	(3,590)	4,041	2,380	—	—
45	Tier 1 capital (T1 = CET1 + AT1)	39,505	(3,590)	35,915	23,805	12,497	5,418
T2 capital: instruments and provisions							
46	Capital instruments and the related share premium accounts	6,618	—	6,618	7,472	3,900	518
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	137	(137)	—	1,391	613	43
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	2,101	(1,602)	499	—	—	—
49	<i>Of which: instruments issued by subsidiaries subject to phase out</i>	1,602	(1,602)	—	—	—	—
50	Credit risk adjustments	—	—	—	—	—	—
51	T2 capital before regulatory adjustments	8,856	(1,739)	7,117	8,863	4,513	561
T2 capital: regulatory adjustments							
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)	—	—	—	(1,011)	(80)	—
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	—	—	—	—	—	(16)
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)	(1,021)	(80)	(16)
58	T2 capital	8,846	(1,739)	7,107	7,842	4,433	545
59	Total capital (TC = T1 + T2)	48,351	(5,329)	43,022	31,647	16,930	5,963
60	Total risk-weighted assets	215,422	—	215,422	147,996	57,927	17,735

Capital and leverage

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

30 June 2017						
	RBS					
	PRA transitional £m	CRR prescribed residual amounts £m	Final CRD IV £m	RBS plc £m	NWB Plc £m	UBI DAC £m
Capital ratios and buffers						
61 CET1 (as a percentage of risk exposure amount)	14.8%	—	14.8%	14.5%	21.6%	30.5%
62 T1 (as a percentage of risk exposure amount)	18.3%	—	16.7%	16.1%	21.6%	30.5%
63 Total capital (as a percentage of risk exposure amount)	22.4%	—	20.0%	21.4%	29.2%	33.6%
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	—	—	—	—	—	—
67 Of which: systemic risk buffer requirement	—	—	—	—	—	—
67a Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (1)	0.5%	—	1.0%	—	—	—
68 CET1 available to meet buffers	10.3%	—	10.3%	10.0%	17.1%	26.0%
Amounts below the threshold deduction						
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)	909	—	909	594	10	—
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)	467	—	467	4,399	1,374	5
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	317	—	317	334	666	1
Available caps on the inclusion of provisions in T2						
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	454	—	454	644	122	11
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	726	—	726	316	238	92
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)						
82 Current cap on AT1 instruments subject to phase out arrangements	4,799	(4,799)	—	2,502	146	—
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—	—	—	1,305	—	—
84 Current cap on T2 instruments subject to phase out arrangements	3,363	(3,363)	—	1,391	613	70
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	—	—	143	441	—

Note:

(1) From 1 January 2017 a revised G-SII end-point buffer of 1% came into effect following the Financial Stability Board announcement in November 2015.

Capital and leverage

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

		31 December 2016					
		RBS			RBS plc £m	NWB Plc £m	UBI DAC £m
		PRA transitional £m	CRR prescribed residual amounts £m	Final CRD IV £m			
CET1 capital: instruments and reserves							
1	Capital instruments and the related share premium accounts	34,952	—	34,952	33,416	3,904	4,090
	<i>Of which: ordinary shares</i>	11,823	—	11,823	6,609	1,678	3,077
2	Retained earnings	(5,981)	—	(5,981)	15,706	7,290	1,262
3	Accumulated other comprehensive income (and other reserves)	19,446	—	19,446	479	657	1
4	Public sector capital injections grandfathered until 1 January 2018	—	—	—	—	—	—
5a	Independently reviewed interim net profits net of any foreseeable charge or dividend	—	—	—	—	3,466	—
6	CET1 capital before regulatory adjustments	48,417	—	48,417	49,601	15,317	5,353
7	Additional value adjustments	(532)	—	(532)	(524)	(1)	—
8	Intangible assets (net of related tax liability)	(6,436)	—	(6,436)	(521)	(477)	—
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(906)	—	(906)	(47)	(599)	(250)
11	Fair value reserves related to gains or losses on cash flow hedges	(1,030)	—	(1,030)	(261)	—	—
12	Negative amounts resulting from the calculation of expected loss amounts	(1,371)	—	(1,371)	(642)	(534)	(165)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(304)	—	(304)	(152)	—	(3)
15	Defined-benefit pension fund assets	(208)	—	(208)	(198)	(15)	—
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)	—	—	—	(20,433)	(3,019)	—
22	Amount exceeding the 17.65% threshold (negative amount)	—	—	—	(3,250)	(959)	—
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>	—	—	—	(3,047)	(615)	—
25	<i>Of which: deferred tax assets arising from temporary differences</i>	—	—	—	(203)	(344)	—
25a	Losses for the current financial period (negative amount)	(6,955)	—	(6,955)	(3,474)	—	—
26	Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	(52)	—	(52)	3,234	879	322
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>	(52)	—	(52)	3,234	879	322
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	—	—	—	—	(199)	(33)
28	Total regulatory adjustments to CET1	(17,794)	—	(17,794)	(26,268)	(4,924)	(129)
29	CET1 capital	30,623	—	30,623	23,333	10,393	5,224
AT1 capital: instruments							
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	5,416	(5,416)	—	3,003	175	—
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	339	(339)	—	—	—	—
35	<i>Of which: instruments issued by subsidiaries subject to phase out</i>	339	(339)	—	—	—	—
36	AT1 capital before regulatory adjustments	9,806	(5,755)	4,051	3,003	175	—

Capital and leverage

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

		31 December 2016					
		RBS			RBS plc £m	NWB Plc £m	UBI DAC £m
		PRA transitional £m	CRR prescribed residual amounts £m	Final CRD IV £m			
AT1 capital: regulatory adjustments							
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)	—	—	—	(1,034)	(175)	—
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)	(1,044)	(175)	—
44	AT1 capital	9,796	(5,755)	4,041	1,959	—	—
45	Tier 1 capital (T1 = CET1 + AT1)	40,419	(5,755)	34,664	25,292	10,393	5,224
T2 capital: instruments and provisions							
46	Capital instruments and the related share premium accounts	6,903	—	6,903	10,932	4,000	508
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	173	(173)	—	1,239	735	47
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	4,818	(2,550)	2,268	—	—	—
49	<i>Of which: instruments issued by subsidiaries subject to phase out</i>	1,866	(1,866)	—	—	—	—
50	Credit risk adjustments	—	—	—	—	—	—
51	T2 capital before regulatory adjustments	11,894	(2,723)	9,171	12,171	4,735	555
T2 capital: regulatory adjustments							
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)	—	—	—	(3,302)	(112)	—
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	—	—	—	—	—	(33)
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)	(3,312)	(112)	(33)
58	T2 capital	11,884	(2,723)	9,161	8,859	4,623	522
59	Total capital (TC = T1 + T2)	52,303	(8,478)	43,825	34,151	15,016	5,746
60	Total risk-weighted assets	228,220	—	228,220	178,793	64,424	17,995

Capital and leverage

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

	31 December 2016					
	PRA transitional £m	RBS CRR prescribed residual amounts £m	Final CRD IV £m	RBS plc £m	NWB Plc £m	UBI DAC £m
Capital ratios and buffers						
61 CET1 (as a percentage of risk exposure amount)	13.4%	—	13.4%	13.1%	16.1%	29.0%
62 T1 (as a percentage of risk exposure amount)	17.7%	—	15.2%	14.1%	16.1%	29.0%
63 Total capital (as a percentage of risk exposure amount)	22.9%	—	19.2%	19.1%	23.3%	31.9%
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)	5.5%	—	8.5%	5.1%	5.1%	5.1%
65 Of which: capital conservation buffer requirement	0.6%	—	2.5%	0.6%	0.6%	0.6%
66 Of which: counter cyclical buffer requirement	—	—	—	—	—	—
67 Of which: systemic risk buffer requirement	—	—	—	—	—	—
67a Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer (1)	0.4%	—	1.5%	—	—	—
68 CET1 available to meet buffers	8.9%	—	8.9%	8.6%	11.6%	24.5%
Amounts below the threshold deduction						
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)	837	—	837	452	11	—
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)	426	—	426	4,377	1,369	5
75 Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	306	—	306	291	765	1
Available caps on the inclusion of provisions in T2						
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	461	—	461	890	191	11
78 Credit risk adjustments included in T2 in respect of exposures subject to internal ratings based approach	—	—	—	—	—	—
78 (prior to the application of the cap)	—	—	—	—	—	—
79 Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	752	—	752	336	243	92
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)						
82 Current cap on AT1 instruments subject to phase out arrangements	5,759	(5,759)	—	3,003	175	—
83 Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	—	—	—	1,009	164	—
84 Current cap on T2 instruments subject to phase out arrangements	4,035	(4,035)	—	1,669	735	82
85 Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	—	—	—	—	537	—

Note:

(1) From 1 January 2017 a revised G-SII end-point buffer of 1% came into effect following the Financial Stability Board announcement in November 2015.

Capital and leverage

EU OV1: RWAs 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.

30 June 2017	RBS		RBS plc		NWB Plc		UBI DAC	
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
Credit risk (excluding counterparty credit risk)	153,769	12,302	98,439	7,875	44,641	3,571	16,222	1,298
Standardised (STD) approach	34,366	2,749	47,068	3,765	5,226	418	892	71
Internal ratings based (IRB) approach ⁽¹⁾	118,009	9,441	51,342	4,108	39,415	3,153	15,330	1,227
Equity IRB under the simple risk-weight or the internal model approach (IMA)	1,394	112	29	2	—	—	—	—
Counterparty credit risk (CCR)	17,134	1,370	15,670	1,254	332	26	387	31
Marked to market	4,213	337	3,188	255	43	3	8	1
Securities financing transactions	1,329	106	741	59	—	—	—	—
CCR of which: Internal model method (IMM)	11,592	927	11,741	940	289	23	379	30
Settlement risk	—	—	—	—	—	—	—	—
Securitisation exposures in banking book - IRB	2,216	177	1,542	123	225	18	—	—
Market risk	16,490	1,319	14,837	1,187	498	40	21	2
STD approach	4,487	359	3,027	242	496	40	21	2
IMA	12,003	960	11,810	945	2	—	—	—
Operational risk - STD approach	23,840	1,907	13,052	1,044	7,724	618	1,090	87
Amounts below the thresholds for deduction (subject to 250% risk-weight)	1,962	157	4,445	356	4,507	361	15	1
Floor adjustment ⁽²⁾	—	1,542	—	—	—	1,812	—	—
Total	215,422	18,775	147,996	11,840	57,927	6,446	17,735	1,419

31 December 2016

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 £742 million RWAs (31 December 2016 - £681 million) relates to equity IRB under the PD/LGD 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).

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 within credit and counterparty credit risk as relevant. EU OV1_a provides a bridge between the two RWA approaches. Refer also to the commentary relating to RWA flow statements EU CR8, EU CCR7 and MR 1 and MR 2_B for individual components in EU OV1_a.

Capital and leverage

EU OV1_a: RWA bridge between EU OV1 and credit risk

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	
	30 June 2017 £m	31 December 2016 £m
Credit risk excluding counterparty credit risk (EU OV1)	153,769	158,777
Securitisations (banking book only)	1,587	1,609
Threshold (EU OV1)	1,962	1,776
Non-counterparty including securitisations (EU CR8)	157,318	162,162
Counterparty risk total (EU OV1)	17,134	22,579
Less: CVA capital charge	(3,142)	(4,664)
Securitisations (banking book only)	640	345
Counterparty risk (EU CCR7)	14,632	18,260
Total STD (EU OV1)	34,366	35,107
Threshold (EU OV1)	1,962	1,776
Total including threshold	36,328	36,883
Total IRB credit risk (EU OV1)	118,009	122,336
Equity (EU OV1)	1,394	1,334
Securitisations in credit risk (subset of EU OV1)	1,587	1,609
Total IRB credit risk including equity and securitisations (EU CR8)	120,990	125,279

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, 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.

	RWAs			MCR £m
	IRB £m	STD £m	Total RWAs £m	
At 1 January 2017	125,279	36,883	162,162	12,973
Asset size ⁽¹⁾	(2,529)	(137)	(2,666)	(213)
Asset quality ⁽²⁾	(1,699)	(15)	(1,714)	(137)
Foreign exchange movements ⁽³⁾	(61)	(403)	(464)	(37)
At 30 June 2017	120,990	36,328	157,318	12,586

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:

- Reduced asset size, mainly in Capital Resolution, driven by the continued disposal and sales of non-strategic assets, which was partly offset by growth in UK mortgage lending;
- Credit quality improvement in the UK mortgage portfolio; and
- Sterling strengthening against the US dollar and Saudi riyal, which was partly offset by its weakening against the euro.

Refer to the commentary following CR1 for additional details.

Capital and leverage

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).

	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⁾	(2,491)	(889)	(3,380)	(199)	(71)	(270)
Credit quality of counterparties ⁽²⁾	(50)	—	(50)	(4)	—	(4)
Foreign exchange movements ⁽³⁾	(183)	(15)	(198)	(15)	(1)	(16)
At 30 June 2017	9,258	5,374	14,632	741	430	1,171

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 over the period was decreased asset size. This reflected continued reduction of exposures in Capital Resolution and increased mitigation of exposures through collateralisation in both Capital Resolution and NatWest Markets.

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

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

	IMA					MCR £m	STD		Total	
	RWAs			Total £m	RWAs £m		MCR £m	RWAs £m	MCR £m	
	VaR £m	SVaR £m	IRC £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 ⁽¹⁾	(2,054)	(467)	618	(1,903)	(152)	955	76	(948)	(76)	
At 30 June 2017	2,082	7,123	2,798	12,003	960	4,487	359	16,490	1,319	
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 30 June 2017	329	2,467	—	2,796	223	—	—	2,796	223	
VaR based RNIV	329	—	—	329	26	—	—	329	26	
SVaR based RNIV	—	1,052	—	1,052	84	—	—	1,052	84	
Stress RNIV	—	1,415	—	1,415	113	—	—	1,415	113	

Note:

- (1) Changes due to position changes.

- The movements in RWAs over the period were due to movements in risk levels. The overall decline primarily reflected a decrease in the VaR-based requirement. For more detailed commentary, refer to EU MR1.

Capital and leverage

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

		30 June 2017				31 December 2016			
		RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m
LRSum: Summary reconciliation of accounting assets and leverage ratio exposure									
1	Total assets as per published financial statements	782,654	603,309	246,414	26,879	798,656	633,613	228,921	26,291
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	7,924	—	—	—	9,157	—	—	—
4	Adjustment for derivative financial instruments	(136,618)	(135,261)	(1,356)	102	(176,384)	(176,226)	(2,012)	126
5	Adjustments for securities financing transactions (SFTs)	1,897	2,621	91	—	2,271	3,809	—	—
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	53,104	37,127	8,263	1,052	58,567	41,375	9,930	1,102
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	—	(32,494)	(76,327)	—	—	(31,631)	(62,152)	—
7	Other adjustments	(7,166)	(24,382)	(2,931)	(216)	(8,965)	(23,702)	(5,101)	(182)
8	Total leverage ratio exposure	701,795	450,920	174,154	27,817	683,302	447,238	169,586	27,337
LRCom: Leverage ratio common disclosure									
On-balance sheet exposures (excluding derivatives and SFTs)									
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	559,995	374,652	243,902	26,053	520,573	350,126	225,839	25,105
2	Asset amounts deducted in determining Tier 1 capital	(10,144)	(24,747)	(2,931)	(216)	(10,493)	(23,726)	(5,101)	(182)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	549,851	349,905	240,971	25,837	510,080	326,400	220,738	24,923
Derivative exposures									
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	19,280	22,169	708	588	24,540	27,355	914	769
5	Add-on amounts for PFE associated with all derivatives transactions (mtm method)	57,262	59,528	448	197	65,804	67,407	190	235
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	973	973	—	—	600	600	—	—
7	Deductions of receivable assets for cash variation margin provided in derivatives transactions	(21,868)	(21,868)	—	—	(20,962)	(20,895)	(34)	—
8	Exempted CCP leg of client-cleared trade exposures	(602)	(340)	—	—	(1,032)	(851)	—	—
9	Adjusted effective notional amount of written credit derivatives	12,321	12,233	—	—	16,174	16,088	—	—
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(10,453)	(10,378)	—	—	(14,527)	(14,454)	—	—
11	Total derivative exposures	56,913	62,317	1,156	785	70,597	75,250	1,070	1,004

Capital and leverage

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

		30 June 2017				31 December 2016			
		RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m
Securities financing transaction exposures									
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	83,875	58,081	—	143	73,515	49,287	—	308
13	Netted amounts of cash payables and cash receivable of gross SFT assets	(43,845)	(26,637)	—	—	(31,728)	(17,252)	—	—
14	Counterparty credit risk exposures for SFT assets	1,897	2,621	91	—	2,271	3,809	—	—
16	Total securities financing transaction exposures	41,927	34,065	91	143	44,058	35,844	—	308
Other off-balance sheet exposures									
17	Off-balance sheet exposures at gross notional amount	159,001	93,795	44,631	3,752	194,232	125,015	48,486	3,840
18	Adjustments for conversion to credit equivalent amounts	(105,897)	(56,668)	(36,368)	(2,700)	(135,665)	(83,640)	(38,556)	(2,738)
19	Other off-balance sheet exposures	53,104	37,127	8,263	1,052	58,567	41,375	9,930	1,102
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)	—	(32,494)	(76,327)	—	—	(31,631)	(62,152)	—
Capital and total exposures									
20	Tier 1 capital	39,505	23,805	12,497	5,418	40,419	25,292	10,393	5,224
21	Total leverage ratio exposure	701,795	450,920	174,154	27,817	683,302	447,238	169,586	27,337
Leverage ratio		5.6%	5.3%	7.2%	19.5%	5.9%	5.7%	6.1%	19.1%

		30 June 2017				31 December 2016			
		Leverage ratio exposures							
		RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m	RBS £m	RBS plc £m	NWB Plc £m	UBI DAC £m
LRSpI: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)									
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	549,851	317,410	164,644	25,837	510,080	294,769	158,586	24,923
EU-2	Trading book exposures	72,541	64,344	115	—	55,036	48,409	223	—
EU-3	Banking book exposures, of which:	477,310	253,066	164,529	25,837	455,044	246,360	158,363	24,923
EU-4	Covered bonds	1,447	1,280	—	—	1,386	1,304	—	—
EU-5	Exposures treated as sovereigns	132,262	123,562	2,036	3,830	115,532	105,989	1,602	3,672
EU-6	Exposures to regional governments, multilateral development bank, international organisations and public sector entities not treated as sovereigns	6,670	4,648	1,314	455	6,842	4,669	1,553	363
EU-7	Institutions	8,324	14,182	1,446	1,957	7,762	18,010	1,834	1,910
EU-8	Secured by mortgages of immovable properties	183,240	43,978	119,021	2,134	175,288	44,184	111,883	1,854
EU-9	Retail exposures	35,926	4,618	13,380	13,499	35,222	4,681	12,737	13,295
EU-10	Corporate	90,207	40,333	21,868	2,121	92,177	41,943	21,227	1,971
EU-11	Exposures in default	4,813	1,471	1,156	1,747	7,812	3,644	1,790	1,789
EU-12	Other exposures (e.g. equity, securitisations, and non-credit obligation assets)	14,421	18,994	4,308	94	13,023	21,936	5,737	69

Capital and leverage

CAP 4: 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 it is a legacy Tier 1 instrument or because it is a Tier 2 instrument 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 356 and 357 of the 2016 ARA. Refer to RBS.com for more details on these and other instruments issued to third parties on an instrument-by-instrument basis.

Pillar 1 treatment - Additional Tier 1	Step-up coupon	30 June 2017 £m	31 December 2016 £m
RBS - undated loan capital			
US\$762 million 7.648% perpetual regulatory (callable quarterly from September 2031)	3 month US\$ LIBOR plus 2.5%	594	625
RBS - debt preference shares			
Series F US\$156 million 8.5% (callable any time) ⁽¹⁾		120	127
Series H US\$242 million 7.25% (callable any time) ⁽¹⁾		187	197
Series L US\$751 million 5.75% (callable any time) ⁽¹⁾		578	609
Series 1 US\$65 million 9.118% (callable any time) ⁽¹⁾		51	54
Series 1 £15 million 7.387% (callable any time) ⁽¹⁾		15	15
NWB Plc - debt preference shares			
Series A £140 million 9% (not callable)		143	143
Series C US\$246 million 8.625% (callable quarterly) ⁽¹⁾		200	210
RBS US Capital Trusts - debt trust preferred securities			
US\$486 million 6.8% 2042 (callable quarterly) ⁽¹⁾		374	394
US\$394 million 6.425% 2043 (callable quarterly from January 2034)	3 month US\$ LIBOR plus 1.9425%	431	451
RBS US Capital Trusts - equity trust preferred securities			
£93 million 5.6457% (callable quarterly from June 2017)	3 month LIBOR plus 1.69%	—	93
RBS - paid in equity trades			
CAD321 million 6.666% (callable quarterly from October 2017) ⁽¹⁾	3 month CDOR plus 2.76%	156	156
US\$564 million 6.99% (callable quarterly from October 2017) ⁽¹⁾	3 month US\$ LIBOR plus 2.67%	275	275
RBS - equity preference shares			
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) ⁽²⁾		494	494
Series 1 €1,250 million 5.5% (callable quarterly)		859	859
Series 2 €785 million 5.25% (callable quarterly)		512	512
Series 3 €471 million 7.0916% (callable quarterly from September 2017) ⁽²⁾		325	325
Series 1 £54 million floating rate notes (callable quarterly)		54	54

Notes:

- (1) Denotes instruments intended to be called in H2 2017. Refer to H1 2017 Interim Management Statement - Appendix 1: Capital and risk management: Capital, funding and liquidity risk - Management of legacy securities.
- (2) Denotes instruments not intended to be called.

Capital and leverage

CAP 4: Capital instruments - RBS and significant subsidiaries *continued*

Tier 2 capital securities which contain an incentive for the issuer to redeem		30 June 2017	31 December 2016
	Step-up coupon	£m	£m
Pillar 1 treatment Tier 2			
RBS plc - undated loan capital			
£51 million floating rate undated subordinated notes (callable every five years from December 2012)	Aggregate of 2.35% and the 5 year UK Gilts yield	52	52
£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%	119	117
£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	38	38
£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	25	27
£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	24	25
£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
NWB Plc - undated loan capital			
€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	154
£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

Total credit risk exposures and RWAs (including counterparty credit risk)

Total credit risk exposures and RWAs (including counterparty credit risk)

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

The following table summarises RBS's total credit risk profile (incorporating counterparty credit risk and securitisations) analysed by customer type and type of risk, reflecting the basis on which these are managed internally. Wholesale customers, which are managed on an individual basis, are grouped by sector cluster. Personal customers, which are managed on a portfolio basis, are grouped into portfolios of similar risk. The table presents EAD post credit risk mitigation (CRM), RWAs and RWA density, each split by regulatory approach.

30 June 2017	EAD post CRM			RWAs			RWA density		
	IRB £m	STD £m	Total £m	IRB £m	STD £m	Total £m	IRB %	STD %	Total %
Sector cluster									
Sovereign									
Central banks	29,634	65,529	95,163	936	—	936	3	—	1
Central governments	20,902	21,771	42,673	2,109	63	2,172	10	—	5
Other sovereign	3,784	429	4,213	1,241	175	1,416	33	41	34
Total sovereign	54,320	87,729	142,049	4,286	238	4,524	8	—	3
Financial institutions (FI)									
Banks	24,936	1,178	26,114	10,906	536	11,442	44	46	44
Non-bank FI (1)	29,662	10,244	39,906	14,136	6,055	20,191	48	59	51
SSPEs (2)	10,236	493	10,729	2,532	658	3,190	25	133	30
Total FI	64,834	11,915	76,749	27,574	7,249	34,823	43	61	45
Corporates									
Property									
- UK	40,892	4,114	45,006	19,460	3,880	23,340	48	94	52
- RoI	1,250	100	1,350	970	100	1,070	78	99	79
- Western Europe	2,776	558	3,334	1,210	570	1,780	44	102	53
- US	240	17	257	115	17	132	48	100	51
- RoW	578	2,040	2,618	349	1,883	2,232	60	92	85
Total property	45,736	6,829	52,565	22,104	6,450	28,554	48	94	54
Natural resources									
- Oil and gas	4,237	86	4,323	2,054	85	2,139	48	99	49
- Mining and metals	1,142	31	1,173	587	30	617	51	98	53
- Electricity	5,973	300	6,273	3,203	302	3,505	54	100	56
- Water and waste	6,152	81	6,233	1,706	66	1,772	28	81	28
Total natural resources	17,504	498	18,002	7,550	483	8,033	43	97	45
Transport									
- Shipping	2,775	554	3,329	1,559	596	2,155	56	108	65
- Automotive	7,858	129	7,987	3,177	125	3,302	40	97	41
- Other	8,260	448	8,708	3,789	428	4,217	46	96	48
Total transport	18,893	1,131	20,024	8,525	1,149	9,674	45	102	48
Manufacturing	17,553	2,032	19,585	8,047	1,944	9,991	46	96	51
Retail and leisure	19,799	3,797	23,596	11,767	3,677	15,444	59	97	65
Services	21,681	1,446	23,127	12,570	1,340	13,910	58	93	60
TMT (3)	6,635	319	6,954	4,551	300	4,851	69	94	70
Total corporates	147,801	16,052	163,853	75,114	15,343	90,457	51	96	55
Personal									
Mortgages									
- UK	144,873	9,200	154,073	8,986	3,527	12,513	6	38	8
- RoI	15,962	19	15,981	10,015	11	10,026	63	60	63
- Western Europe	—	223	223	—	87	87	—	39	39
- US	—	162	162	—	62	62	—	39	39
- RoW	—	1,848	1,848	—	1,233	1,233	—	67	67
Total mortgages	160,835	11,452	172,287	19,001	4,920	23,921	12	43	14
Other personal	29,085	4,021	33,106	11,517	2,944	14,461	40	73	44
Total personal	189,920	15,473	205,393	30,518	7,864	38,382	16	51	19
Other items	—	8,493	8,493	—	6,906	6,906	—	81	81
Total	456,875	139,662	596,537	137,492	37,600	175,092	30	27	29

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

Total credit risk exposures and RWAs (including counterparty credit risk)

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

31 December 2016	EAD post CRM			RWAs			RWA density		
	IRB £m	STD £m	Total £m	IRB £m	STD £m	Total £m	IRB %	STD %	Total %
Sector cluster									
Sovereign									
Central banks	34,541	56,193	90,734	1,048	—	1,048	3	—	1
Central governments	22,327	17,712	40,039	2,313	33	2,346	10	—	6
Other sovereign	4,246	461	4,707	1,244	181	1,425	29	39	30
Total sovereign	61,114	74,366	135,480	4,605	214	4,819	8	—	4
Financial institutions (FI)									
Banks	27,813	963	28,776	13,249	490	13,739	48	51	48
Non-bank FI ⁽¹⁾	31,056	9,673	40,729	15,469	6,059	21,528	50	63	53
SSPEs ⁽²⁾	13,029	711	13,740	2,880	840	3,720	22	118	27
Total FI	71,898	11,347	83,245	31,598	7,389	38,987	44	65	47
Corporates									
Property									
- UK	41,090	4,362	45,452	20,107	4,171	24,278	49	96	53
- Rol	1,215	48	1,263	1,084	49	1,133	89	102	90
- Western Europe	2,866	379	3,245	1,503	373	1,876	52	98	58
- US	332	17	349	184	17	201	55	100	58
- RoW	611	2,174	2,785	422	2,026	2,448	69	93	88
Total property	46,114	6,980	53,094	23,300	6,636	29,936	51	95	56
Natural resources									
- Oil and gas	4,106	172	4,278	1,941	171	2,112	47	99	49
- Mining and metals	1,309	35	1,344	650	34	684	50	97	51
- Electricity	5,872	271	6,143	3,187	272	3,459	54	100	56
- Water and waste	6,699	80	6,779	1,706	64	1,770	25	80	26
Total natural resources	17,986	558	18,544	7,484	541	8,025	42	97	43
Transport									
- Shipping	4,162	873	5,035	2,440	908	3,348	59	104	66
- Automotive	8,028	100	8,128	3,280	97	3,377	41	97	42
- Other	8,402	714	9,116	3,933	457	4,390	47	64	48
Total transport	20,592	1,687	22,279	9,653	1,462	11,115	47	87	50
Manufacturing	18,459	2,142	20,601	8,486	2,059	10,545	46	96	51
Retail and leisure	20,481	4,215	24,696	12,887	4,000	16,887	63	95	68
Services	21,746	1,474	23,220	13,009	1,390	14,399	60	94	62
TMT ⁽³⁾	7,262	391	7,653	5,133	377	5,510	71	96	72
Total corporates	152,640	17,447	170,087	79,952	16,465	96,417	52	94	57
Personal									
Mortgages									
- UK	140,275	8,713	148,988	9,699	3,373	13,072	7	39	9
- Rol	15,685	20	15,705	9,729	14	9,743	62	70	62
- Western Europe	—	223	223	—	86	86	—	39	39
- US	—	131	131	—	51	51	—	39	39
- RoW	—	1,774	1,774	—	1,249	1,249	—	70	70
Total mortgages	155,960	10,861	166,821	19,428	4,773	24,201	12	44	15
Other personal	29,166	4,131	33,297	11,185	3,020	14,205	38	73	43
Total personal	185,126	14,992	200,118	30,613	7,793	38,406	17	52	19
Other items	—	8,231	8,231	—	6,457	6,457	—	78	78
Total	470,778	126,383	597,161	146,768	38,318	185,086	31	30	31

Notes:

(1) Non-bank financial institutions, such as US agencies, insurance companies, pension funds, hedge and leverage funds, broker-dealers and non-bank subsidiaries of banks.

(2) Securitisation special purpose entities (SSPEs) primarily relate to securitisation related vehicles.

(3) Telecommunications, media and technology.

Total credit risk exposures and RWAs (including counterparty credit risk)

Overall

- **EAD post CRM** - Total credit risk exposure was broadly unchanged. The key downward drivers were selective disposals, limit reductions and early repayments in line with risk reduction strategy in Capital Resolution. These were largely offset by an increase in exposures to central banks as part of liquidity management by Treasury and growth in the UK mortgage portfolio, in line with strategy and within risk appetite.
- **RWAs** - The reduction was driven not only by the risk reduction in Capital Resolution but also by the improved credit quality of the UK mortgage portfolio. Retail PD models are recalibrated on a quarterly basis to incorporate more recent data. This resulted in upward rating migrations, notably in mortgage lending.
- **RWA density** - The moderate reduction reflected the selective disposals strategy and the fact that the majority of the increase in exposure related to zero-weighted placements with central governments and central banks.

Credit risk (excluding counterparty credit risk)

EAD post CRM rose moderately, mainly driven by overall increased placements with central banks and central governments and the growth in the UK mortgage portfolio, partly offset by the asset reductions in line with the customer exit strategy in Capital Resolution. RWAs decreased moderately, reflecting not only the reduction in assets but also the improved credit quality of the UK mortgage portfolio.

Counterparty credit risk

Both EAD post CRM and RWAs decreased significantly, largely due to asset reduction, reflecting the continued customer exit strategy in Capital Resolution and increased mitigation of exposures through collateralisation in both Capital Resolution and NatWest Markets.

Sector cluster movements - IRB approach

Overall - EAD post CRM fell, mainly relating to reduced placements with central banks, as well as lower exposure to major banks, securitisations and non-bank financial institutions. Portfolio sales, limit reductions and early repayments also contributed, mainly relating to the Shipping sector. This was largely offset by growth in the UK mortgage portfolio. RWAs fell by a slightly larger degree than EAD, reflecting not only the reductions in assets but also the improved credit quality of the UK mortgage portfolio. As a result, RWA density fell slightly.

Sovereigns - The decrease in EAD post CRM reflected liquidity management. RWAs and RWA density remained stable.

Banks and non-bank financial institutions - For both these sector clusters, the decrease in EAD post CRM and RWAs reflected continued reduction in counterparty credit risk assets in Capital Resolution and increased mitigation of exposures through collateralisation in both Capital Resolution and NatWest Markets.

SSPEs - The decrease in EAD post CRM and RWAs reflected reductions in assets as well as changes in the treatment for certain securitisations.

Property - Overall EAD post CRM and RWAs fell, primarily in Commercial Real Estate (CRE). Overall RWA density fell as RBS continued to reduce non strategic assets across all regions. During H1 2017, the credit quality of the CRE portfolio continued to improve as legacy issues were resolved.

Property UK - EAD post CRM and RWAs fell, primarily as a result of reductions in non strategic assets in CRE while overall credit quality improved, reflected in lower RWA density.

Property RoI - RWA density improved as legacy assets continued to be reduced through divestments and write-offs in CRE. The moderate increase in EAD post CRM reflected go-forward strategy for CRE, in line with the wider strategy to support the Irish economy.

Water and waste - EAD post CRM fell reflecting disposals of non-strategic assets in Capital Resolution, partly offset by minor increases due to new lending as part of normal business activity. RWAs remained flat as the assets disposed of were of low capital intensity, driving the overall minor increase in RWA density.

Shipping - Both EAD post CRM and RWAs fell significantly, reflecting asset sales, loan amortisations, disposals and write-offs as RBS continued to manage down this portfolio.

Retail and leisure - Both EAD post CRM and RWAs fell significantly, reflecting loan amortisations and disposals of assets in Capital Resolution.

Personal: Mortgages UK - EAD post CRM rose, in line with business strategy; underwriting standards remained robust. RWAs fell due to the improved credit quality of this portfolio. RWA density fell slightly.

Other personal lending remained flat during H1 2017 despite an upward trend in the wider UK market. This reflected a continued focus on customer quality and affordability. Asset quality remained broadly stable compared to December 2016.

Sector cluster movements - STD approach

Overall - EAD post CRM increased, largely reflecting increased placements with central banks and central governments. The fall in RWAs mainly reflected reduction in exposures in the Retail sector, as well as the strategic reduction in the Shipping sector, offset by an increase in tangible fixed assets. The RWA density reduction was driven by the increase in zero-weighted Sovereign placements.

Shipping - Both EAD post CRM and RWAs fell significantly, reflecting asset sales, loan amortisations, disposals and write-offs as RBS continued to manage down the portfolio.

Securitisations - RWA density increased, driven by customer exits in Capital Resolution, including some attracting lower RWAs.

Transport - Other - RWA density rose significantly driven by a reduction in assets in the Airlines & Aerospace and Land Transport sectors, driven by customer exits in Capital Resolution, including some attracting low RWAs.

Total credit risk exposures and RWAs (including counterparty credit risk)

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

The table below analyses 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.

Credit risk	RBS				RBS plc				NWB Plc				UBI DAC			
	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
30 June 2017																
IRB																
Central governments and central banks	50,352	50,283	3,406	272	43,865	43,864	2,885	231	1,177	1,109	27	2	4,300	4,300	444	36
Institutions	18,222	16,262	5,322	426	10,519	10,085	3,844	308	1,881	630	220	18	667	667	158	13
Corporates	152,728	143,477	73,409	5,873	81,838	77,882	38,505	3,080	45,824	40,733	22,580	1,807	5,208	5,125	3,924	313
Specialised lending	24,426	24,296	16,782	1,343	15,915	15,795	10,688	855	7,121	7,111	5,069	406	1,159	1,159	876	70
SME	24,808	24,265	11,764	941	6,100	5,927	3,078	246	11,882	11,557	5,512	441	1,253	1,246	792	63
Other corporate	103,494	94,916	44,863	3,589	59,823	56,160	24,739	1,979	26,821	22,065	11,999	960	2,796	2,720	2,256	180
Retail	200,424	200,424	34,766	2,781	40,388	40,388	5,710	457	138,342	138,342	16,576	1,325	17,148	17,148	10,804	864
Secured by real estate property - SME	1,407	1,407	493	39	374	374	130	10	1,033	1,033	363	29	—	—	—	—
- non-SME	160,834	160,834	18,999	1,520	32,121	32,121	2,178	175	110,437	110,437	6,254	500	15,963	15,963	10,015	801
Qualifying revolving	22,992	22,992	6,102	488	4,701	4,701	1,503	120	17,584	17,584	4,293	343	358	358	203	16
Other retail - SME	9,405	9,405	3,973	318	1,832	1,832	689	55	5,434	5,434	2,014	161	616	616	437	35
- non-SME	5,786	5,786	5,199	416	1,360	1,360	1,210	97	3,854	3,854	3,652	292	211	211	149	12
Equities	915	915	2,136	171	142	142	427	34	4	4	12	1	—	—	—	—
Securitisation	8,981	8,981	1,587	127	7,442	7,442	1,274	102	1,530	1,530	225	18	—	—	—	—
Non-credit obligation assets	1,074	1,074	364	29	—	—	—	—	—	—	—	—	—	—	—	—
Total IRB	432,696	421,416	120,990	9,679	184,194	179,803	52,645	4,212	188,758	182,348	39,640	3,171	27,323	27,240	15,330	1,226
STD																
Central governments and central banks	85,774	85,737	851	68	82,861	82,873	864	69	891	899	1,665	134	1	1	2	—
Regional governments and local authorities	186	173	150	12	9	9	2	—	16	1	—	—	2	2	2	—
Multilateral development banks	31	31	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	757	812	312	25	41,210	41,210	543	43	77,720	77,720	53	4	1,548	1,548	313	25
Corporates	16,502	15,967	15,650	1,252	6,558	6,233	6,000	480	259	230	242	19	351	351	349	29
Retail	3,419	3,389	2,338	187	158	158	91	7	447	447	266	21	13	13	8	1
Secured by mortgages on:																
immovable property - residential	12,461	12,456	5,262	421	1,026	1,026	453	36	43	43	39	3	48	48	48	4
- commercial	3,539	3,534	3,543	283	307	305	327	26	75	75	74	6	—	—	—	—
Exposures in default	1,006	998	1,131	90	610	603	670	54	25	25	37	3	12	12	17	1
Items associated with particularly high risk	381	381	572	46	32	32	48	4	—	—	—	—	—	—	—	—
Covered bonds	168	168	34	3	—	—	—	—	—	—	—	—	—	—	—	—
Equity exposures	579	579	1,285	103	11,418	11,418	40,201	3,217	2,096	2,096	6,280	503	5	5	13	1
Other exposures	8,086	8,086	5,200	416	3,470	3,470	2,314	185	2,251	2,251	1,077	86	336	336	155	12
Total STD	132,889	132,311	36,328	2,906	147,659	147,337	51,513	4,121	83,823	83,787	9,733	779	2,316	2,316	907	73
Total IRB and STD	565,585	553,727	157,318	12,585	331,853	327,140	104,158	8,333	272,581	266,135	49,373	3,950	29,639	29,556	16,237	1,299

Total credit risk exposures and RWAs (including counterparty credit risk)

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

	RBS			RBS plc			NWB Plc			UBI DAC		
	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
Counterparty credit risk												
30 June 2017												
IRB												
Central governments and central banks	4,562	381	31	4,562	381	31	—	—	—	—	—	—
Institutions	7,798	5,927	474	7,778	5,905	472	1	1	—	10	6	—
Corporates	22,032	9,554	764	20,625	8,544	684	687	331	27	96	66	6
<i>Specialised lending</i>	<i>2,041</i>	<i>1,504</i>	<i>120</i>	<i>1,692</i>	<i>1,228</i>	<i>98</i>	<i>99</i>	<i>76</i>	<i>6</i>	<i>66</i>	<i>46</i>	<i>5</i>
<i>SME</i>	<i>159</i>	<i>138</i>	<i>11</i>	<i>84</i>	<i>85</i>	<i>7</i>	<i>72</i>	<i>50</i>	<i>4</i>	<i>3</i>	<i>3</i>	<i>—</i>
<i>Other corporate</i>	<i>19,832</i>	<i>7,912</i>	<i>633</i>	<i>18,849</i>	<i>7,231</i>	<i>579</i>	<i>516</i>	<i>205</i>	<i>17</i>	<i>27</i>	<i>17</i>	<i>1</i>
Securitisation positions	1,067	640	51	784	279	22	—	—	—	—	—	—
Total IRB	35,459	16,502	1,320	33,749	15,109	1,209	688	332	27	106	72	6
STD												
Government and multilateral institutions	2,051	—	—	2,051	—	—	—	—	—	—	—	—
Exposures to international organisations	58	12	1	41	8	1	—	—	—	—	—	—
Institutions	4,272	283	23	7,913	291	23	1,811	—	—	647	315	25
Corporates	964	972	78	542	541	43	—	—	—	—	—	—
Retail	6	5	—	—	—	—	—	—	—	—	—	—
Total STD	7,351	1,272	102	10,547	840	67	1,811	—	—	647	315	25
Total IRB and STD	42,810	17,774	1,422	44,296	15,949	1,276	2,499	332	27	753	387	31

Total credit risk exposures and RWAs (including counterparty credit risk)

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

Credit risk	RBS				RBS plc				NWB Plc				UBI DAC			
	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 2016																
IRB																
Central governments and central banks	53,426	53,358	3,688	295	46,893	46,893	2,941	235	831	763	21	2	4,056	4,056	414	33
Institutions	18,615	16,084	4,690	375	10,036	9,450	3,052	244	2,533	918	316	25	621	621	162	13
Corporates	156,539	146,789	78,193	6,255	85,640	81,518	42,320	3,386	46,400	40,971	23,391	1,871	5,113	5,026	4,313	345
<i>Specialised lending</i>	26,138	25,195	17,459	1,396	17,610	16,678	11,207	897	7,188	7,177	5,256	420	1,098	1,098	839	67
<i>SME</i>	23,471	22,878	10,613	849	5,792	5,609	2,787	223	11,526	11,168	4,912	393	1,126	1,119	742	59
<i>Other corporate</i>	106,930	98,716	50,121	4,010	62,238	59,231	28,326	2,266	27,686	22,626	13,223	1,058	2,889	2,809	2,732	219
Retail	195,341	195,341	34,709	2,777	41,568	41,568	5,905	472	132,367	132,367	16,438	1,315	16,854	16,855	10,517	841
<i>Secured by real estate property - SME</i>	1,360	1,361	462	37	397	397	134	11	965	965	328	26	—	—	—	—
<i>- non-SME</i>	155,959	155,959	19,428	1,554	33,111	33,111	2,396	191	104,859	104,859	6,648	532	15,685	15,686	9,729	778
<i>Qualifying revolving</i>	23,293	23,292	6,171	494	4,854	4,854	1,547	124	17,721	17,721	4,304	344	361	361	215	17
<i>Other retail - SME</i>	9,169	9,169	3,894	312	1,852	1,852	681	54	5,159	5,159	1,863	149	608	608	434	35
<i>- non-SME</i>	5,560	5,560	4,754	380	1,354	1,354	1,147	92	3,663	3,663	3,295	264	200	200	139	11
Equities	781	781	2,015	161	154	154	487	39	4	4	13	1	—	—	—	—
Securitisation	10,685	10,685	1,609	129	8,492	8,492	1,212	97	2,141	2,141	309	25	—	—	—	—
Non-credit obligation assets	1,120	1,120	375	30	—	—	—	—	—	—	—	—	—	—	—	—
Total IRB	436,507	424,158	125,279	10,022	192,783	188,075	55,917	4,473	184,276	177,164	40,488	3,239	26,644	26,558	15,406	1,232
STD																
Central governments and central banks	71,819	71,894	729	58	67,932	68,054	728	58	951	962	1,839	147	1	1	2	—
Regional governments and local authorities	191	190	156	12	10	10	2	—	18	15	3	—	1	1	1	—
Multilateral development banks	33	33	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	505	558	263	21	43,568	43,568	1,791	143	63,900	63,900	217	17	1,554	1,554	315	25
Corporates	18,053	16,993	16,635	1,331	4,434	3,797	3,584	288	403	379	387	31	293	293	292	23
Retail	3,430	3,408	2,369	190	150	150	87	7	428	428	257	21	14	14	8	1
Secured by mortgages on:																
immovable property - residential	11,829	11,828	5,053	404	1,071	1,071	479	38	3	3	3	—	—	—	—	—
- commercial	3,508	3,483	3,496	280	367	350	364	29	51	50	50	4	4	4	6	1
Exposures in default	1,264	1,255	1,420	114	784	778	857	69	33	33	46	4	15	15	23	2
Items associated with particularly high risk	391	391	587	47	—	—	—	—	—	—	—	—	—	—	—	—
Covered bonds	84	84	17	1	—	—	—	—	—	—	—	—	—	—	—	—
Equity exposures	555	555	1,199	96	16,894	16,894	60,842	4,867	3,407	3,406	11,699	936	5	5	13	1
Other exposures	8,002	8,001	4,959	397	3,453	3,453	2,368	189	2,271	2,271	1,077	86	469	469	197	16
Total STD	119,664	118,673	36,883	2,951	138,663	138,125	71,102	5,688	71,465	71,447	15,578	1,246	2,356	2,356	857	69
Total IRB and STD	556,171	542,831	162,162	12,973	331,446	326,200	127,019	10,161	255,741	248,611	56,066	4,485	29,000	28,914	16,263	1,301

Total credit risk exposures and RWAs (including counterparty credit risk)

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

	RBS			RBS plc			NWB Plc			UBI DAC		
	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
Counterparty credit risk												
31 December 2016												
IRB												
Central governments and central banks	8,473	570	46	8,473	570	46	—	—	—	—	—	—
Institutions	10,661	8,703	695	10,614	8,623	690	2	1	—	14	9	1
Corporates	26,342	11,872	950	24,596	10,660	852	900	458	37	95	69	5
<i>Specialised lending</i>	2,282	1,699	136	1,873	1,374	110	146	114	9	75	53	4
<i>SME</i>	207	175	14	115	106	8	89	65	5	3	3	—
<i>Other corporate</i>	23,853	9,998	800	22,608	9,180	734	665	279	23	17	13	1
Securitisation positions	1,144	345	28	805	310	25	42	5	—	—	—	—
Total IRB	46,620	21,490	1,719	44,488	20,163	1,613	944	464	37	109	78	6
STD												
Government and multilateral institutions	2,607	10	1	2,599	9	1	—	—	—	—	—	—
Institutions	3,890	308	25	8,883	601	48	2,167	—	—	875	427	34
Corporates	1,203	1,109	89	524	440	35	9	9	1	—	—	—
Retail	8	6	—	—	—	—	—	—	—	—	—	—
Past due items	2	2	—	1	1	—	—	—	—	—	—	—
Total STD	7,710	1,435	115	12,007	1,051	84	2,176	9	1	875	427	34
Total IRB and STD	54,330	22,925	1,834	56,495	21,214	1,697	3,120	473	38	984	505	40

Credit risk

- **RBS** - The increase in EAD post CRM mainly reflected the increase in exposure to central banks as part of liquidity management by Treasury in RBS plc and the growth in the UK mortgage portfolio in NWB Plc, partly offset by portfolio sales, limit reductions and early repayments in line with risk reduction strategy, mostly in Capital Resolution. RWAs decreased reflecting the reduction in the exposure in Capital Resolution as well as an improvement in credit quality in UK mortgage lending.
- **RBS plc** - IRB EAD post CRM fell, mainly due to a reduction in sovereign placements in Treasury as part of liquidity management and a reduction in exposure to non-UK corporates due to further limit reductions and disposals in line with the risk reduction strategy. The reductions in IRB exposures were offset by increases in the STD portfolio driven by increased exposure to central governments and central banks, offset by reduction in equity exposures for RBS plc. RWAs decreased, primarily as a result of a phased transition to full capital deduction for equity exposures (refer to the Capital section), which reduced STD credit risk RWAs.
- **NWB Plc** - EAD post CRM rose due to growth in the UK mortgage portfolio. RWAs decreased, mainly as a result of phased transition to full capital deduction for equity exposures and the improvement in UK mortgage portfolio credit quality.
- **UBIDAC** - EAD post CRM rose driven by increased exposure to central governments, central banks and institutions due to new lending. RWAs fell due to sales of higher-risk assets.

Counterparty credit risk

- Both EAD post CRM and RWAs fell due to a reduction in assets. This reflected continued reductions in Capital Resolution and increased mitigation of exposures through collateralisation in both Capital Resolution and NatWest Markets.

Credit risk (excluding counterparty credit risk)

Credit risk (excluding counterparty credit risk)

EU CRB_D: IRB and STD: Exposures (EAD post CRM) - industry analysis

The table below presents credit risk EAD post CRM analysed by industry, split by regulatory approach and exposure class. It excludes counterparty credit risk and securitisations. Industry analysis reflects the sector classification used by RBS for risk management purposes.

	Sovereign			Financial institutions			Corporates							Personal		Other	Total
	Central banks £m	Central governments £m	Other sovereign £m	Banks £m	Non-bank £m	SSPEs £m	Property £m	Natural resources £m	Transport £m	Manufacturing £m	Retail and leisure £m	Services £m	TMT £m	Mortgages £m	Other personal £m	Not allocated £m	
30 June 2017																	
IRB																	
Central governments and central banks	26,666	20,272	571	2,774	—	—	—	—	—	—	—	—	—	—	—	—	50,283
Institutions	—	—	2,426	13,762	1	—	38	—	31	—	—	4	—	—	—	—	16,262
Corporates	—	—	92	35	16,596	329	41,662	12,899	16,434	14,705	17,075	17,420	6,064	2	164	—	143,477
<i>Specialised lending</i>	—	—	79	—	140	168	19,132	2,861	625	168	141	978	2	—	2	—	24,296
<i>SME</i>	—	—	—	—	805	—	2,426	775	2,711	4,728	5,038	7,072	694	—	16	—	24,265
<i>Other corporate</i>	—	—	13	35	15,651	161	20,104	9,263	13,098	9,809	11,896	9,370	5,368	2	146	—	94,916
Retail	—	—	14	1	122	—	2,422	67	631	2,152	2,272	2,765	224	160,834	28,920	—	200,424
<i>Secured by real estate property - SME</i>	—	—	1	—	6	—	592	6	71	143	297	258	22	—	11	—	1,407
<i>- non-SME</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	160,834	—	—	160,834
<i>Qualifying revolving</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	22,992	—	22,992
<i>Other retail - SME</i>	—	—	13	1	116	—	1,830	61	560	2,009	1,975	2,506	202	—	132	—	9,405
<i>- non-SME</i>	—	—	—	—	—	—	—	—	—	—	—	1	—	—	5,785	—	5,786
Equities	—	—	—	5	863	—	—	—	—	19	—	27	1	—	—	—	915
Non-credit obligation assets	—	19	85	93	73	—	164	30	414	44	72	16	64	—	—	—	1,074
Total IRB	26,666	20,291	3,188	16,670	17,655	329	44,286	12,996	17,510	16,920	19,419	20,232	6,353	160,836	29,084	—	412,435
STD																	
Central governments and central banks	63,614	21,758	48	—	—	—	—	—	—	—	—	—	—	—	—	317	85,737
Regional governments and local authorities	—	—	173	—	—	—	—	—	—	—	—	—	—	—	—	—	173
Multilateral development banks	31	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	31
Institutions	—	—	—	757	55	—	—	—	—	—	—	—	—	—	—	—	812
Corporates	—	—	6	169	4,998	28	3,105	442	608	1,760	3,004	982	242	124	499	—	15,967
Retail	—	—	1	1	43	—	288	36	31	180	36	41	9	209	2,514	—	3,389
Secured by mortgages on immovable property - residential	—	—	—	4	128	5	752	—	—	15	37	38	22	10,862	593	—	12,456
<i>- commercial</i>	—	—	—	22	57	—	2,455	—	5	42	370	240	14	50	279	—	3,534
Exposures in default	—	—	—	—	21	—	79	8	469	12	49	14	9	207	130	—	998
Items associated with particularly high risk	—	—	—	—	—	349	32	—	—	—	—	—	—	—	—	—	381
Covered bonds	—	—	—	—	168	—	—	—	—	—	—	—	—	—	—	—	168
Equity exposures	—	—	—	—	71	—	—	—	—	—	16	3	21	—	—	468	579
Other exposures	—	13	—	—	—	—	49	3	5	3	285	20	—	—	—	7,708	8,086
Total STD	63,645	21,771	228	953	5,541	382	6,760	489	1,118	2,012	3,797	1,338	317	11,452	4,015	8,493	132,311
Total IRB and STD	90,311	42,062	3,416	17,623	23,196	711	51,046	13,485	18,628	18,932	23,216	21,570	6,670	172,288	33,099	8,493	544,746

Credit risk (excluding counterparty credit risk)

EU CRB_D: IRB and STD: Exposures (EAD post CRM) - industry analysis *continued*

	Sovereign			Financial institutions			Corporates							Personal		Other	Total
	Central banks £m	Central governments £m	Other sovereign £m	Banks £m	Non-bank £m	SSPEs £m	Property £m	Natural resources £m	Transport £m	Manufacturing £m	Retail and leisure £m	Services £m	TMT £m	Mortgages £m	Other personal £m	Not allocated £m	
31 December 2016																	
IRB																	
Central governments and central banks	28,433	21,628	545	2,752	—	—	—	—	—	—	—	—	—	—	—	—	53,358
Institutions	—	—	2,513	13,533	1	—	—	—	33	—	—	4	—	—	—	—	16,084
Corporates	—	—	78	2	16,172	940	41,888	12,435	17,333	15,600	17,801	17,731	6,645	—	164	—	146,789
<i>Specialised lending</i>	—	—	68	—	140	167	19,062	2,688	1,754	109	144	1,060	1	—	2	—	25,195
<i>SME</i>	—	—	—	—	745	—	2,490	634	2,534	4,649	4,776	6,496	535	—	19	—	22,878
<i>Other corporate</i>	—	—	10	2	15,287	773	20,336	9,113	13,045	10,842	12,881	10,175	6,109	—	143	—	98,716
Retail	—	—	14	1	116	—	2,389	67	622	2,065	2,216	2,659	230	155,960	29,002	—	195,341
<i>Secured by real estate property - SME</i>	—	—	—	—	5	—	575	6	71	130	291	248	23	—	12	—	1,361
<i>- non-SME</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	155,959	—	—	155,959
<i>Qualifying revolving</i>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	23,292	—	23,292
<i>Other retail - SME</i>	—	—	14	1	111	—	1,814	61	551	1,935	1,925	2,410	207	—	140	—	9,169
<i>- non-SME</i>	—	—	—	—	—	—	—	—	—	—	—	1	—	1	5,558	—	5,560
Equities	—	—	—	7	718	—	5	4	—	22	—	25	—	—	—	—	781
Non-credit obligation assets	—	19	83	91	71	—	161	32	404	31	149	16	63	—	—	—	1,120
Total IRB	28,433	21,647	3,233	16,386	17,078	940	44,443	12,538	18,392	17,718	20,166	20,435	6,938	155,960	29,166	—	413,473
STD																	
Central governments and central banks	56,051	15,562	—	—	—	—	—	—	—	—	—	—	—	—	—	281	71,894
Regional governments and local authorities	—	—	190	—	—	—	—	—	—	—	—	—	—	—	—	—	190
Multilateral development banks	33	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	33
Institutions	—	—	—	505	53	—	—	—	—	—	—	—	—	—	—	—	558
Corporates	—	—	26	184	5,066	29	3,252	498	816	1,860	3,258	990	318	168	528	—	16,993
Retail	—	—	10	—	23	—	280	35	28	161	45	43	11	213	2,559	—	3,408
Secured by mortgages on																	
immovable property - residential	—	—	—	—	25	—	661	—	—	18	188	47	9	10,237	643	—	11,828
- commercial	—	—	—	—	18	—	2,527	—	9	49	377	206	34	30	233	—	3,483
Exposures in default	—	—	—	2	1	—	137	10	607	30	41	52	3	213	159	—	1,255
Items associated with particularly high risk	—	—	—	—	—	391	—	—	—	—	—	—	—	—	—	—	391
Covered bonds	—	—	—	—	84	—	—	—	—	—	—	—	—	—	—	—	84
Equity exposures	—	—	—	—	91	—	—	—	—	1	29	2	5	—	—	427	555
Other exposures	—	12	13	—	—	—	53	4	95	3	278	20	—	—	—	7,523	8,001
Total STD	56,084	15,574	239	691	5,361	420	6,910	547	1,555	2,122	4,216	1,360	380	10,861	4,122	8,231	118,673
Total IRB and STD	84,517	37,221	3,472	17,077	22,439	1,360	51,353	13,085	19,947	19,840	24,382	21,795	7,318	166,821	33,288	8,231	532,146

Credit risk (excluding counterparty credit risk)

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 before and after 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.

	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 2017						
Central governments and central banks	85,714	826	85,719	18	851	1%
Regional governments and local authorities	169	250	171	2	150	87%
Multilateral development banks	31	—	31	—	—	—
Institutions	636	466	706	106	312	38%
Corporates	13,471	7,407	12,746	3,221	15,650	98%
Retail	3,259	4,831	3,220	169	2,338	69%
Secured by mortgages on immovable property - residential	12,218	850	12,212	244	5,262	42%
- commercial	3,424	387	3,403	131	3,543	100%
Exposures in default	994	14	998	—	1,131	113%
Items associated with particularly high risk	381	—	381	—	572	150%
Covered bonds	167	—	168	—	34	20%
Equity exposures	579	—	579	—	1,285	222%
Other exposures	7,972	—	8,086	—	5,200	64%
Total STD	129,015	15,031	128,420	3,891	36,328	27%
31 December 2016						
Central governments and central banks	71,445	852	71,848	46	729	—
Regional governments and local authorities	184	260	186	4	156	82%
Multilateral development banks	33	—	33	—	—	—
Institutions	390	364	442	116	263	47%
Corporates	14,652	7,314	13,738	3,255	16,635	98%
Retail	3,308	4,280	3,383	25	2,369	70%
Secured by mortgages on immovable property - residential	11,598	884	11,694	134	5,053	43%
- commercial	3,341	439	3,317	166	3,496	100%
Exposures in default	1,254	25	1,250	5	1,420	113%
Items associated with particularly high risk	391	—	391	—	587	150%
Covered bonds	82	—	84	—	17	20%
Equity exposures	129	—	555	—	1,199	216%
Other exposures	7,781	—	8,001	—	4,959	62%
Total STD	114,588	14,418	114,922	3,751	36,883	31%

- EAD post CRM increased, largely reflecting the increase in exposure to central banks as part of ongoing liquidity management by Treasury. This was partly offset by asset sales, limit reductions and early repayments mostly within the corporate exposure class and exposures in default. The reductions across Shipping related to both exposures in default and performing assets.
- The corporate exposure class reduction mainly related to a reduction in exposures in the Retail sector (relating to Alawwal Bank's customers), as well as in the Investment Funds sub-sector in RBS International and the Shipping sector in Capital Resolution.

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.

	Risk-weight																Of which:	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150% (1)	250%	370%	1,250%	Others	Total	Unrated (2)	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
30 June 2017																		
EAD post CRM																		
Central governments and central banks	85,246	—	—	—	145	—	—	—	—	29	—	317	—	—	—	85,737	1,785	
Regional governments and local authorities	—	—	—	—	27	—	2	—	—	144	—	—	—	—	—	173	142	
Multilateral development banks	31	—	—	—	—	—	—	—	—	—	—	—	—	—	—	31	31	
Institutions	—	—	—	—	532	—	111	—	—	114	—	—	—	—	55	812	574	
Corporates	5	—	—	—	236	—	150	—	—	15,519	50	—	—	—	7	15,967	15,556	
Retail	—	—	—	—	—	—	—	—	3,389	—	—	—	—	—	—	3,389	—	
Secured by mortgages on																		
immovable property - residential	—	—	—	—	—	11,044	—	—	—	1,410	2	—	—	—	—	12,456	12,456	
- commercial	—	—	—	—	—	—	—	—	—	3,490	44	—	—	—	—	3,534	3,534	
Exposures in default	—	—	—	—	—	—	—	—	—	733	265	—	—	—	—	998	997	
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	381	—	—	—	—	381	381	
Covered bonds	—	—	—	—	168	—	—	—	—	—	—	—	—	—	—	168	168	
Equity exposures	—	—	—	—	—	—	—	—	—	108	—	471	—	—	—	579	16	
Other exposures	1,771	—	—	—	1,287	—	25	—	—	4,905	—	—	—	—	98	8,086	8,074	
Total STD	87,053	—	—	—	2,395	11,044	288	—	3,389	26,452	742	788	—	—	160	132,311	43,714	
EAD pre CRM	87,109	—	—	—	2,410	11,044	284	—	3,418	26,909	765	788	—	—	162	132,889	44,496	
31 December 2016																		
Central governments and central banks	71,480	—	—	—	133	—	—	—	—	—	—	281	—	—	—	71,894	2,312	
Regional governments and local authorities	—	—	—	—	41	—	2	—	—	147	—	—	—	—	—	190	146	
Multilateral development banks	33	—	—	—	—	—	—	—	—	—	—	—	—	—	—	33	33	
Institutions	—	—	—	—	271	—	157	—	—	130	—	—	—	—	—	558	350	
Corporates	59	—	—	—	239	—	134	—	—	16,535	26	—	—	—	—	16,993	16,650	
Retail	1	—	—	—	9	—	—	—	3,398	—	—	—	—	—	—	3,408	—	
Secured by mortgages on																		
immovable property - residential	—	—	—	—	—	10,409	—	—	—	1,419	—	—	—	—	—	11,828	11,827	
- commercial	—	—	—	—	—	—	—	—	—	3,448	35	—	—	—	—	3,483	3,483	
Exposures in default	—	—	—	—	—	—	—	—	—	927	328	—	—	—	—	1,255	1,254	
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	391	—	—	—	—	391	391	
Covered bonds	—	—	—	—	84	—	—	—	—	—	—	—	—	—	—	84	84	
Equity exposures	—	—	—	—	—	—	—	—	—	126	—	429	—	—	—	555	29	
Other exposures	2,168	—	—	—	974	—	36	—	—	4,714	—	—	—	—	109	8,001	7,989	
Total STD	73,741	—	—	—	1,751	10,409	329	—	3,398	27,446	780	710	—	—	109	118,673	44,548	
EAD pre CRM	73,689	—	—	—	1,751	10,409	280	—	3,420	28,451	795	710	—	—	159	119,664	45,861	

Notes:

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

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

Credit risk (excluding counterparty credit risk)

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.

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.

30 June 2017	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 %	RWAs £m	RWA density %	EL £m	Provisions £m
IRB												
Retail - Secured by real estate SME	0.00 to <0.15	—	47	100	33	0.12	5,261	53	4	12	—	—
Retail - Secured by real estate SME	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—
Retail - Secured by real estate SME	0.25 to <0.50	55	11	100	63	0.41	2,378	40	13	21	—	—
Retail - Secured by real estate SME	0.50 to <0.75	566	2	100	568	0.67	8,818	37	141	25	1	—
Retail - Secured by real estate SME	0.75 to <2.50	444	48	100	475	1.38	8,059	44	190	40	3	—
Retail - Secured by real estate SME	2.50 to <10.0	179	3	100	182	4.21	2,638	41	87	48	3	—
Retail - Secured by real estate SME	10.0 to <100.00	45	1	100	46	22.72	824	43	35	75	4	—
Retail - Secured by real estate SME	100.00 (default)	33	—	100	40	100.00	821	64	23	59	24	—
Total - Retail - Secured by real estate SME		1,322	112	100	1,407	4.86	28,799	41	493	35	35	18
Retail - Secured by real estate non-SME	0.00 to <0.15	68,021	4,610	100	72,783	0.12	604,728	9	1,899	3	8	—
Retail - Secured by real estate non-SME	0.15 to <0.25	1,343	17	100	1,364	0.18	13,695	21	118	9	1	—
Retail - Secured by real estate non-SME	0.25 to <0.50	55,762	6,381	100	61,756	0.31	429,182	12	4,574	7	25	—
Retail - Secured by real estate non-SME	0.50 to <0.75	6,767	150	87	6,944	0.64	62,353	17	1,156	17	8	—
Retail - Secured by real estate non-SME	0.75 to <2.50	8,212	178	92	8,559	1.05	80,999	22	2,498	29	19	—
Retail - Secured by real estate non-SME	2.50 to <10.0	1,858	21	100	1,887	5.08	16,579	12	750	40	11	—
Retail - Secured by real estate non-SME	10.0 to <100.00	3,060	2	100	3,092	22.98	23,265	20	3,682	119	158	—
Retail - Secured by real estate non-SME	100.00 (default)	4,399	14	100	4,449	100.00	35,558	32	4,322	97	1,056	—
Total - Retail - Secured by real estate non-SME		149,422	11,373	99	160,834	3.53	1,266,359	12	18,999	12	1,286	1,084
Retail - Qualifying revolving	0.00 to <0.15	102	7,694	100	10,655	0.10	7,754,860	54	186	2	3	—
Retail - Qualifying revolving	0.15 to <0.25	214	377	100	667	0.24	452,623	66	57	8	1	—
Retail - Qualifying revolving	0.25 to <0.50	675	7,475	100	2,708	0.38	2,647,475	62	321	12	6	—
Retail - Qualifying revolving	0.50 to <0.75	453	6,499	100	1,680	0.59	1,766,803	67	305	18	7	—
Retail - Qualifying revolving	0.75 to <2.50	1,513	5,543	100	3,416	1.39	2,913,427	69	1,223	36	33	—
Retail - Qualifying revolving	2.50 to <10.0	2,003	1,507	73	2,875	4.62	1,765,372	74	2,569	89	99	—
Retail - Qualifying revolving	10.0 to <100.00	352	66	100	521	24.12	420,901	72	1,022	196	90	—
Retail - Qualifying revolving	100.00 (default)	432	312	100	470	100.00	486,354	78	419	89	335	—
Total - Retail - Qualifying revolving		5,744	29,473	99	22,992	3.49	18,207,815	62	6,102	27	574	340

Credit risk (excluding counterparty credit risk)

EU CR6_a: IRB: Exposures by exposure class and PD range - Retail *continued*

30 June 2017	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 %	RWAs £m	RWA density %	EL £m	Provisions £m
IRB												
Retail - Other SME	0.00 to <0.15	—	589	100	675	0.12	287,280	56	88	13	—	—
Retail - Other SME	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—
Retail - Other SME	0.25 to <0.50	671	188	100	1,020	0.39	256,371	48	240	23	2	2
Retail - Other SME	0.50 to <0.75	2,184	37	100	2,296	0.67	131,758	41	635	28	6	6
Retail - Other SME	0.75 to <2.50	2,807	448	100	3,378	1.38	348,099	52	1,596	47	24	24
Retail - Other SME	2.50 to <10.0	1,089	81	100	1,298	4.44	190,203	55	832	64	32	32
Retail - Other SME	10.0 to <100.00	281	18	100	325	22.64	54,920	58	331	102	43	43
Retail - Other SME	100.00 (default)	381	—	100	413	100.00	33,765	73	251	61	282	282
Total - Retail - Other SME		7,413	1,361	100	9,405	6.50	1,302,396	51	3,973	42	389	244
Retail - Other non-SME	0.00 to <0.15	1	1	100	1	0.14	4	77	—	—	—	—
Retail - Other non-SME	0.15 to <0.25	3	—	100	3	0.18	623	75	1	30	—	—
Retail - Other non-SME	0.25 to <0.50	247	—	100	250	0.39	37,744	65	106	42	1	1
Retail - Other non-SME	0.50 to <0.75	1,299	—	100	1,320	0.64	237,760	70	806	61	6	6
Retail - Other non-SME	0.75 to <2.50	2,060	—	100	2,100	1.34	204,420	76	1,891	90	21	21
Retail - Other non-SME	2.50 to <10.0	1,107	—	100	1,133	4.82	145,803	78	1,382	122	43	43
Retail - Other non-SME	10.0 to <100.00	320	—	—	328	27.36	49,204	80	615	187	72	72
Retail - Other non-SME	100.00 (default)	563	—	—	651	100.00	82,252	80	398	61	491	491
Total - Retail - Other non-SME		5,600	1	100	5,786	14.39	757,810	75	5,199	90	634	592
Total - Retail all portfolios		169,501	42,320	99	200,424	3.98	21,563,179	22	34,766	17	2,918	2,278

Credit risk (excluding counterparty credit risk)

EU CR6_a: IRB: Exposures by exposure class and PD range - Retail *continued*

31 December 2016	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 %	RWAs £m	RWA density %	EL £m	Provisions £m
IRB												
Retail - Secured by real estate SME	0.00 to <0.15	—	50	100	35	0.12	5,305	53	4	12	—	
Retail - Secured by real estate SME	0.25 to <0.50	56	13	100	66	0.37	2,529	42	13	20	—	
Retail - Secured by real estate SME	0.50 to <0.75	592	12	100	599	0.61	9,658	37	142	24	1	
Retail - Secured by real estate SME	0.75 to <2.50	379	41	100	407	1.29	7,554	45	163	40	2	
Retail - Secured by real estate SME	2.50 to <10.0	165	3	100	168	4.24	2,614	41	81	48	3	
Retail - Secured by real estate SME	10.0 to <100.00	39	1	100	39	24.30	764	43	30	77	4	
Retail - Secured by real estate SME	100.00 (default)	39	—	—	47	100.00	935	64	29	62	28	
Total - Retail - Secured by real estate SME		1,270	120	100	1,361	5.33	29,359	42	462	34	38	20
Retail - Secured by real estate non-SME	0.00 to <0.15	54,041	4,773	100	58,951	0.12	475,722	9	1,578	3	7	
Retail - Secured by real estate non-SME	0.15 to <0.25	815	19	100	835	0.18	9,190	26	83	10	—	
Retail - Secured by real estate non-SME	0.25 to <0.50	58,324	7,814	100	65,487	0.32	466,943	11	4,510	7	24	
Retail - Secured by real estate non-SME	0.50 to <0.75	12,692	80	97	12,900	0.61	103,478	19	2,318	18	15	
Retail - Secured by real estate non-SME	0.75 to <2.50	7,970	179	93	8,251	1.14	96,808	20	2,273	28	18	
Retail - Secured by real estate non-SME	2.50 to <10.0	1,770	21	100	1,802	5.36	23,311	12	767	43	12	
Retail - Secured by real estate non-SME	10.0 to <100.00	3,214	3	100	3,254	22.94	24,688	21	3,988	123	168	
Retail - Secured by real estate non-SME	100.00 (default)	4,431	13	100	4,479	100.00	36,306	31	3,911	87	1,089	
Total - Retail - Secured by real estate non-SME		143,257	12,902	100	155,959	3.70	1,236,446	12	19,428	12	1,333	1,094
Retail - Qualifying revolving	0.00 to <0.15	108	7,695	100	10,618	—	7,730,969	54	184	2	3	
Retail - Qualifying revolving	0.15 to <0.25	235	401	100	715	0.23	475,976	66	59	8	1	
Retail - Qualifying revolving	0.25 to <0.50	765	7,958	100	2,804	0.38	2,693,617	63	335	12	7	
Retail - Qualifying revolving	0.50 to <0.75	448	6,592	100	1,749	0.61	1,963,394	68	327	19	7	
Retail - Qualifying revolving	0.75 to <2.50	1,589	5,573	100	3,479	1.39	2,918,641	70	1,254	36	34	
Retail - Qualifying revolving	2.50 to <10.0	2,057	1,529	73	2,912	4.59	1,787,452	75	2,608	90	100	
Retail - Qualifying revolving	10.0 to <100.00	330	60	100	493	23.82	422,926	72	962	195	84	
Retail - Qualifying revolving	100.00 (default)	474	311	100	523	100.00	502,949	78	442	85	372	
Total - Retail - Qualifying revolving		6,006	30,119	99	23,293	3.64	18,495,924	62	6,171	26	608	351

Credit risk (excluding counterparty credit risk)

EU CR6_a: IRB: Exposures by exposure class and PD range - Retail *continued*

31 December 2016	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 %	RWAs £m	RWA density %	EL £m	Provisions £m
IRB												
Retail - Other SME	0.00 to <0.15	—	525	100	532	0.12	255,039	53	64	12	—	
Retail - Other SME	0.15 to <0.25	36	58	100	144	0.18	14,573	66	28	20	—	
Retail - Other SME	0.25 to <0.50	522	229	100	908	0.36	256,681	49	207	23	2	
Retail - Other SME	0.50 to <0.75	2,289	140	100	2,458	0.62	137,965	40	651	26	6	
Retail - Other SME	0.75 to <2.50	2,399	353	100	2,915	1.36	342,765	53	1,394	48	21	
Retail - Other SME	2.50 to <10.0	1,172	102	100	1,408	4.27	204,719	57	934	66	34	
Retail - Other SME	10.0 to <100.00	248	17	100	295	21.89	54,614	59	302	102	38	
Retail - Other SME	100.00 (default)	471	—	100	509	100.00	38,123	73	314	62	345	
Total - Retail - Other SME		7,137	1,424	100	9,169	7.55	1,304,479	51	3,894	42	446	294
Retail - Other non-SME	0.00 to <0.15	66	—	100	66	0.12	1,793	33	7	10	—	
Retail - Other non-SME	0.15 to <0.25	9	—	—	9	0.20	976	77	3	33	—	
Retail - Other non-SME	0.25 to <0.50	504	—	100	513	0.41	82,246	70	243	47	1	
Retail - Other non-SME	0.50 to <0.75	1,051	—	100	1,069	0.61	197,717	73	659	62	5	
Retail - Other non-SME	0.75 to <2.50	1,855	—	100	1,893	1.34	196,419	77	1,707	90	20	
Retail - Other non-SME	2.50 to <10.0	1,007	—	100	1,030	4.61	129,961	78	1,241	121	37	
Retail - Other non-SME	10.0 to <100.00	248	—	100	255	27.71	38,697	79	474	186	56	
Retail - Other non-SME	100.00 (default)	620	—	—	725	100.00	87,058	80	420	58	549	
Total - Retail - Other non-SME		5,360	—	100	5,560	15.78	734,867	76	4,754	86	668	646
Total - Retail all portfolios		163,030	44,565	99	195,342	4.23	21,801,075	22	34,709	18	3,093	2,405

Credit risk (excluding counterparty credit risk)

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 as per 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.

30 June 2017	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 %	EL Provisions £m
IRB												
Central governments and central banks	0.00 to <0.15	49,559	1,954	20	49,937	—	46	46	2.08	3,249	7	3
Central governments and central banks	0.15 to <0.25	314	78	20	330	0.23	2	56	1.00	142	43	—
Central governments and central banks	0.25 to <0.50	1	—	102	1	0.45	1	58	3.90	1	113	—
Central governments and central banks	0.50 to <0.75	33	10	21	8	0.64	2	55	1.00	6	77	—
Central governments and central banks	0.75 to <2.50	—	—	—	—	1.28	1	50	1.00	—	—	—
Central governments and central banks	2.50 to <10.0	1	—	—	1	7.24	2	1	1.00	—	—	—
Central governments and central banks	10.0 to <100.00	2	11	29	6	22.11	3	32	1.00	8	139	—
Central governments and central banks	100.00 (default)	—	—	—	—	—	—	—	—	—	—	—
Total - Central governments and central banks		49,910	2,053	20	50,283	—	57	46	2.07	3,406	7	3
Institutions	0.00 to <0.15	8,053	6,968	62	12,219	0.09	328	35	2.99	3,175	26	4
Institutions	0.15 to <0.25	2,087	3,754	31	3,249	0.17	167	43	1.17	1,232	38	2
Institutions	0.25 to <0.50	218	163	34	262	0.38	78	51	3.06	224	85	1
Institutions	0.50 to <0.75	376	418	23	472	0.64	34	74	1.00	634	135	2
Institutions	0.75 to <2.50	40	40	25	50	1.07	49	38	1.81	41	82	—
Institutions	2.50 to <10.0	1	6	36	3	3.12	58	53	2.36	6	182	—
Institutions	10.0 to <100.00	—	27	25	7	11.59	96	30	1.08	10	147	—
Institutions	100.00 (default)	—	1	—	—	100.00	1	33	1.60	—	—	—
Total - Institutions		10,775	11,377	50	16,262	0.14	811	38	2.56	5,322	33	9
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	78	—	—	78	0.64	9	35	1.56	46	59	—
Corporates - Specialised lending	0.75 to <2.50	98	—	100	95	1.51	12	41	1.71	93	98	1
Corporates - Specialised lending	2.50 to <10.0	29	—	—	28	3.70	5	41	1.20	34	124	—
Corporates - Specialised lending	10.0 to <100.00	20	—	—	20	10.24	3	32	3.20	33	166	1
Corporates - Specialised lending	100.00 (default)	163	3	102	167	100.00	15	43	1.74	—	—	71
Total - Corporates - Specialised lending		389	3	102	388	44.48	44	40	1.73	206	53	73

Credit risk (excluding counterparty credit risk)

EU CR6_b: IRB: Exposures by exposure class and PD range - Wholesale *continued*

30 June 2017	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 maturity years	RWAs £m	RWA density %	EL Provisions £m	£m
IRB													
Corporates - SME	0.00 to <0.15	6	3	81	8	0.11	29	17	3.19	1	9	—	
Corporates - SME	0.15 to <0.25	416	114	65	491	0.22	1,120	37	3.24	167	34	—	
Corporates - SME	0.25 to <0.50	2,143	793	60	2,627	0.41	6,693	29	3.19	865	33	3	
Corporates - SME	0.50 to <0.75	2,331	799	58	2,800	0.64	5,396	29	2.95	1,152	41	5	
Corporates - SME	0.75 to <2.50	9,832	2,802	52	11,344	1.33	17,894	27	2.91	5,934	52	41	
Corporates - SME	2.50 to <10.0	4,886	1,289	47	5,546	3.57	9,990	24	2.70	3,099	56	48	
Corporates - SME	10.0 to <100.00	551	87	46	600	15.67	1,330	24	2.49	546	91	23	
Corporates - SME	100.00 (default)	826	50	40	849	100.00	2,589	45	2.96	—	—	381	
Total - Corporates - SME		20,991	5,937	53	24,265	5.45	45,041	28	2.89	11,764	48	501	380
Corporates - Other	0.00 to <0.15	24,670	44,263	43	43,501	0.06	2,645	37	3.05	8,800	20	9	
Corporates - Other	0.15 to <0.25	8,460	11,660	46	13,655	0.19	1,288	44	2.91	6,865	50	11	
Corporates - Other	0.25 to <0.50	8,281	9,607	47	12,744	0.39	2,038	42	2.78	8,202	64	21	
Corporates - Other	0.50 to <0.75	3,074	2,417	47	4,226	0.64	1,674	39	2.42	3,014	71	11	
Corporates - Other	0.75 to <2.50	11,305	5,858	55	14,379	1.28	11,096	34	2.75	12,049	84	63	
Corporates - Other	2.50 to <10.0	3,905	2,277	52	5,033	3.65	7,607	29	2.12	5,412	108	63	
Corporates - Other	10.0 to <100.00	393	182	39	456	20.43	680	22	1.87	521	114	21	
Corporates - Other	100.00 (default)	892	87	36	922	100.00	1,190	51	1.94	—	—	468	
Total - Corporates - Other		60,980	76,351	45	94,916	1.59	28,218	38	2.85	44,863	47	667	632
Equities	0.00 to <0.15	—	—	—	—	—	—	—	—	—	—	—	
Equities	0.15 to <0.25	—	—	—	—	—	—	—	—	—	—	—	
Equities	0.25 to <0.50	20	—	—	20	0.40	1	90	5.00	38	192	—	
Equities	0.50 to <0.75	—	—	—	—	—	—	—	—	—	—	—	
Equities	0.75 to <2.50	186	—	—	186	1.30	15	90	5.00	520	281	3	
Equities	2.50 to <10.0	57	—	—	56	2.50	21	90	5.00	184	326	1	
Equities	10.0 to <100.00	—	—	—	—	—	—	—	—	—	—	—	
Equities	100.00 (default)	2	—	—	—	—	—	—	—	—	—	—	
Total - Equities		265	—	—	262	1.49	37	90	5.00	742	284	4	3
Total - Wholesale all portfolios		143,310	95,721	46	186,376	1.63	74,208	39	2.62	66,303	36	1,257	1,051

Credit risk (excluding counterparty credit risk)

EU CR6_b: IRB: Exposures by exposure class and PD range - Wholesale *continued*

31 December 2016

	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 %	EL Provisions £m	EL Provisions £m
IRB												
Central governments and central banks	0.00 to <0.15	47,016	31,534	20	52,781	—	64	46	2.02	3,420	6	3
Central governments and central banks	0.15 to <0.25	511	170	20	545	0.23	3	56	1.00	234	43	1
Central governments and central banks	0.25 to <0.50	3	6	21	4	0.32	2	63	1.95	3	75	—
Central governments and central banks	0.50 to <0.75	50	7	21	19	0.64	2	55	3.75	22	116	—
Central governments and central banks	2.50 to <10.0	2	—	—	2	7.24	3	3	1.00	—	—	—
Central governments and central banks	10.0 to <100.00	4	11	29	7	23.21	3	28	1.00	9	123	—
Total - Central governments and central banks		47,586	31,728	20	53,358	—	77	46	2.01	3,688	7	4
Institutions	0.00 to <0.15	7,512	7,772	57	11,790	0.09	347	35	3.01	3,002	25	4
Institutions	0.15 to <0.25	2,706	3,764	31	3,886	0.17	178	43	1.16	1,346	35	3
Institutions	0.25 to <0.50	179	286	32	256	0.35	94	53	2.70	213	83	—
Institutions	0.50 to <0.75	103	46	26	115	0.64	40	50	1.24	89	77	—
Institutions	0.75 to <2.50	19	21	44	27	1.07	44	34	2.58	23	86	—
Institutions	2.50 to <10.0	7	8	33	9	2.91	35	55	1.49	15	160	—
Institutions	10.0 to <100.00	—	3	20	1	27.39	17	60	1.00	2	347	—
Institutions	100.00 (default)	—	1	—	—	100.00	3	28	1.84	—	—	—
Total - Institutions		10,526	11,901	48	16,084	0.12	758	37	2.55	4,690	29	7
Corporates - Specialised lending	0.15 to <0.25	6	—	—	6	0.23	1	35	1.70	2	35	—
Corporates - Specialised lending	0.25 to <0.50	61	—	—	60	0.34	6	33	2.95	31	52	—
Corporates - Specialised lending	0.50 to <0.75	399	3	54	400	0.64	50	36	2.14	266	66	1
Corporates - Specialised lending	0.75 to <2.50	445	1	102	443	1.13	51	37	2.13	379	86	2
Corporates - Specialised lending	2.50 to <10.0	91	—	102	90	4.64	12	38	2.15	121	136	2
Corporates - Specialised lending	10.0 to <100.00	56	—	101	55	11.66	7	36	2.41	97	177	2
Corporates - Specialised lending	100.00 (default)	454	82	102	537	100.00	56	51	2.66	—	—	275
Total - Corporates - Specialised lending		1,512	86	100	1,591	34.93	183	41	2.35	896	56	282
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Credit risk (excluding counterparty credit risk)

EU CR6_b: IRB: Exposures by exposure class and PD range - Wholesale *continued*

31 December 2016	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 %	EL Provisions £m	EL Provisions £m
IRB												
Corporates - SME	0.00 to <0.15	1	12	35	6	0.11	25	44	3.22	2	28	—
Corporates - SME	0.15 to <0.25	407	109	64	477	0.22	1,115	39	3.34	181	38	—
Corporates - SME	0.25 to <0.50	1,999	750	60	2,454	0.41	6,658	31	3.26	871	35	3
Corporates - SME	0.50 to <0.75	2,090	766	58	2,539	0.64	5,368	29	2.93	1,028	41	5
Corporates - SME	0.75 to <2.50	9,377	2,784	53	10,892	1.33	17,839	26	2.91	5,357	49	38
Corporates - SME	2.50 to <10.0	4,341	1,212	48	4,978	3.61	9,148	23	2.68	2,618	53	41
Corporates - SME	10.0 to <100.00	515	103	49	574	15.43	1,275	26	2.51	556	97	22
Corporates - SME	100.00 (default)	936	58	34	958	100.00	3,085	45	3.09	—	—	434
Total - Corporates - SME		19,666	5,794	53	22,878	6.12	44,513	27	2.91	10,613	46	543
Corporates - Other	0.00 to <0.15	24,201	44,263	43	43,293	0.06	2,743	37	3.15	8,939	21	9
Corporates - Other	0.15 to <0.25	8,639	11,225	43	13,373	0.19	1,340	44	2.97	6,717	50	11
Corporates - Other	0.25 to <0.50	8,643	10,657	48	13,696	0.39	1,994	43	2.91	9,382	69	23
Corporates - Other	0.50 to <0.75	3,253	2,392	46	4,333	0.64	1,634	42	2.55	3,437	79	12
Corporates - Other	0.75 to <2.50	12,365	6,394	52	15,628	1.30	13,181	35	2.75	13,661	87	71
Corporates - Other	2.50 to <10.0	4,999	2,769	53	6,415	3.49	11,495	32	2.47	7,231	111	77
Corporates - Other	10.0 to <100.00	552	196	45	641	18.37	1,015	22	2.02	754	118	32
Corporates - Other	100.00 (default)	1,285	179	24	1,337	100.00	1,481	59	2.12	—	—	695
Total - Corporates - Other		63,937	78,075	45	98,716	2.04	34,883	39	2.94	50,121	51	930
Equities	0.75 to <2.50	170	—	—	170	1.31	15	90	5.00	480	281	2
Equities	2.50 to <10.0	63	—	—	62	2.51	23	90	5.00	201	326	1
Equities	100.00 (default)	2	—	—	—	100.00	1	90	5.00	—	—	—
Total - Equities		235	—	—	232	1.65	39	90	5.00	681	293	3
Total - Wholesale all portfolios		143,462	127,584	40	192,859	2.07	80,453	39	2.64	70,689	37	1,769

Credit risk (excluding counterparty credit risk)

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 2017												
IRB												
Central governments and central banks	—	46	—	50	0.10	45	—	45	—	45	0.10	51
Institutions	0.10	38	0.10	40	0.20	47	0.10	28	0.10	45	0.30	57
Corporates	2.50	36	2.30	33	6.70	41	1.30	47	0.80	46	10.40	44
<i>Specialised lending</i>	44.50	40	1.80	50	—	—	—	—	—	—	44.50	40
<i>SME</i>	5.50	28	4.90	27	14.00	36	15.20	11	14.00	24	51.70	50
<i>Other corporate</i>	1.60	38	1.40	35	3.70	43	1.20	47	0.80	47	6.60	45
Retail	4.00	22	2.60	21	19.10	33	3.20	60	2.90	58	3.80	59
<i>Secured by real estate property - SME</i>	4.90	41	4.90	41	10.40	39	4.60	39	1.50	37	6.30	39
<i>- non SME</i>	3.50	12	1.70	10	19.80	30	—	—	—	—	—	—
<i>Qualifying revolving</i>	3.50	62	3.50	62	5.50	72	2.20	60	2.00	59	2.40	59
<i>Other retail - SME</i>	6.50	51	6.30	49	9.40	71	8.70	50	6.40	46	10.80	46
<i>- non-SME</i>	14.40	75	14.20	76	20.20	71	19.00	75	39.80	79	21.10	75
Equities	1.50	90	1.60	90	—	—	1.30	90	1.30	90	1.30	90
Total IRB	2.90	30	2.40	25	14.60	36	0.40	43	0.30	46	4.30	50
31 December 2016												
IRB												
Central governments and central banks	—	46	—	50	0.10	45	—	45	—	45	0.10	51
Institutions	0.10	37	0.10	40	0.30	49	0.10	29	0.10	45	0.20	52
Corporates	3.20	37	2.50	33	7.60	43	2.10	48	2.60	48	14.70	44
<i>Specialised lending</i>	34.90	41	1.80	50	—	—	—	—	—	—	34.90	41
<i>SME</i>	6.10	27	5.40	27	17.10	38	14.20	31	20.00	24	57.00	37
<i>Other corporate</i>	2.00	39	1.60	35	4.40	45	2.10	48	2.50	48	6.40	44
Retail	4.20	22	2.80	21	19.20	33	3.40	61	3.20	59	4.10	60
<i>Secured by real estate property - SME</i>	5.30	42	5.30	42	11.90	40	6.00	38	1.00	37	5.50	39
<i>- non SME</i>	3.70	12	1.90	10	19.80	30	—	—	—	—	—	—
<i>Qualifying revolving</i>	3.60	62	3.60	62	6.00	71	2.30	60	2.00	59	2.50	60
<i>Other retail - SME</i>	7.60	51	7.40	50	10.30	72	13.30	52	7.70	49	11.60	46
<i>- non-SME</i>	15.80	76	15.50	76	21.70	70	18.80	75	47.30	79	25.20	75
Equities	1.60	90	1.80	90	—	—	1.40	90	1.80	90	11.40	90
Total IRB	3.20	31	2.70	25	15.00	36	0.60	44	0.90	46	6.70	48

- Weighted average PD and LGD declined across most regions in line with the risk reduction strategy.

Credit risk (excluding counterparty credit risk)

EU CR10_A IRB: IRB specialised lending

The table below presents IRB specialised lending exposures subject to the supervisory slotting approach, 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	RW %	Exposure amount £m	RWAs £m	Expected loss £m
30 June 2017							
IRB							
1 - Strong	Less than 2.5 years	3,491	730	50	4,018	2,009	—
	Equal to or more than 2.5 years	8,559	959	70	9,115	6,380	36
2 - Good	Less than 2.5 years	3,908	605	70	4,427	3,099	18
	Equal to or more than 2.5 years	3,706	219	90	3,895	3,506	31
3 - Satisfactory	Less than 2.5 years	205	4	115	209	240	6
	Equal to or more than 2.5 years	538	83	115	620	714	17
4 - Weak	Less than 2.5 years	150	5	250	154	386	12
	Equal to or more than 2.5 years	84	17	250	97	242	8
5 - Default	Less than 2.5 years	916	5	—	920	—	463
	Equal to or more than 2.5 years	424	32	—	453	—	226
Total		21,981	2,659	—	23,908	16,576	817
31 December 2016							
IRB							
1 - Strong	Less than 2.5 years	3,034	404	50	3,304	1,652	—
	Equal to or more than 2.5 years	8,001	1,069	70	8,723	6,106	35
2 - Good	Less than 2.5 years	4,029	678	70	4,607	3,225	18
	Equal to or more than 2.5 years	4,092	216	90	4,238	3,814	34
3 - Satisfactory	Less than 2.5 years	202	8	115	210	241	6
	Equal to or more than 2.5 years	658	103	115	753	866	21
4 - Weak	Less than 2.5 years	117	4	250	120	301	10
	Equal to or more than 2.5 years	117	26	250	143	358	11
5 - Default	Less than 2.5 years	996	13	—	1,007	—	506
	Equal to or more than 2.5 years	490	16	—	500	—	249
Total		21,736	2,537	—	23,605	16,563	890

- The reduction in expected loss is a reflection of the disposal of defaulted assets in line with the risk reduction strategy.

EU CR10_B IRB: IRB equities

The table below presents IRB equity exposures subject to the simple risk weight approach. It excludes counterparty credit risk and securitisations.

	On-balance sheet amount £m	Off-balance sheet amount £m	RW %	Exposure amount £m	RWAs £m	Capital requirements £m
30 June 2017						
IRB						
Exchange-traded equity exposures	41	—	290	41	120	10
Private equity exposures	299	276	190	550	1,045	84
Other equity exposures	62	4	370	62	229	18
Total	402	280	—	653	1,394	112
31 December 2016						
IRB						
Exchange-traded equity exposures	57	—	290	57	167	13
Private equity exposures	261	124	190	360	685	55
Other equity exposures	151	5	370	131	482	39
Total	469	129	—	548	1,334	107

- The increase in private equity reflected RBS's contribution to the UK Business Growth Fund.
- The reduction in other equity was in line with Capital Resolution strategy to dispose of legacy assets.

Counterparty credit risk

Counterparty credit risk

EU CCR2: CCR: Credit valuation adjustment capital charge

The table below presents the CVA charge broken down by approach.

	30 June 2017		31 December 2016	
	Exposure amount £m	RWAs £m	Exposure amount £m	RWAs £m
Total portfolios subject to the advanced CVA capital charge	9,311	2,415	12,749	3,560
(i) VaR component (including the 3x multiplier)	n/a	573	n/a	686
(ii) Stressed VaR component (including the 3x multiplier)	n/a	1,842	n/a	2,874
All portfolios subject to the standardised CVA capital charge	2,338	726	2,942	1,103
Total	11,649	3,141	15,691	4,663

- The key driver of the decline in the CVA charge was decreased asset size. This reflected continued reduction of exposures in Capital Resolution and increased mitigation of exposures through collateralisation in both Capital Resolution and NatWest Markets.

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

Exposure class	Risk-weight						Of which: Unrated £m
	0% £m	20% £m	50% £m	75% £m	100% £m	Total £m	
30 June 2017							
Central governments and central banks	2,051	—	—	—	—	2,051	—
Regional government and local authorities	—	58	—	—	—	58	—
Institutions	—	115	41	—	—	156	—
Corporates	—	25	12	—	927	964	126
Retail	—	—	—	6	—	6	—
Exposures in default	—	—	—	—	—	—	—
Total	2,051	198	53	6	927	3,235	126
31 December 2016							
Central governments and central banks	2,555	—	—	—	—	2,555	—
Regional government and local authorities	—	51	—	—	—	51	—
Institutions	—	172	33	—	—	205	—
Corporates	—	73	159	—	971	1,203	87
Retail	—	—	—	8	—	8	—
Exposures in default	—	—	—	—	2	2	—
Total	2,555	296	192	8	973	4,024	87

- Total exposures under the standardised approach declined, primarily in the 0% band, reflecting fluctuations in exposure to central banks.
- The maturing of transactions in the 20% band and the close-out of a Capital Resolution transaction in the 50% band also contributed.

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 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 2017	PD Scale	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	4,550	0.01	30	45	2.16	373	8
Central governments and central banks	0.15 to <0.25	7	0.23	4	45	4.59	5	71
Central governments and central banks	0.25 to <0.50	4	0.45	1	47	0.23	2	45
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	0.01	—	61
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		4,562	0.01	36	45	4.32	380	8
Institutions	0.00 to <0.15	3,713	0.10	148	45	2.47	1,549	42
Institutions	0.15 to <0.25	3,455	0.17	214	47	2.69	2,043	59
Institutions	0.25 to <0.50	346	0.38	135	50	2.48	296	86
Institutions	0.50 to <0.75	130	0.64	60	56	2.75	163	125
Institutions	0.75 to <2.50	111	1.07	69	58	1.58	143	128
Institutions	2.50 to <10.00	44	3.67	20	49	2.23	74	166
Institutions	10.00 to <100.00	—	14.48	2	45	1.20	1	217
Institutions	100.00 (Default)	—	100.00	1	56	1.42	—	—
Total - Institutions		7,799	0.19	649	46	2.55	4,269	55
Corporates - SME	0.00 to <0.15	—	0.11	1	100	1.00	—	29
Corporates - SME	0.15 to <0.25	4	0.22	26	41	1.34	1	27
Corporates - SME	0.25 to <0.50	25	0.42	201	71	1.82	19	75
Corporates - SME	0.50 to <0.75	10	0.64	196	52	1.27	6	59
Corporates - SME	0.75 to <2.50	83	1.17	584	51	2.61	79	95
Corporates - SME	2.50 to <10.00	31	3.64	267	37	2.49	29	92
Corporates - SME	10.00 to <100.00	4	14.33	38	18	2.43	2	60
Corporates - SME	100.00 (Default)	2	100.00	24	31	2.23	—	—
Total - Corporates - SME		159	2.76	1,337	50	2.33	136	85

Counterparty credit risk

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

30 June 2017	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	1,512	—	315	—	4.49	1,034	68
Corporates - Specialised lending	Good	385	—	176	—	4.57	339	88
Corporates - Specialised lending	Satisfactory	90	—	20	—	4.61	103	115
Corporates - Specialised lending	Weak	9	—	10	—	3.02	22	250
Corporates - Specialised lending	Default	45	—	16	—	4.32	—	—
Total - Corporates - Specialised lending (1)		2,041	—	537	—	4.49	1,498	73
Corporates - Other	0.00 to <0.15	14,070	0.06	2,734	37	2.98	2,733	19
Corporates - Other	0.15 to <0.25	4,287	0.19	410	47	2.90	2,553	60
Corporates - Other	0.25 to <0.50	679	0.40	334	59	2.24	609	90
Corporates - Other	0.50 to <0.75	341	0.64	149	48	1.24	252	74
Corporates - Other	0.75 to <2.50	366	1.21	310	29	3.30	234	64
Corporates - Other	2.50 to <10.00	84	2.92	179	48	1.16	106	126
Corporates - Other	10.00 to <100.00	4	21.46	17	38	3.13	8	211
Corporates - Other	100.00 (Default)	1	100.00	3	28	1.03	—	—
Total - Corporates - Other		19,832	0.15	4,136	40	2.90	6,495	33
Total - Wholesale all portfolios		34,393	0.14	6,695	39	3.10	12,778	37

Note:

(1) Specialised lending uses slotting rather than PD scale.

Counterparty credit risk

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

31 December 2016	PD Scale	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	8,456	0.01	31	45	1.72	555	7
Central governments and central banks	0.15 to <0.25	9	0.22	4	45	4.01	6	65
Central governments and central banks	0.25 to <0.50	5	0.45	1	45	0.57	2	47
Central governments and central banks	0.50 to <0.75	—	—	—	—	—	—	—
Central governments and central banks	0.75 to <2.50	3	0.91	1	45	0.05	2	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		8,473	0.01	37	45	1.72	565	7
Institutions	0.00 to <0.15	4,996	0.10	162	47	2.44	2,065	41
Institutions	0.15 to <0.25	4,423	0.17	216	49	2.81	2,810	64
Institutions	0.25 to <0.50	897	0.41	159	58	1.77	817	91
Institutions	0.50 to <0.75	158	0.64	66	67	3.63	206	130
Institutions	0.75 to <2.50	131	1.20	56	52	3.17	192	147
Institutions	2.50 to <10.00	56	3.21	16	49	1.79	84	151
Institutions	10.00 to <100.00	—	—	2	45	2.19	1	229
Institutions	100.00 (Default)	—	100.00	1	56	1.92	—	—
Total - Institutions		10,661	0.19	678	49	2.56	6,175	58
Corporates - SME	0.00 to <0.15	—	—	—	—	—	—	—
Corporates - SME	0.15 to <0.25	9	0.22	24	29	1.23	2	19
Corporates - SME	0.25 to <0.50	55	0.44	209	55	3.25	41	73
Corporates - SME	0.50 to <0.75	16	0.64	203	56	1.96	12	75
Corporates - SME	0.75 to <2.50	86	1.25	614	49	2.79	82	95
Corporates - SME	2.50 to <10.00	35	3.71	269	34	2.60	30	86
Corporates - SME	10.00 to <100.00	2	15.17	32	36	1.66	3	122
Corporates - SME	100.00 (Default)	4	100.00	30	29	2.29	—	—
Total - Corporates - SME		207	3.39	1,381	47	2.73	170	81

Counterparty credit risk

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

31 December 2016	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	1,728	n/a	339	n/a	3.60	1,215	70
Corporates - Specialised lending	Good	399	n/a	238	n/a	4.49	321	80
Corporates - Specialised lending	Satisfactory	118	n/a	28	n/a	4.45	130	110
Corporates - Specialised lending	Weak	8	n/a	11	n/a	4.45	21	250
Corporates - Specialised lending	Default	28	n/a	21	n/a	3.62	—	—
Total - Corporates - Specialised lending (1)		2,281	n/a	637	n/a	3.80	1,687	74
Corporates - Other	0.00 to <0.15	16,746	0.06	2,810	37	3.07	3,461	21
Corporates - Other	0.15 to <0.25	5,358	0.19	424	48	2.53	3,052	57
Corporates - Other	0.25 to <0.50	834	0.38	353	55	2.08	642	77
Corporates - Other	0.50 to <0.75	343	0.64	140	47	1.23	255	74
Corporates - Other	0.75 to <2.50	391	1.24	359	31	3.26	270	69
Corporates - Other	2.50 to <10.00	175	3.25	234	50	2.47	267	153
Corporates - Other	10.00 to <100.00	1	11.62	20	40	1.69	3	200
Corporates - Other	100.00 (Default)	6	100.00	12	21	1.04	—	—
Total - Corporates - Other		23,854	0.18	4,352	41	2.89	7,950	33
Total - Wholesale all portfolios		45,476	0.17	7,085	43	2.64	16,547	36

Note:

(1) Specialised lending uses slotting rather than PD scale.

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

Market risk

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 2017	RBS		RBS plc		NWB Plc		RBSSI	
	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m	RWAs £m	MCR £m
STD	4,487	359	3,027	242	496	40	915	73
Interest rate position risk (outright products)	1,361	109	293	23	144	12	908	73
Option position risk (delta-plus approach)	3	—	1	—	—	—	2	—
Commodity position risk	5	—	—	—	—	—	5	—
Foreign exchange position risk (outright products)	2,341	188	1,956	157	352	28	—	—
Securitisation positions (specific interest rate risk)	777	62	777	62	—	—	—	—
IMA	12,003	960	11,810	945	2	—	—	—
VaR	2,082	167	2,002	160	1	—	—	—
SVaR	7,123	569	7,010	561	1	—	—	—
Incremental risk charge	2,798	224	2,798	224	—	—	—	—
Total	16,490	1,319	14,837	1,187	498	40	915	73
Of which: RNIV	2,796	223	2,796	223	—	—	—	—
31 December 2016								
STD	3,532	283	2,115	169	642	51	722	58
Interest rate position risk (outright products)	1,273	103	348	28	196	16	712	57
Option position risk (delta-plus approach)	3	—	2	—	—	—	—	—
Commodity position risk	10	1	—	—	—	—	10	1
Foreign exchange position risk (outright products)	1,078	86	597	48	446	35	—	—
Securitisation positions (specific interest rate risk)	1,168	93	1,168	93	—	—	—	—
IMA	13,906	1,112	13,583	1,087	34	3	—	—
VaR	4,136	331	4,023	322	11	1	—	—
SVaR	7,590	607	7,382	591	23	2	—	—
Incremental risk charge	2,180	174	2,178	174	—	—	—	—
Total	17,438	1,395	15,698	1,256	676	54	722	58
Of which: RNIV	2,619	210	2,619	210	—	—	—	—

RBS

- The overall moderate decline in RBS's total market risk RWAs was driven by exposures under the internal model approach, partly offset by an increase in exposures under the standardised approach. The majority of the exposure under both approaches related to RBS plc.

RBS plc

- The VaR-based requirement declined significantly as a result of reduced euro and sterling interest rate risk exposure. The Swiss central bank's removal of the Swiss franc's peg to the euro in January 2015 fell out of the 500-day window for VaR, also contributing to the decline in the requirement. The SVaR-based requirement declined moderately. These decreases were partly offset by an increase in the incremental risk charge, which was largely due to an increase in eurozone bond positions as a result of market activity and client trading.
- The increase under the standardised approach was primarily due to a higher banking book foreign exchange charge. This largely reflected higher foreign currency forward positions held in Group Treasury in anticipation of conduct settlement and calling of equity instruments in Q3 2017. The increase was slightly offset by asset disposals in trading book securitisations, mainly in NatWest Markets.

NWB Plc

- The RWA decline mainly reflected a lower banking book foreign exchange charge.

RBSSI

- The rise in RWAs reflected increased positioning on general interest rate risk exposure as part of business-as-usual activity.

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 2017		31 December 2016	
		RWAs £m	MCR £m	RWAs £m	MCR £m
	VaR (higher of a and b)	2,082	167	4,136	331
a	Period end VaR	813	65	1,538	123
b	Average of the daily VaR for preceding 60 business days x multiplication factor	2,082	167	4,136	331
	SVaR (higher of a and b)	7,123	569	7,590	607
a	Period end SVaR	3,427	274	3,566	285
b	Average of the SVaR for preceding 60 business days x multiplication factor	7,123	569	7,590	607
	Incremental risk charge (higher of a and b) ⁽¹⁾	2,798	224	2,180	174
a	Period end IRC value	2,163	173	1,953	156
b	Average IRC over preceding 60 business days	2,798	224	2,180	174
	Total	12,003	960	13,906	1,112
	Of which: period end RNIV	2,796	223	2,619	210

Note:

(1) RBS IRC is calculated by aggregating IRC from legal entities approved to use models. For these legal entities, IRC is based on the higher of spot or 60 day average IRC. Therefore the RBS IRC reported may not necessarily be the higher of the RBS equivalents on rows a or b.

Refer to the commentary on the internal model approach under EU MR1.

Market risk

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.

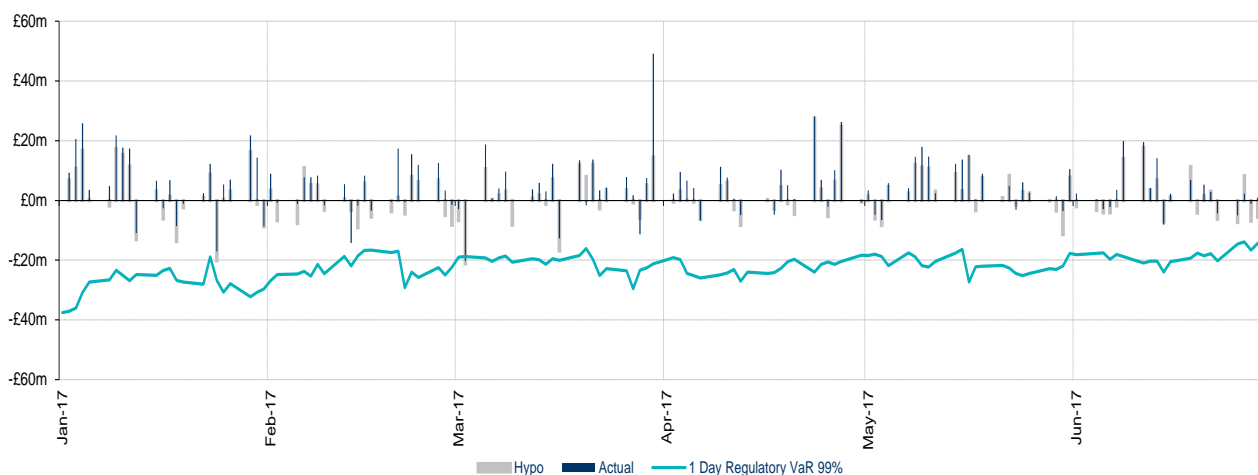
	30 June 2017			31 December 2016		
	RBS £m	RBS plc £m	NWB Plc £m	RBS £m	RBS plc £m	NWB Plc £m
VaR (10 day 99%)						
Maximum value	63	62	—	122	117	2
Average value	51	49	—	90	85	1
Minimum value	40	39	—	56	50	—
Period end	40	39	—	112	111	—
SVaR (10 day 99%)						
Maximum value	148	147	—	156	146	5
Average value	120	118	—	137	121	2
Minimum value	85	83	—	112	95	—
Period end	85	83	—	149	146	—
IRC (99.9%)						
Maximum value	291	291	—	341	310	—
Average value	233	233	—	244	218	—
Minimum value	173	173	—	156	148	—
Period end	210	210	—	156	156	—

- The movements in VaR, SVaR and IRC values for RBS and RBS plc were 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 have fallen to values below £1 million.

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

Two types of profit and loss (P&L) are used in back-testing comparisons: Actual P&L and Hypothetical (Hypo) P&L. For more information, refer to the Market risk section of the 2016 ARA.

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



- The back-testing exception that occurred in RBS plc during H1 2017 was driven by a loss in Capital Resolution as a result of adverse market moves in interest rates and inflation.