

Pillar III Disclosures
Year-ended 31st December 2018

Ulster Bank Ireland Designated Activity Company



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Pillar III Disclosures 31 December 2018

This Pillar III Disclosure for 2018 is applicable to Ulster Bank Ireland Designated Activity Company ('UBIDAC'). UBIDAC is a company incorporated in the Republic of Ireland which as at 31 December 2018 forms part of Ulster Bank ('UBG') whose ultimate parent is The Royal Bank of Scotland plc ('RBS').

Basis of disclosure

UBIDAC is a significant subsidiary of an EU parent institution. Reduced disclosure requirements apply to significant subsidiaries of EU banking parents in accordance with Article 13 (1) of Regulation (EU) No 575/2013. UBIDAC is required by its supervisors to publish an annual disclosure in accordance with the requirements for significant subsidiaries.

UBIDAC Pillar III Disclosures for 2018 are reported as part of the significant subsidiary disclosures within the RBS Pillar III Annual Disclosure. Refer to www.investors.rbs.com.

Appendix 2 in this document contains a mapping table to reference each article under the Capital Requirements Regulation (CRR) relevant to significant subsidiaries to the appropriate table in the RBS Pillar III document or other published information. The UBIDAC disclosure tables within this document have been extracted from the RBS Pillar III document and reported in Euro. A comparison against the UBIDAC 2017 disclosures has been shown.

This disclosure should be read in conjunction with the UBIDAC 2018 Financial Statements. The management of market risk, interest rate risk, currency and liquidity risk is outlined in Note 23 of UBIDAC's Financial Statements. Additional information on credit risk management is also provided in the UBIDAC 2018 Financial Statements.

In reading these disclosures, the following points must be noted:

- The disclosures represent a regulatory rather than an accounting consolidation. Certain aspects of the business (e.g. special purpose vehicles) are included in financial but not regulatory reporting; therefore these disclosures may not be comparable with other external disclosures by UBIDAC.
- The disclosures relate to the position at 31 December 2018 and have been prepared in accordance with applicable legislation effective at this date. The comments relate to the business structure, governance and risk management approach at that date.
- The information has not been subject to external audit.

Background

The Capital Requirements Regulation (CRR) and Capital Requirements Directive (CRD IV - was enacted in Irish law by S.I. No. 158 of 2014 and S.I. No. 159 of 2014). Pursuant to Article 431 of Regulation EU575/2013 (the CRR), UBIDAC shall publically disclose the information laid according to Part 8, Title III, of the CRR, further specified by the EBA guidelines on disclosure requirements (EBA-GL-2016-11). The Basel framework is based around the following three Pillars:

- *Pillar I – Minimum capital requirements:* defines rules for the calculation of credit, market and operational risk. Risk-weighted assets (RWAs) are required to be calculated for each of these three risks. For credit risk, the majority of RBS

(inclusive of UBIDAC) uses the advanced internal ratings based (IRB) approach for calculating RWAs.

- *Pillar II – Supervisory review process:* requires banks to undertake an Internal Capital Adequacy Assessment Process (ICAAP) for risks either not adequately covered in, or excluded from, Pillar I. The UBIDAC ICAAP, including the Pillar II add-on, is informed by the output of the Material Integrated Risk Assessment (MIRA) process. The ICAAP submission is followed by the SREP review process lead by the Joint Supervisory Team of the CBI and the European Central Bank (ECB) under the Single Supervisory Mechanism ('SSM'). UBIDAC's minimum capital requirement, including Pillar II requirements, is prescribed within the follow-up SREP letter from the ECB. UBIDAC ICAAP requirements are managed under the governance of the UB Executive Risk Committee. The risks considered to require Pillar II capital include Concentration Risk, Interest Rate Risk, Operational Risk and Pension Risk. The Pillar II capital requirement is reviewed and approved, on a semi-annual basis, by the UBIDAC Board of Directors.
- *Pillar III – Market discipline:* requires expanded disclosure to allow investors and other market participants to understand the risk profiles of individual banks. The level of risk disclosure reporting has increased within UBIDAC, as well as within RBS and continues to expand to encourage market transparency and stability.

Capital and risk management

UBIDAC is governed by its & RBS capital management policies which are to maintain a strong capital base, to expand it as appropriate and to utilise it efficiently throughout its activities in order to optimise the return to shareholders while maintaining a prudent relationship between the capital base and the underlying risks of the business. UBIDAC aims to maintain appropriate levels of capital, in excess of regulatory requirements, that ensure the capital position remains appropriate given the economic and competitive environment.

UBIDAC plans and manages capital resources in accordance with the UBIDAC Capital policy. UBIDAC capital planning is a key part of the budgeting and planning process. The Risk Weighted Assets ('RWA') by risk type for capital allocation are contained in Table 08 below. The capital plan covers a five year period and is regularly reviewed and updated. The UBIDAC Capital Management Unit ('CMU') and the UBIDAC Asset and Liability Management Committee ('ALCO') monitor the utilisation of capital by tracking the actual capital available on an on-going basis. In carrying out these policies, UBIDAC has regard to and has complied with the supervisory requirements of the ECB and the

CBI. The following tables show the capital resources and capital requirements of UBIDAC under Pillar III

Capital Liquidity and Funding

Table 01:

EBA IFRS 9:FL: EBA Key metrics - significant subsidiaries

The table below shows key metrics as required by the EBA relating to IFRS 9 for UBIDAC.

	31 December 2018	30 September 2018	30 June 2018	31 March 2018
Available capital (amounts)	€m	€m	€m	€m
1 Common equity tier 1	4,463	4,443	4,443	4,433
Common equity tier 1 capital as if IFRS 9 transitional arrangements had not been applied	4,463	4,443	4,443	4,433
2 Tier 1	4,463	4,443	4,443	4,433
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	4,463	4,443	4,443	4,433
3 Total capital	4,930	4,936	4,963	4,979
Total capital as if IFRS 9 transitional arrangements had not been applied	4,930	4,936	4,963	4,979
4 Risk weighed assets (amounts)				
5 Total risk-weighted assets	16,210	18,360	18,714	19,074
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	16,210	18,360	18,714	19,074
6 percentage of RWA				
7 Common equity tier 1 ratio	27.5	24.2	23.7	23.2
Common equity tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	27.5	24.2	23.7	23.2
8 Tier 1 ratio	27.5	24.2	23.7	23.2
Tier 1 ratio as if IFRS 9 transitional arrangements had not been applied	27.5	24.2	23.7	23.2
9 Total capital ratio	30.4	26.9	26.5	26.1
Total capital ratio as if IFRS 9 transitional arrangements had not been applied	30.4	26.9	26.5	26.1
10 Leverage ratio				
11 CRR leverage ratio exposure measure (€m)	30,443	31,320	30,960	29,106
12 CRR leverage ratio (%)	14.7	14.2	14.4	15.2
CRR leverage ratio (%) as if IFRS 9 transitional arrangements had not been applied	14.7	14.2	14.4	15.2

Table 01 Note:

- (1) Table 01 data has been extracted from RBS Pillar III Table EBA IFRS 9:FL, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Due to exchange rates there are small rounding variances

Capital Liquidity and Funding

Table 02:

CAP 1: CAP and LR: Capital and leverage ratios

Capital adequacy ratios - transitional (1)	31 December 2018 %	31 December 2017 %
CET 1	27.5	30.5
Tier 1	27.5	30.5
Total	30.4	33.3
Capital - transitional	€m	€m
CET1	4,463	6,034
Tier 1	4,463	6,034
Total	4,930	6,592
RWAs	€m	€m
Credit risk (including counterparty risk)		
- credit	14,950	18,116
- counterparty	136	362
Market risk	53	76
Operational risk	1,070	1,240
	16,210	19,794
CRR leverage - transitional (2)	€m	€m
Tier 1 capital	4,463	6,034
Exposure	30,443	31,281
Leverage ratio (%)	14.7	19.3

Table 02 Note:

- (1) Table 02 data has been extracted from RBS Pillar III Table CAP 1. Figures translated into €Euro as applicable.
- (2) Capital and RWA analyses are based on CRR applicable in Ireland as promulgated by the Central Bank of Ireland (CBI transitional basis)
- (3) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (4) December 2017 figures have been reinstated to take into account the deferred tax asset revised assumptions
- (5) Due to exchange rates there are small rounding variances

Capital Liquidity and Funding

Table 03:
CAP 2: Capital resources (CRR Own Funds template)

	31 December 2018	31 December 2017
	€m	€m
1 Capital instruments and the related share premium accounts	4,736	4,734
<i>of which: ordinary shares</i>	3,592	3,592
2 Retained earnings	81	1,717
3 Accumulated other comprehensive income (and other reserves)	1	—
4 Public sector capital injections grandfathered until 1 January 2018	—	—
5a Independently reviewed interim net profits net of any foreseeable charge or dividend	85	—
6 CET1 capital before regulatory adjustments	4,903	6,451
7 Additional value adjustments	—	—
8 Intangible assets (net of related tax liability)	(1)	(1)
10 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(292)	(292)
11 Fair value reserves related to gains or losses on cash flow hedges	—	—
12 Negative amounts resulting from the calculation of expected loss amounts	(1)	(150)
14 Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	(2)	(1)
15 Defined-benefit pension fund assets	(144)	(55)
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 Amount exceeding the 17.65% threshold (negative amount)	—	—
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>	—	—
25 <i>Of which: deferred tax assets arising from temporary differences</i>	—	—
25a Losses for the current financial period (negative amount)	—	(48)
26 Regulatory adjustments applied to CET1 in respect of amounts subject to pre-CRR treatment	—	145
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>	—	145
27 Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	—	(15)
28 Total regulatory adjustments to CET1	(440)	(417)
29 CET1 capital	4,463	6,034
30 Capital instruments and the related share premium accounts	—	—
31 <i>of which: classified as equity under applicable accounting standards</i>	—	—
32 <i>of which: classified as debt under applicable accounting standards</i>	—	—
33 <i>Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase out from AT1</i>	—	—
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	—	—
35 <i>of which: instruments issued by subsidiaries subject to phase out</i>	—	—
36 AT1 capital before regulatory adjustments	—	—
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)	—	—
41 (-) Actual or contingent obligations to purchase own AT1 instruments	—	—
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	—	—
44 AT1 capital	—	—
45 Tier 1 capital (T1 = CET1 + AT1)	4,463	6,034

Capital Liquidity and Funding

Table 03: (Continued)

CAP 2: Capital resources (CRR Own Funds template)

	31 December 2018	31 December 2017
	€m	€m
T2 capital: instruments and provisions		
46	467	573
47	—	—
48	—	—
49	—	—
50	—	—
51	467	573
T2 capital: regulatory adjustments		
55	—	—
56a	—	—
56b	—	(15)
56c	—	—
57	—	(15)
58	467	558
59	4,930	6,592
60	16,210	19,794
Capital ratios and buffers		
61	27.5%	30.5%
62	27.5%	30.5%
63	30.4%	33.3%
64	6.4%	5.8%
65	1.9%	1.3%
66	—	—
67	—	—
67a	—	—
68	23.0%	26.0%
Amounts below the threshold deduction		
72	—	—
73	4	5
75	—	—
Available caps on the inclusion of provisions in T2		
76	—	—
77	13	10
78	—	—
79	83	104
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
82	—	—
83	—	—
84	63	79
85	—	—

Table 03 Note:

- (1) Table 03 data has been extracted from RBS Pillar III Table CAP 2, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) December 2017 figures have been reinstated to take into account the deferred tax asset revised assumptions.
- (4) December 2018 figures do not include any transitional adjustments
- (5) Countercyclical buffer requirement is detailed on tables 06 and 07 and is lower than €1m.
- (6) Due to exchange rates there are small rounding variances

Capital Liquidity and Funding

Table 04:

EU OV1: RWAs and MCR Summary

	RWA		Minimum Capital Requirements	Minimum Capital Requirements
	Dec-18	Dec 2017	Dec 2018	Dec-17
	€m	€m	€m	€m
Credit risk (excluding counterparty credit risk) (CCR)	14,940	18,102	1,195	1,449
Standardised approach (SA)	1,044	805	84	64
Internal rating-based (IRB) approach	13,896	17,297	1,111	1,385
Equity IRB under the Simple risk-weight or the internal models approach	—	—	—	—
Counterparty credit risk	136	362	11	29
Of which: Marked to market	103	215	8	18
Of which: Securities financing transactions	2	5	—	—
Of which: Internal model method (IMM)	31	139	3	11
Of which: Risk exposure amount for contributions to the default fund of a CCP	—	—	—	—
Of which: CVA	—	3	—	—
Equity positions in banking book under market-based approach [moved]	—	—	—	—
Settlement risk	—	—	—	—
Securitisation exposures in banking book (After Cap)	—	—	—	—
IRB ratings-based approach (RBA)	—	—	—	—
IRB Supervisory Formula Approach (SFA)	—	—	—	—
Internal Assessment Approach (IAA)	—	—	—	—
Standardised Approach (SA)	—	—	—	—
Market risk	53	76	4	6
Standardised approach (SA)	53	76	4	6
Internal model approaches (IM)	—	—	—	—
Large Exposures	—	—	—	—
Operational risk	1,070	1,240	86	99
Basic Indicator Approach	—	—	—	—
Standardised Approach	1,070	1,240	86	99
Amounts below the thresholds for deduction (subject to 250% risk weight)	10	14	1	1
Floor adjustment	—	—	—	—
Total	16,210	19,794	1,297	1,584

Table 04 Note:

- (1) Table 04 data has been extracted from RBS Pillar III Table OV1 and translated into €Euro as applicable
- (2) The standardised approach is used to calculate market risk capital requirements
- (3) The Standardised (TSA) approach is used to calculate the operational risk capital requirement
- (4) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (5) There is approx. €490k CVA at 31 December 2018 but due to rounding does not appear on the table above
- (6) Due to exchange rates there are small rounding variances

Capital Liquidity and Funding

Table 05:

CAP 3: Leverage Exposures (CRR Delegated Act Template)

	31 December 2018	31 December 2017
	UBI DAC	UBI DAC
	€m	€m
LRSum: Summary reconciliation of accounting assets and leverage ratio exposure		
1	29,538	30,249
2	—	—
4	58	201
5	—	—
6	1,284	1,201
EU-6a	—	—
7	(437)	(370)
8	30,443	31,281
LRCom: Leverage ratio common disclosure		
On-balance sheet exposures (excluding derivatives and SFTs)		
1	28,717	28,806
2	(437)	(370)
3	28,280	28,436
Derivative exposures		
4	149	496
5	119	287
6	—	—
7	—	—
8	—	—
9	—	—
10	—	—
11	268	783
Securities financing transaction exposures		
12	611	861
13	—	—
14	—	—
16	611	861
Other off-balance sheet exposures		
17	3,899	3,613
18	(2,615)	(2,412)
19	1,284	1,201
EU-19a	—	—
Capital and total exposures		
20	4,463	6,034
21	30,443	31,281
22	14.7%	19.3%
LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
	€m	€m
EU-1	28,280	28,436
EU-2	—	—
EU-3	28,280	28,436
EU-4	—	—
EU-5	4,756	3,861
EU-6	487	500
EU-7	1,565	1,684
EU-8	14,991	2,385
EU-9	2,148	15,153
EU-10	2,345	2,379
EU-11	1,551	2,062
EU-12	437	412

Table 05 Note:

- (1) Table 05 data has been extracted from RBS Pillar III Table CAP 3: LR. Figures translated into €Euro as applicable.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) December 2017 figures have been reinstated to take into account the deferred tax asset revised assumptions.
- (4) December 2017 EU-9 included the mortgage book
- (5) Due to exchange rates there are small rounding variances

Capital Liquidity and Funding

Table 06:

CAP 5a: CAP: Countercyclical capital buffer - geographical distribution of credit exposures

	UK	Rol	United States	Sweden	Hong Kong	Norway	Other	Total
	€m	€m	€m	€m	€m	€m	€m	€m
2018								
Total Risk Exposure (sum of General Credit, Trading and Securitisation)	422	24,547	60	26	—	—	73	25,128
Total Own Fund Requirements	22	1,097	2	1	—	—	4	1,127
2017								
Total Risk Exposure (sum of General Credit, Trading and Securitisation)	987	25,166	17	26	—	—	128	26,325
Total Own Fund Requirements	45	1,332	1	2	—	—	10	1,389

Table 07:

CAP 5b: CAP: Countercyclical capital buffer requirement

2018	€m
Total risk exposure amount	16,210
Institution specific countercyclical buffer rate	0.02%
Institution specific countercyclical buffer requirement	3
2017	€m
Total risk exposure amount	19,794
Institution specific countercyclical buffer rate	0.003%
Institution specific countercyclical buffer requirement	1

Table 06 and Table 07 Note:

- (1) Table 06 and Table 07 data has been extracted from RBS Pillar III Consolidated Tables CAP 6a & 6b and translated into €Euro as applicable
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Due to exchange rates there are small rounding variances

Credit risk (including counterparty credit risk)

Table 08:

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

	31-Dec-18				31-Dec-17			
	EAD pre CRM	EAD post CRM	RWAs	Minimum capital requirement	EAD pre CRM	EAD post CRM	RWAs	Minimum capital requirement
	€m	€m	€m	€m	€m	€m	€m	€m
Central governments or central banks	5,254	5,254	525	42	4,371	4,371	460	37
Institutions	823	823	207	17	502	501	98	8
Corporates	5,690	5,568	3,639	291	5,886	5,799	4,243	339
Specialised Lending	1,227	1,227	883	71	1,346	1,346	991	79
SME	1,289	1,286	616	49	1,385	1,380	827	66
Other Corporate	3,174	3,055	2,140	171	3,155	3,073	2,425	194
Retail	18,074	18,074	9,317	745	19,301	19,301	12,271	982
Secured by real estate property SME	—	—	—	—	—	—	—	—
Secured by real estate property non SME	16,790	16,790	8,498	680	17,933	17,931	11,361	909
Qualifying Revolving	395	395	277	22	413	413	256	21
Other Retail SME	663	663	373	30	714	714	475	38
Other Retail non SME	226	226	169	14	244	244	178	14
Equities	—	—	—	—	—	—	—	—
Securitisation	—	—	—	—	—	—	—	—
Non-credit obligation assets	496	496	209	17	548	548	225	18
Total IRB approach	30,338	30,215	13,896	1,112	30,608	30,520	17,297	1,384
Central governments or central banks	—	—	1	—	—	—	—	—
Regional governments or local authorities	2	2	2	—	2	2	2	—
Public sector entities	—	—	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—	—	—
Institutions	822	822	164	13	1,275	1,275	255	20
Corporates	762	762	737	59	457	457	454	36
Retail	17	17	9	1	14	14	8	1
Secured by mortgages on immovable property - residential	97	97	97	8	53	53	53	4
Secured by mortgages on immovable property - commercial	9	9	9	1	—	—	—	—
Exposures in default	13	13	19	1	17	17	26	2
Items associated with particularly high risk	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—	—	—
Equity exposures	4	4	9	1	4	4	13	1
Other exposures	36	36	7	1	38	38	8	1
Total SA Approach	1,760	1,760	1,054	84	1,860	1,860	819	65
Total	32,098	31,975	14,950	1,196	32,468	32,381	18,116	1,449

Credit risk (including counterparty credit risk)

Table 08: (Continued)

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

	31-Dec-18				31-Dec-17			
	EAD pre CRM	EAD post CRM	RWAs	Minimum capital requirement	EAD pre CRM	EAD post CRM	RWAs	Minimum capital requirement
	€m	€m	€m	€m	€m	€m	€m	€m
Counterparty credit risk								
Dec 2018								
Central governments or central banks	—	—	—	—	—	—	—	—
Institutions	2	2	1	—	8	8	6	—
Corporates	52	52	40	3	93	93	67	5
Specialised Lending	39	39	30	2	62	62	43	3
SME	1	1	1	—	3	3	3	—
Other Corporate	12	12	8	1	28	28	21	2
Retail	—	—	—	—	—	—	—	—
Secured by real estate property SME	—	—	—	—	—	—	—	—
Secured by real estate property non SME	—	—	—	—	—	—	—	—
Qualifying Revolving	—	—	—	—	—	—	—	—
Other Retail SME	—	—	—	—	—	—	—	—
Other Retail non SME	—	—	—	—	—	—	—	—
Equities	—	—	—	—	—	—	—	—
Securitisation	—	—	—	—	—	—	—	—
Non-credit obligation assets	—	—	—	—	—	—	—	—
Total IRB approach	55	55	41	3	101	101	73	6
STD approach								
Dec 2018								
Central governments or central banks	—	—	—	—	—	—	—	—
Regional governments or local authorities	—	—	—	—	—	—	—	—
Public sector entities	—	—	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—	—	—
Institutions	199	199	95	8	598	598	289	23
Corporates	—	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—	—
Secured by mortgages on immovable property - residential	—	—	—	—	—	—	—	—
Secured by mortgages on immovable property - commercial	—	—	—	—	—	—	—	—
Exposures in default	—	—	—	—	—	—	—	—
Items associated with particularly high risk	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—	—	—
Equity exposures	—	—	—	—	—	—	—	—
Other exposures	—	—	—	—	—	—	—	—
Total SA Approach	199	199	95	8	598	598	289	23
Total	253	253	136	11	699	699	362	29

Table 08 Note:

- (1) Table 08 data has been extracted from RBS Pillar III Table CR2 and translated into €Euro as applicable
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Due to exchange rates there are small rounding variances

Credit risk (excluding counterparty credit risk)

Table 9 (2018)

EU CRB_B : IRB & STD: Credit risk exposure by exposure class

Dec 2018

	EAD Pre CRM the end of the period €m	Average EAD Pre CRM over the period €m	EAD Post CRM the end of the period €m	Average EAD Post CRM over the period €m
Central governments or central banks	5,254	4,829	5,254	4,829
Institutions	823	649	823	649
Corporates	5,690	5,755	5,568	5,648
Specialised Lending	1,227	1,285	1,227	1,285
SME	1,289	1,339	1,286	1,335
Other Corporate	3,174	3,132	3,055	3,028
Retail	18,074	18,973	18,074	18,973
Secured by real estate property SME	—	—	—	—
Secured by real estate property non SME	16,789	17,656	16,789	17,656
Qualifying Revolving	396	398	396	398
Other Retail SME	664	689	664	689
Other Retail non SME	225	230	225	230
Equities	—	1	—	1
Non-credit obligation assets	496	333	496	333
Total IRB approach	30,338	30,540	30,216	30,433
Central governments or central banks	—	—	—	—
Regional governments or local authorities	2	2	2	2
Public sector entities	—	—	—	—
Multilateral Development Banks	—	—	—	—
International Organisations	—	—	—	—
Institutions	822	921	822	921
Corporates	762	695	762	694
Retail	17	15	17	15
Secured by mortgages on immovable property - residential	97	70	97	70
Secured by mortgages on immovable property - commercial	9	8	9	8
Exposures in default	13	18	13	17
Items associated with particularly high risk	—	—	—	—
Covered bonds	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—
Equity exposures	4	4	4	4
Other exposures	36	41	36	41
Total SA Approach	1,760	1,774	1,760	1,772
Total	32,098	32,314	31,975	32,205

Credit risk (excluding counterparty credit risk)

Table 9 (2017) (Continued)

EU CRB_B : IRB & STD: Credit risk exposure by exposure class

Dec 2017

	EAD Pre CRM the end of the period €m	Average EAD Pre CRM over the period €m	EAD Post CRM the end of the period €m	Average EAD Post CRM over the period €m
Central governments or central banks	4,371	5,022	4,371	5,022
Institutions	501	672	501	672
Corporates	5,886	5,918	5,799	5,808
Specialised Lending	1,346	1,302	1,346	1,302
SME	1,385	1,365	1,380	1,359
Other Corporate	3,155	3,251	3,073	3,147
Retail	19,301	19,482	19,301	19,482
Secured by real estate property SME	—	—	—	—
Secured by real estate property non SME	17,931	18,125	17,931	18,125
Qualifying Revolving	413	411	413	411
Other Retail SME	714	705	714	705
Other Retail non SME	244	240	244	240
Equities	—	—	—	—
Non-credit obligation assets	548	46	548	46
Total IRB approach	30,608	31,139	30,520	31,029
Central governments or central banks	—	1	—	1
Regional governments or local authorities	2	2	2	2
Public sector entities	—	—	—	—
Multilateral Development Banks	—	—	—	—
International Organisations	—	—	—	—
Institutions	1,275	1,800	1,275	1,800
Corporates	457	401	457	401
Retail	14	15	14	15
Secured by mortgages on immovable property - residential	53	42	53	42
Secured by mortgages on immovable property - commercial	—	2	—	2
Exposures in default	17	14	17	14
Items associated with particularly high risk	—	—	—	—
Covered bonds	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—
Equity exposures	5	6	5	5
Other exposures	38	358	38	358
Total SA Approach	1,860	2,641	1,860	2,641
Total	32,468	33,780	32,381	33,670

Table 09 Note:

- (1) Table 09 data has been extracted from RBS Pillar III Table EU_CRB_B, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Averages in 2018 are calculated on a monthly basis rather than on an annual basis. The 2017 averages have been recalculated for comparability.
- (4) Due to exchange rates there are small rounding variances

Credit risk (excluding counterparty credit risk)

Table 10 (2018)

EU CRB_C IRB & STD: Credit Risk exposure by geographic region

Dec-18	EAD Post CRM					
	UK	Ireland	Other Western Europe	US	Rest of World	Total
	€m	€m	€m	€m	€m	€m
Central governments or central banks	—	2,791	1,997	—	466	5,254
Institutions	4	35	500	267	18	823
Corporates	343	5,073	86	58	8	5,568
Specialised Lending	94	1,118	15	—	—	1,227
SME	11	1,273	—	—	2	1,286
Other Corporate	238	2,682	71	58	6	3,055
Retail	21	18,050	1	1	1	18,074
Secured by real estate property SME	—	—	—	—	—	—
Secured by real estate property non SME	—	16,789	—	—	—	16,789
Qualifying Revolving	7	387	1	1	1	396
Other Retail SME	14	650	—	—	—	664
Other Retail non SME	1	224	—	—	—	225
Equities	—	—	—	—	—	—
Non-credit obligation assets	—	496	—	—	—	496
Total IRB approach	368	26,445	2,584	325	493	30,216
Central governments or central banks	—	—	—	—	—	—
Regional governments or local authorities	—	2	—	—	—	2
Public sector entities	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—
Institutions	822	—	—	—	—	822
Corporates	26	735	—	1	—	762
Retail	16	—	—	—	—	16
Secured by mortgages on immovable property - residential	—	97	—	—	—	97
Secured by mortgages on immovable property - commercial	—	9	—	—	—	9
Exposures in default	—	13	—	—	—	13
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—
Equity exposures	—	4	—	—	—	4
Other exposures	—	36	—	—	—	36
Total SA Approach	864	895	—	1	—	1,760
Total	1,231	27,340	2,584	326	493	31,975

Credit risk (excluding counterparty credit risk)

Table 10 (2017) (Continued)

EU CRB_C IRB & STD: Credit Risk exposure by geographic region

Dec-17	EAD Post CRM					Total €m
	UK €m	Ireland €m	Other Western Europe €m	US €m	Rest of World €m	
Central governments or central banks	—	2,716	1,175	—	480	4,371
Institutions	6	31	413	27	24	501
Corporates	534	5,122	125	14	4	5,799
Specialised Lending	282	1,047	17	—	—	1,346
SME	13	1,364	—	1	2	1,380
Other Corporate	238	2,712	107	14	2	3,073
Retail	23	19,274	2	1	1	19,301
Secured by real estate property SME	—	—	—	—	—	—
Secured by real estate property non SME	—	17,931	—	—	—	17,931
Qualifying Revolving	7	403	1	1	1	413
Other Retail SME	15	699	—	—	—	714
Other Retail non SME	1	242	—	—	—	244
Equities	—	—	—	—	—	—
Non-credit obligation assets	—	548	—	—	—	548
Total IRB approach	563	27,691	1,715	43	509	30,520
Central governments or central banks	—	0	—	—	—	—
Regional governments or local authorities	—	2	—	—	—	2
Public sector entities	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—
Institutions	1,275	—	—	—	—	1,275
Corporates	239	216	—	1	—	457
Retail	14	—	—	—	—	14
Secured by mortgages on immovable property - residential	—	53	—	—	—	53
Secured by mortgages on immovable property - commercial	—	—	—	—	—	—
Exposures in default	3	14	—	—	—	17
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—
Equity exposures	—	5	—	—	—	5
Other exposures	—	38	—	—	—	38
Total SA Approach	1,531	328	—	1	—	1,860
Total	2,094	28,019	1,715	44	509	32,381

Table 10 Note:

- (1) Table 10 data has been extracted from RBS Pillar III Table EU_CRB_C, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Intercompany is included in the 2018 table and the 2017 table has been reinstated to take into consideration intercompany
- (4) Due to exchange rates there are small rounding variances

Credit risk (excluding counterparty credit risk)

Table 11 (2018)

EU_CRB_D IRB & STD: Credit Risk exposures by industry sector

Dec 2018	EAD Post CRM															Total €m	
	Sovereign			Financial institutions (FI)					Corporates					Personal			Other
	Central		Other sovereign	Non_bank			Property resources	Natural	Transport	Manufacturing	Retail and leisure	Services	TMT	Mortgages	Other personal		Not allocated
	Central governme banks	nts		Banks	FI	SSPEs											
€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m		
Central governments or central banks	2,787	1,829	172	466	—	—	—	—	—	—	—	—	—	—	—	5,254	
Institutions	—	—	18	793	1	—	—	—	12	—	—	—	—	—	—	823	
Corporates	—	—	18	—	113	18	1,294	662	238	964	1,262	855	99	—	45	5,568	
Specialised Lending	—	—	—	—	1	—	896	297	18	—	0	12	—	—	1	1,227	
SME	—	—	—	—	15	—	75	44	54	374	397	316	11	—	1	1,286	
Other Corporate	—	—	18	—	97	18	323	321	166	590	865	526	88	—	43	3,055	
Retail	—	—	1	—	2	—	76	3	25	351	69	105	11	16,789	641	18,074	
Secured by real estate property SME	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Secured by real estate property non SME	—	—	—	—	—	—	—	—	—	—	—	—	—	16,789	—	16,789	
Qualifying Revolving	—	—	—	—	—	—	—	—	—	—	—	—	—	—	396	396	
Other Retail SME	—	—	1	—	2	—	76	3	25	351	69	105	11	—	20	664	
Other Retail non SME	—	—	—	—	—	—	—	—	—	—	—	—	—	—	225	225	
Equities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Non-credit obligation assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	496	
Total IRB approach	2,787	1,829	209	1,259	116	18	1,370	666	276	1,315	1,331	959	110	16,789	686	496	30,216
Central governments or central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Regional governments or local authorities	—	—	2	—	—	—	—	—	—	—	—	—	—	—	—	2	
Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Multilateral Development Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
International Organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Institutions	—	—	—	822	—	—	—	—	—	—	—	—	—	—	—	822	
Corporates	—	—	—	—	—	—	66	26	96	255	138	74	22	—	84	762	
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	16	16	
Secured by mortgages on immovable property - residential	—	—	—	—	—	—	94	—	—	—	—	—	—	—	3	97	
Secured by mortgages on immovable property - commercial	—	—	—	—	—	—	5	—	—	1	—	—	—	—	2	9	
Exposures in default	—	—	—	—	—	—	—	—	1	6	2	1	—	—	4	13	
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Collective investments undertakings (CIU)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Equity exposures	—	—	—	—	4	—	—	—	—	—	—	—	—	—	—	4	
Other exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	36	
Total SA Approach	—	—	2	822	4	—	165	26	96	261	140	75	23	—	109	36	1,760
Total	2,787	1,829	211	2,081	120	18	1,535	692	372	1,576	1,471	1,035	133	16,789	795	532	31,975

Credit risk (excluding counterparty credit risk)

Table 11 (2017) (Continued)

EU_CRB_D IRB & STD: Credit Risk exposures by industry sector

Dec-17	EAD Post CRM															Total	
	Sovereign		Financial institutions (FI)					Corporates					Personal		Other		
	Central banks	Other sovereigns	Banks	Non_bank FI	SSPEs	Property resources	Natural resources	Transport	Manufacturing	Retail and leisure	Services	TMT	Mortgages	Other personal	Not allocated		
€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m			
Central governments or central banks	2,716	1,070	106	480	—	—	—	—	—	—	—	—	—	—	—	—	4,371
Institutions	—	—	22	473	1	—	—	—	5	—	—	—	—	—	—	—	501
Corporates	—	—	16	—	76	15	1,401	712	255	1,087	1,213	848	100	—	75	—	5,799
Specialised Lending	—	—	—	—	1	—	903	390	5	—	2	42	1	—	—	—	1,346
SME	—	—	—	—	19	—	153	44	87	352	378	319	24	—	3	—	1,380
Other Corporate	—	—	16	—	56	15	345	278	162	734	833	487	75	—	71	—	3,073
Retail	—	—	2	—	3	—	84	4	28	366	77	114	12	17,931	681	—	19,301
Secured by real estate property SME	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Secured by real estate property non SME	—	—	—	—	—	—	—	—	—	—	—	—	—	17,931	—	—	17,931
Qualifying Revolving	—	—	—	—	—	—	—	—	—	—	—	—	—	—	413	—	413
Other Retail SME	—	—	2	—	3	—	84	4	28	366	77	114	12	—	25	—	714
Other Retail non SME	—	—	—	—	—	—	—	—	—	—	—	—	—	—	244	—	244
Equities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Non-credit obligation assets	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	548	548
Total IRB approach	2,716	1,070	145	953	79	15	1,485	716	288	1,452	1,291	962	112	17,931	756	548	30,520
Central governments or central banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Regional governments or local authorities	—	—	2	—	—	—	—	—	—	—	—	—	—	—	—	—	2
Public sector entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Institutions	—	—	—	1,275	—	—	—	—	—	—	—	—	—	—	—	—	1,275
Corporates	—	—	—	—	—	3	41	11	63	39	19	11	2	—	28	239	457
Retail	—	—	—	—	—	—	—	—	—	—	—	—	—	—	14	—	14
Secured by mortgages on immovable property - residential	—	—	—	—	—	—	52	—	—	—	—	—	—	—	1	—	53
Secured by mortgages on immovable property - commercial	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Exposures in default	—	—	—	—	—	—	2	—	4	1	—	—	1	—	10	—	17
Items associated with particularly high risk	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Equity exposures	—	—	—	—	5	—	—	—	—	—	—	—	—	—	—	—	5
Other exposures	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	38	38
Total SA Approach	—	—	3	1,275	6	3	96	11	66	40	19	11	3	—	52	277	1,860
Total	2,716	1,070	148	2,228	85	18	1,581	727	354	1,492	1,310	973	115	17,931	808	825	32,381

Table 11 Note:

- (1) Table 11 data has been extracted from RBS Pillar III Table EU_CRB_D, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Intercompany is included in the 2018 table and the 2017 table has been reinstated to take into consideration intercompany
- (4) Due to exchange rates there are small rounding variances

Credit risk (excluding counterparty credit risk)

Table 12 (2018)

EU CRB_E: IRB & STD: Credit risk exposure by maturity class

Dec 2018

	EAD Post CRM					Total
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
	€m	€m	€m	€m	€m	
Central governments or central banks	251	3,449	1,554	—	—	5,254
Institutions	324	234	256	10	—	823
Corporates	336	442	3,184	1,606	—	5,568
Specialised Lending	6	59	780	381	—	1,227
SME	135	106	449	596	—	1,286
Other Corporate	195	277	1,954	629	—	3,055
Retail	777	103	628	16,567	—	18,074
Secured by real estate property SME	—	—	—	—	—	—
Secured by real estate property non SME	—	57	428	16,304	—	16,789
Qualifying Revolving	396	—	—	—	—	396
Other Retail SME	381	26	67	190	—	664
Other Retail non SME	—	20	132	73	—	225
Equities	—	—	—	—	—	0
Non-credit obligation assets	—	—	496	—	—	496
Total IRB approach	1,688	4,228	6,117	18,183	—	30,216
Central governments or central banks	—	—	—	—	—	—
Regional governments or local authorities	—	—	2	—	—	2
Public sector entities	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—
Institutions	—	822	—	—	—	822
Corporates	20	679	54	9	—	762
Retail	16	—	—	—	—	16
Secured by mortgages on immovable property - residential	—	—	93	4	—	97
Secured by mortgages on immovable property - commercial	—	—	6	3	—	9
Exposures in default	—	12	1	—	—	13
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—
Equity exposures	—	—	—	4	—	4
Other exposures	—	—	36	—	—	36
Total SA Approach	36	1,513	192	19	—	1,760
Total	1,724	5,741	6,309	18,202	—	31,975

Credit risk (excluding counterparty credit risk)

Table 12 (2017) (continued)

EU CRB_E: IRB & STD: Credit risk exposure by maturity class

Dec 2017

	EAD Post CRM					Total
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	
	€m	€m	€m	€m	€m	€m
Central governments or central banks	251	3,577	543	—	—	4,371
Institutions	94	205	194	8	—	501
Corporates	374	673	2,866	1,885	—	5,799
Specialised Lending	6	195	605	540	—	1,346
SME	132	159	478	610	—	1,380
Other Corporate	235	318	1,784	736	—	3,073
Retail	811	205	672	17,613	—	19,301
Secured by real estate property SME	—	—	—	—	—	—
Secured by real estate property non SME	—	127	467	17,336	—	17,931
Qualifying Revolving	413	—	—	—	—	413
Other Retail SME	398	34	76	206	—	714
Other Retail non SME	—	44	129	70	—	244
Equities	—	—	—	—	—	—
Non-credit obligation assets	—	—	548	—	—	548
Total IRB approach	1,531	4,660	4,824	19,506	—	30,520
Central governments or central banks	—	—	—	—	—	—
Regional governments or local authorities	—	—	2	—	—	2
Public sector entities	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—
Institutions	—	1,275	—	—	—	1,275
Corporates	15	393	41	8	—	457
Retail	14	—	—	—	—	14
Secured by mortgages on immovable property - residential	—	—	52	—	—	53
Secured by mortgages on immovable property - commercial	—	—	—	—	—	—
Exposures in default	6	9	2	1	—	17
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—
Equity exposures	—	—	—	5	—	5
Other exposures	—	—	38	—	—	38
Total SA Approach	34	1,676	136	14	—	1,860
Total	1,565	6,336	4,960	19,520	—	32,381

Table 12 Note:

- (1) Table 12 data has been extracted from RBS Pillar III Table EU_CRB_E, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Intercompany is included in the 2018 table and the 2017 table has been reinstated to take into consideration intercompany
- (4) Due to exchange rates there are small rounding variances

Credit risk (excluding counterparty credit risk)

Table 13 (2018)

EU CR1_A: IRB & STD: Credit risk exposure by exposure class

Dec 2018	Gross carrying values of			Specific credit risk adjustment	Write Offs (YTD)	Net carrying value
	Defaulted exposures	Non-defaulted exposures	Total exposures			
	€m	€m	€m	€m	€m	€m
Central governments or central banks						
Institutions	—	982	5,268	—	—	5,266
Corporates	168	6,364	6,532	153	31	6,378
Specialised Lending	17	1,285	1,302	11	2	1,290
SME	100	1,260	1,359	80	15	1,280
Other Corporate	51	3,820	3,871	63	14	3,808
Retail	1,989	15,803	17,792	713	369	17,078
Secured by real estate property SME	—	—	—	—	—	—
Secured by real estate property non SME	1,933	14,623	16,556	672	357	15,884
Qualifying Revolving	13	536	550	13	1	536
Other Retail SME	18	445	464	14	—	450
Other Retail non SME	24	198	222	14	1	208
Equities	—	—	—	—	—	0
Non-credit obligation assets	—	496	496	—	—	496
Total IRB approach	2,157	28,913	31,070	868	400	30,202
Of which: Loans	2,129	22,229	24,358	859	400	23,499
Of which: Debt Securities	—	2,947	2,947	1	—	2,946
Of which: Other Assets	—	396	396	—	—	395
Of which: Off-balance sheet exposures	28	3,341	3,369	8	—	3,361
Central governments or central banks	—	12	12	—	—	12
Regional governments or local authorities	—	2	2	—	—	2
Public sector entities	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—
Institutions	—	822	822	—	—	822
Corporates	—	1,017	1,017	5	—	1,011
Retail	—	16	16	—	—	16
Secured by mortgages on immovable property - residential	—	121	121	—	—	120
Secured by mortgages on immovable property - commercial	—	9	9	—	—	9
Exposures in default	25	—	25	9	21	15
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—
Equity exposures	—	4	4	—	—	4
Other exposures	—	36	36	—	—	36
Total SA Approach	25	2,037	2,062	15	21	2,047
Total	2,181	30,950	33,132	883	421	32,249
Of which: Loans	22	1,470	1,493	15	21	1,478
Of which: Debt Securities	—	—	—	—	—	—
Of which: Other Assets	—	40	40	—	—	40
Of which: Off-balance sheet exposures	3	527	530	—	—	530
Total						
Total Loans	2,151	23,700	25,851	874	421	24,977
Total Debt Securities	—	2,947	2,947	1	—	2,946
Total Other Assets	—	435	435	—	—	435
Total Off-balance sheet exposures	30	3,869	3,899	8	—	3,891

Credit risk (excluding counterparty credit risk)

Table 13 (2017) (continued)

EU CR1_A: IRB & STD: Credit risk exposure by exposure class

Dec 2017	Gross carrying values of			Specific credit risk adjustment	Write Offs (YTD) €m	Net carrying value €m
	Defaulted exposures	Non-defaulted exposures	Total exposures			
	€m	€m	€m	€m		
Central governments or central banks	—	4,372	4,372	—	—	4,372
Institutions	—	709	709	—	—	709
Corporates	222	6,566	6,787	151	49	6,637
Specialised Lending	16	1,401	1,416	13	3	1,403
SME	143	1,313	1,456	77	16	1,380
Other Corporate	63	3,852	3,914	61	30	3,854
Retail	3,043	16,027	19,070	1,105	—	17,965
Secured by real estate property SME	—	—	—	—	—	—
Secured by real estate property non SME	2,955	14,810	17,765	1,022	—	16,742
Qualifying Revolving	18	542	560	11	—	548
Other Retail SME	33	475	508	32	—	476
Other Retail non SME	37	201	238	39	—	199
Equities	—	—	—	—	—	—
Non-credit obligation assets	322	225	548	—	—	548
Total IRB approach	3,587	27,899	31,486	1,255	49	30,231
Of which: Loans	3,227	22,386	25,613	1,255	49	24,357
Of which: Debt Securities	—	2,037	2,037	—	—	2,037
Of which: Other Assets	322	98	420	—	—	420
Of which: Off-balance sheet exposures	38	3,378	3,416	—	—	3,416
Central governments or central banks	—	11	11	—	—	11
Regional governments or local authorities	—	2	2	—	—	2
Public sector entities	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—
Institutions	—	1,275	1,275	—	—	1,275
Corporates	—	565	565	1	—	564
Retail	—	14	14	—	—	14
Secured by mortgages on immovable property - residential	—	89	89	—	—	89
Secured by mortgages on immovable property - commercial	—	—	—	—	—	—
Exposures in default	18	—	18	9	4	9
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—
Equity exposures	—	5	5	—	—	5
Other exposures	—	38	38	—	—	38
Total SA Approach	18	1,999	2,017	10	4	2,007
Total	3,605	29,898	33,503	1,265	53	32,238
Of which: Loans	17	1,765	1,783	10	4	1,773
Of which: Debt Securities	—	—	—	—	—	—
Of which: Other Assets	—	38	38	—	—	38
Of which: Off-balance sheet exposures	1	196	197	—	—	197
Total						
Total Loans	3,244	24,151	27,395	1,265	53	26,130
Total Debt Securities	—	2,037	2,037	—	—	2,037
Total Other Assets	322	135	457	—	—	457
Total Off-balance sheet exposures	39	3,574	3,613	—	—	3,613

Table 13 Note:

- (1) Table 13 data has been extracted from RBS Pillar III Table EU_CR1_B. Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Intercompany is included in the 2018 table and the 2017 table has been reinstated to take into consideration intercompany
- (4) Due to exchange rates there are small rounding variances

Credit risk (excluding counterparty credit risk)

Table 14 (2018)

EU CR1_B IRB & STD: Credit risk exposure by industry sector

Dec 2018	Gross carrying values of			Specific credit risk adjustment	Write Offs (YTD)	Net carrying value
	Defaulted exposures	Non-defaulted exposures	Total exposures			
	€m	€m	€m			
Central Banks	—	2,799	2,799	—	—	2,798
Central Government	—	1,838	1,838	—	—	1,837
Other Sovereign	—	331	331	—	—	331
Banks	—	2,232	2,232	—	—	2,232
Non Bank Financial Institutions	2	175	176	1	—	175
SSPEs	—	26	26	—	—	26
Property	84	1,622	1,707	58	14	1,649
Natural Resources	1	921	923	5	—	918
Transport	9	431	440	10	2	430
Manufacturing	47	1,649	1,696	33	5	1,663
Retail and Leisure	27	1,650	1,677	28	4	1,650
Services	27	1,064	1,092	30	6	1,061
Telecoms, media and technology	2	153	155	2	—	152
Mortgages	1,933	14,623	16,556	672	382	15,884
Other personal	49	904	953	42	7	911
Not Allocated	—	532	532	—	—	532
Total	2,181	30,950	33,132	883	421	32,249

Table 14 (2017)

EU CR1_B IRB & STD: Credit risk exposure by industry sector

Dec 2017	Gross carrying values of			Specific credit risk adjustment	Write Offs (YTD)	Net carrying value
	Defaulted exposures	Non-defaulted exposures	Total exposures			
	€m	€m	€m			
Central Banks	—	2,727	2,727	—	—	2,727
Central Government	—	1,070	1,070	—	—	1,070
Other Sovereign	—	262	262	—	—	262
Banks	—	2,435	2,435	—	—	2,435
Non Bank Financial Institutions	1	89	91	2	—	89
SSPEs	—	24	24	—	—	24
Property	97	1,665	1,762	65	23	1,697
Natural Resources	2	989	991	2	—	989
Transport	15	400	415	11	2	405
Manufacturing	56	1,552	1,607	33	2	1,575
Retail and Leisure	46	1,435	1,481	37	19	1,445
Services	32	953	984	26	3	958
Telecoms, media and technology	3	112	115	3	1	112
Mortgages	2,955	14,810	17,765	1,022	—	16,742
Other personal	76	872	948	64	3	884
Not Allocated	322	502	825	—	—	825
Total	3,605	29,898	33,503	1,265	53	32,238

Table 14 Note:

- (1) Table 14 data has been extracted from RBS Pillar III Table EU_CR1_B, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Intercompany is included in the 2018 table and the 2017 table has been reinstated to take into consideration intercompany
- (4) Due to exchange rates there are small rounding variances

Credit risk (excluding counterparty credit risk)

Table 15 (2018)

EU CR1_C IRB & STD: Credit risk exposure by geographic region

Dec 2018	Gross carrying values of			Specific credit risk adjustment	Write Offs (YTD)	Net carrying value
	Defaulted exposures	Non-defaulted exposures	Total exposures			
	€m	€m	€m			
UK	11	1,489	1,501	5	2	1,495
ROI	2,168	25,887	28,055	875	418	27,181
Other Western Europe	—	2,643	2,643	1	—	2,642
US	—	400	400	—	—	400
Rest of World	2	531	533	2	—	530
Total	2,181	30,950	33,132	883	421	32,249

Table 15 (2017)

EU CR1_C IRB & STD: Credit risk exposure by geographic region

Dec 2017	Gross carrying values of			Specific credit risk adjustment	Write Offs (YTD)	Net carrying value
	Defaulted exposures	Non-defaulted exposures	Total exposures			
	€m	€m	€m			
UK	20	2,349	2,369	14	14	2,355
ROI	3,582	23,531	28,628	1,249	39	27,379
Other Western Europe	—	1,795	1,795	—	—	1,795
US	1	166	166	—	—	166
Rest of World	2	2,057	2,059	2	—	2,057
Total	3,605	29,898	33,503	1,265	53	32,238

Table 15 Note:

- (1) Table 15 data has been extracted from RBS Pillar III Table EU_CR1_C, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Intercompany is included in the 2018 table and the 2017 table has been reinstated to take into consideration intercompany
- (4) Due to exchange rates there are small rounding variances

Risk profile by credit risk mitigation techniques

Recognition of credit risk mitigation in the calculation of RWAs

Credit risk mitigation (CRM) is defined as the use of collateral or guarantees to reduce potential loss if a customer fails to settle all or part of its obligations to UBI DAC. The application of CRM depends on which approach (standardised or IRB) is used to calculate RWA related to a credit exposure. Recognition of CRM under the standardised approach is carried out in accordance with regulatory requirements and entails the reduction of EAD (netting and financial collateral) or the adjustment of risk-weights (in the case of real estate), third-party guarantees and/or credit derivatives. Under the IRB approach, a wider scope of collateral can be recognised. Table EU CR3_a indicates how different risk mitigants are incorporated into IRB risk parameters.

EU CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation

Credit risk mitigation

UBI DAC uses a number of credit risk mitigation approaches. These differ for Wholesale and Personal customers. Risk mitigation techniques, as set out in credit policies, are used in the management of credit portfolios across UBI DAC, typically to mitigate credit concentrations in relation to an individual customer, a borrower group or a collection of related borrowers. Where possible, customer credit balances are netted against obligations. Mitigation tools can include structuring a security interest in a physical or financial asset, the use of credit derivatives including credit default swaps, credit-linked debt instruments and securitisation structures, and the use of guarantees and similar instruments (for example, credit insurance) from related and third parties. When seeking to mitigate risk, at a minimum UBI DAC considers the following:

- The suitability of the proposed risk mitigation, particularly if restrictions apply.
- The means by which legal certainty is to be established, including required documentation, supportive legal opinions and the steps needed to establish legal rights.
- The acceptability of the methodologies to be used for initial and subsequent valuation of collateral, the frequency of valuations and the advance rates given.
- The actions which can be taken if the value of collateral or other mitigants is less than needed.
- The risk that the value of mitigants and counterparty credit quality may deteriorate simultaneously.
- The need to manage concentration risks arising from collateral types.
- The need to ensure that any risk mitigation remains legally effective and enforceable.

The business and credit teams are supported by specialist in-house documentation teams. UBI DAC uses industry standard loan and security documentation wherever possible. However, when non-standard documentation is used, external lawyers are employed to review the documentation on a case-by-case basis. Mitigants (including any associated insurance) are monitored throughout the life of the transaction to ensure they perform as anticipated. Similarly, documentation is also monitored to ensure it remains enforceable.

Wholesale Lending

UBI DAC mitigates credit risk relating to Wholesale customers through the use of netting, collateral and market standard documentation, depending on the nature of the counterparty and its assets. The most common types of mitigation are:

- Commercial real estate.

Credit risk (excluding counterparty credit risk)

- Other physical assets – including stock, plant, equipment, machinery, vehicles, ships and aircraft. Such assets are suitable collateral only if UBI DAC can identify, locate, and segregate them from other assets on which it does not have a claim. UBI DAC values physical assets in

Risk profile by credit risk mitigation techniques (continued)

a variety of ways, depending on the type of asset and may rely on balance sheet valuations in certain cases.

- Receivables – these are amounts owed to UBI DAC’s counterparties by their own customers. Their valuation takes into account the quality of the counterparty’s receivable management processes and excludes any that are past due
- Financial collateral – refer to the counterparty credit risk section below.

All collateral is assessed, case by case, independently of the provider to ensure that it is suitable security for the proposed loan. UBI DAC monitors the value of the collateral and, if there is a shortfall, will review the position which may lead to requests for additional collateral. The key sector where UBI DAC provides asset-backed lending is commercial real estate. The valuation approach is as follows:

- UBI DAC has a panel of chartered surveying firms that cover the spectrum of geographic locations and property sectors in which UBI DAC takes collateral
- Suitable values for particular assets are contracted through a single service agreement to ensure consistency of quality and advice
- Valuations are commissioned when an asset is taken as security; a material increase in a facility is requested; or a default event is anticipated or has occurred.

Counterparty Credit Risk

UBI DAC mitigates counterparty credit risk arising from both derivative transactions and repurchase agreements through collateralisation and through the use of market standard documentation, enabling netting. Amounts owed by UBI DAC to the counterparty are netted against amounts the counterparty owes UBI DAC in accordance with relevant regulatory and internal policies. However, generally, this is only done if a netting agreement is in place. A legal opinion to the effect that the agreement is enforceable is also required. Collateral may consist of either cash or securities. Additional collateral may be called should the net value of the obligations to UBI DAC rise or should the value of the collateral itself fall. The majority of agreements are subject to daily collateral calls with collateral valued using internal valuation methodologies. UBI DAC restricts counterparty credit exposures by setting limits that take into account the potential adverse movement of an exposure after adjusting for the impact of netting and collateral (where applicable). For further information on credit risk mitigation, refer to Table EU CR3_a.

Personal Lending

UBI DAC takes collateral in the form of residential property to mitigate the credit risk arising from mortgages. UBI DAC values residential property during the loan underwriting process by appraising properties individually and values them collectively on an ongoing basis using statistically valid models. UBI DAC updates residential property values quarterly using the CSO HPI in the Republic of Ireland (ROI). For a small number of residential properties located outside ROI UBI DAC uses the most recognised relevant local index.

Credit risk (excluding counterparty credit risk)

Table 16 (2018)

EU CR3 IRB: Mitigation techniques by exposure class

Dec 2018	Net Carrying Values unsecured: carrying amount	Net Carrying Values secured by collateral after on- and off-balance sheet netting, of which: secured amount	Net Carrying Values secured by financial guarantees after on- and off-balance sheet netting, of which: secured amount	Net Carrying Values secured by credit derivatives after on- and off-balance sheet netting, of which: secured amount	Net Carrying Value secured: carrying amount	Net Carrying Value: total amount
	€m	€m	€m	€m	€m	€m
Central governments or central banks	5,266	—	—	—	—	5,266
Institutions	978	4	—	—	4	982
Corporates	2,699	3,620	59	—	3,679	6,378
Specialised Lending	200	1,086	4	—	1,090	1,290
SME	198	1,047	35	—	1,082	1,280
Other Corporate	2,301	1,487	20	—	1,508	3,808
Retail	1,194	15,884	—	—	15,884	17,078
Secured by real estate property SME	—	—	—	—	—	—
Secured by real estate property non SME	—	15,884	—	—	15,884	15,884
Qualifying Revolving	536	—	—	—	—	536
Other Retail SME	450	—	—	—	—	450
Other Retail non SME	208	—	—	—	—	208
Equities	—	—	—	—	—	0
Non-credit obligation assets	496	—	—	—	—	496
Total IRB approach	10,634	19,508	59	—	19,567	30,202
Of which: Loans	4,927	18,525	48	—	18,573	23,499
Of which: Debt Securities	2,946	—	—	—	—	2,946
Of which: Other Assets	395	—	—	—	—	395
Of which: Off-balance sheet exposures	2,367	983	12	—	995	3,361
Of which defaulted	56	1,400	—	—	1,400	1,456
Central governments or central banks	12	—	—	—	—	12
Regional governments or local authorities	2	—	—	—	—	2
Public sector entities	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—
Institutions	822	—	—	—	—	822
Corporates	1,009	2	—	—	2	1,011
Retail	16	—	—	—	—	16
Secured by mortgages on immovable property - residential	—	120	—	—	120	120
Secured by mortgages on immovable property - commercial	—	9	—	—	9	9
Exposures in default	15	—	—	—	—	15
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—
Equity exposures	4	—	—	—	—	4
Other exposures	36	—	—	—	—	36
Total SA Approach	1,916	131	—	—	131	2,047
Total	12,550	19,639	59	—	19,698	32,249
Of which: Loans	1,393	84	—	—	84	1,478
Of which: Debt Securities	—	—	—	—	—	—
Of which: Other Assets	40	—	—	—	—	40
Of which: Off-balance sheet exposures	483	47	—	—	47	530
Of which defaulted	15	—	—	—	—	15
Total Loans	6,320	18,609	48	—	18,657	24,977
Total Debt Securities	2,946	—	—	—	—	2,946
Total Other Assets	435	—	—	—	—	435
Total Off-balance sheet exposures	2,849	1,030	12	—	1,042	3,891
Total all exposures	12,550	19,639	59	—	19,698	32,249
Of which defaulted	71	1,400	—	—	1,400	1,472

Credit risk (excluding counterparty credit risk)

Table 16 (2017) (continued)

EU CR3 IRB: Mitigation techniques by exposure class

Dec 2017	Net Carrying Values unsecured: carrying amount	Net Carrying Values secured by collateral after on- and off-balance sheet netting, of which: secured amount	Net Carrying Values secured by financial guarantees after on- and off-balance sheet netting, of which: secured amount	Net Carrying Values secured by credit derivatives after on- and off-balance sheet netting, of which: secured amount	Net Carrying Value secured: carrying amount	Net Carrying Value: total amount
	€m	€m	€m	€m	€m	€m
Central governments or central banks	4,372	—	—	—	—	4,372
Institutions	709	—	—	—	0	709
Corporates	2,806	3,785	46	—	3,831	6,637
Specialised Lending	201	1,202	1	—	1,203	1,403
SME	311	1,049	19	—	1,068	1,380
Other Corporate	2,294	1,534	26	—	1,560	3,854
Retail	1,223	16,742	—	—	16,742	17,965
Secured by real estate property SME	—	—	—	—	—	—
Secured by real estate property non SME	—	16,742	—	—	16,742	16,742
Qualifying Revolving	548	—	—	—	—	548
Other Retail SME	476	—	—	—	—	476
Other Retail non SME	199	—	—	—	—	199
Equities	—	—	—	—	—	—
Non-credit obligation assets	548	—	—	—	—	548
Total IRB approach	9,657	20,528	46	—	20,574	30,231
Of which: Loans	4,721	19,603	34	—	19,637	24,357
Of which: Debt Securities	2,037	—	—	—	—	2,037
Of which: Other Assets	420	—	—	—	—	420
Of which: Off-balance sheet exposures	2,479	925	12	—	937	3,416
Of which defaulted	363	2,053	—	—	2,053	2,416
Central governments or central banks	11	—	—	—	—	11
Regional governments or local authorities	2	—	—	—	—	2
Public sector entities	—	—	—	—	—	—
Multilateral Development Banks	—	—	—	—	—	—
International Organisations	—	—	—	—	—	—
Institutions	1,275	—	—	—	—	1,275
Corporates	564	—	—	—	—	564
Retail	14	—	—	—	—	14
Secured by mortgages on immovable property - residential	—	89	—	—	89	89
Secured by mortgages on immovable property - commercial	—	—	—	—	—	—
Exposures in default	9	—	—	—	—	9
Items associated with particularly high risk	—	—	—	—	—	—
Covered bonds	—	—	—	—	—	—
Collective investments undertakings (CIU)	—	—	—	—	—	—
Equity exposures	5	—	—	—	—	5
Other exposures	38	—	—	—	—	38
Total SA Approach	1,918	89	—	—	89	2,007
Total	11,575	20,617	46	—	20,663	32,238
Of which: Loans	1,756	16	—	—	16	1,773
Of which: Debt Securities	—	—	—	—	—	—
Of which: Other Assets	38	—	—	—	—	38
Of which: Off-balance sheet exposures	124	73	—	—	73	197
Of which defaulted	9	—	—	—	—	9
Total Loans	6,477	19,619	34	—	19,653	26,130
Total Debt Securities	2,037	—	—	—	—	2,037
Total Other Assets	457	—	—	—	—	457
Total Off-balance sheet exposures	2,603	998	12	—	1,010	3,613
Total all exposures	11,575	20,617	46	—	20,663	32,238
Of which defaulted	372	2,053	—	—	2,053	2,426

Table 16 Note:

- (1) Table 16 data has been extracted from RBS Pillar III Table EU CR3. Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Due to exchange rates there are small rounding variances

Table 17: EU CR3_a: IRB: Credit risk mitigation – incorporation within IRB parameters

	LGD	PD	EAD
Real Estate	✓		
Other physical collateral	✓		
Third party guarantees	✓		
Credit derivatives	✓		
Parental guarantees (Connected parties)		✓	
Financial Collateral			
i) trading book			✓
ii) non trading book	✓		
Netting(on and off balance sheet)			✓
Receivables	✓		
Life Policies	✓		
Credit Insurance	✓		

Credit risk (excluding counterparty credit risk)

Table 18 (2018)

EU CR10_A IRB specialised lending

Regulatory categories	Remaining maturity	On-	Off-	RW	Exposure amount	RWA	Expected losses
		balance sheet amount	balance sheet amount				
		€m	€m	Total		€m	€m
Dec 2018							
Strong	Less than 2.5 years	271	82	50%	308	154	—
	Equal to or more than 2.5 years	480	51	70%	514	360	2
Good	Less than 2.5 years	59	49	70%	100	70	—
	Equal to or more than 2.5 years	234	10	90%	244	220	2
Satisfactory	Less than 2.5 years	7	1	115%	8	9	—
	Equal to or more than 2.5 years	18	1	115%	19	21	1
Weak	Less than 2.5 years	5	—	250%	5	13	—
	Equal to or more than 2.5 years	9	7	250%	15	37	2
Default	Less than 2.5 years	8	—	0%	8	—	3
	Equal to or more than 2.5 years	1	2	0%	2	—	1
Total		1,092	204		1,221	883	11

Table 18 (2017)

EU CR10_A IRB specialised lending

Regulatory categories	Remaining maturity	On-	Off-	RW	Exposure amount	RWA	Expected losses
		balance sheet amount	balance sheet amount				
		€m	€m	Total		€m	€m
Dec 2017							
Strong	Less than 2.5 years	129	34	50%	154	77	—
	Equal to or more than 2.5 years	723	132	70%	798	559	3
Good	Less than 2.5 years	150	18	70%	168	118	1
	Equal to or more than 2.5 years	148	10	90%	157	141	1
Satisfactory	Less than 2.5 years	11	—	115%	12	14	—
	Equal to or more than 2.5 years	17	2	115%	19	21	1
Weak	Less than 2.5 years	7	—	250%	7	17	1
	Equal to or more than 2.5 years	12	7	250%	17	44	1
Default	Less than 2.5 years	1	—	0%	—	—	—
	Equal to or more than 2.5 years	—	—	0%	—	—	—
Total		1,198	204		1,344	991	8

Table 18 Note:

- (1) Table 18 data has been extracted from RBS Pillar III Table EU_CR10_A, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Due to exchange rates there are small rounding variances

Credit risk (excluding counterparty credit risk)

Table 19 (2018)
EU CR10_B IRB equities

Dec 2018	On- balance sheet amount €m	Off- balance sheet amount €m	RW	Exposure amount €m	RWA €m	Expected losses €m
Exchange-traded equity exposures	—	—	0%	—	—	—
Private equity exposures	—	—	0%	—	—	—
Other equity exposures	—	—	370%	—	—	—
Total	—	—		—	—	—

Table 19 (2017)
EU CR10_B IRB equities

Dec 2017	On- balance sheet amount €m	Off- balance sheet amount €m	RW	Exposure amount €m	RWA €m	Expected losses €m
Exchange-traded equity exposures	—	—	0%	—	—	—
Private equity exposures	—	—	0%	—	—	—
Other equity exposures	—	—	370%	—	—	—
Total	—	—		—	—	—

Table 18 Note:

- (1) Table 18 data has been extracted from RBS Pillar III Table EU_CR10_B. Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Due to exchange rates there are small rounding variances

Credit risk (excluding counterparty credit risk)

Table 20 (2018)

EU CR4 STD: Exposures and CRM effects

Dec 2018	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	€m	€m	€m	€m	€m	
Central governments or central banks	—	11	—	—	1	250%
Regional governments or local authorities	2	—	2	—	2	100%
Public sector entities	—	—	—	—	—	0%
Multilateral Development Banks	—	—	—	—	—	0%
International Organisations	—	—	—	—	—	0%
Institutions	822	—	822	—	164	20%
Corporates	542	469	537	225	737	97%
Retail	16	—	16	—	9	57%
Secured by mortgages on immovable property - residential	74	47	74	23	97	100%
Secured by mortgages on immovable property - commercial	9	—	9	—	9	100%
Exposures in default	13	3	11	1	19	150%
Items associated with particularly high risk	—	—	—	—	—	0%
Covered bonds	—	—	—	—	—	0%
Collective investments undertakings (CIU)	—	—	—	—	—	0%
Equity exposures	4	—	4	—	9	250%
Other exposures	36	—	36	—	7	20%
Total SA Approach	1,517	530	1,511	249	1,054	60%

Table 20 (2017)

EU CR4 STD: Exposures and CRM effects

Dec 2017	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
	€m	€m	€m	€m	€m	
Central governments or central banks	—	11	—	—	—	250%
Regional governments or local authorities	2	—	2	—	2	100%
Public sector entities	—	—	—	—	—	0%
Multilateral Development Banks	—	—	—	—	—	0%
International Organisations	—	—	—	—	—	0%
Institutions	1,275	—	1,275	—	255	20%
Corporates	452	112	453	4	454	99%
Retail	14	—	14	—	8	57%
Secured by mortgages on immovable property - residential	16	73	16	36	53	100%
Secured by mortgages on immovable property - commercial	—	—	—	—	—	0%
Exposures in default	9	1	17	—	26	150%
Items associated with particularly high risk	—	—	—	—	—	0%
Covered bonds	—	—	—	—	—	0%
Collective investments undertakings (CIU)	—	—	—	—	—	0%
Equity exposures	5	—	5	—	13	250%
Other exposures	38	—	38	—	8	20%
Total SA Approach	1,810	197	1,820	40	819	44%

Table 20 Note:

- (1) Table 20 data has been extracted from RBS Pillar III Table EU CR4, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Due to exchange rates there are small rounding variances

Market risk

Table 21: Market Risk RWA & Capital Requirement

EU MR1: MR IMA and STD: RWAs and MCR

	31 December 2018		31 December 2017		
	2018	RWA €m	MCR €m	RWA €m	MCR €m
STD		53	4	76	6
Interest rate position risk				2	
Equity position risk					
Option position risk					
Commodity position risk					
Foreign exchange position risk		53	4	74	6
Specific interest rate risk of securitisation positions					
Internal models approach					
VaR					
SVaR					
Incremental risk charge					
Other (RNIV)					
of which: VaR-based RNIV					
of which: SVaR-based RNIV					
of which: Stress RNIV					
Total		53	4	76	6

Table 20 Note:

- (1) Table 20 data has been extracted from RBS Pillar III Table EU_CR10_A, Figures translated into €Euro as applicable. UBI DAC disclosures therefore differ from those of RBS Pillar III.
- (2) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR
- (3) Due to exchange rates there are small rounding variances

Forbearance Exposures

Table 22

Information in relation to forborne exposure

	2018	2017
	€m	€m
Performing exposures with forbearance measures	798	899
Non-performing exposures with forbearance measures	2,384	3,630
<i>of which: Impaired Non-performing exposures with forbearance measures</i>	2,241	2,690
Gross carrying amount of exposures with forbearance measures	3,182	4,529

Table 10 Note :

(1) Table 10 data is prepared in accordance with 'EBA Final Draft ITS On Supervisory reporting on forbearance and non-performing exposures under article 99(4) of Regulation (EU) No 575/2013'

(2) UBIDAC Financial Statements include disclosures for retail forbearance only. While forbearance can occur on either wholesale or retail loans, levels of wholesale forbearance in UBIDAC are not deemed material for disclosure in the Financial Statements

3) Refer to mapping table in Appendix 2, detailing how these disclosures meet compliance with the CRR

Appendix 1: Capital Instruments Template

	Capital instruments main features template	€100m floating rate loan capital repayable 2022	€430m floating rate loan capital repayable 2022	€38m 11.375% perpetual tier two capital	€20m 11.75% perpetual tier two capital	€1.3m perpetual floating rate tier two capital	Ordinary Share Capital
1	Issuer	Ulster Bank Ireland DAC	Ulster Bank Ireland DAC	Ulster Bank Ireland DAC	Ulster Bank Ireland DAC	Ulster Bank Ireland DAC	Ulster Bank Ireland DAC
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	IE0004325399	IE0004325514	IE0004325282	n/a
3	Governing law(s) of the instrument	English (subordination and set-off provisions governed by the laws of the Republic of Ireland)	Irish	Irish	Irish	Irish	Irish
	Regulatory treatment						
4	Transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	CET1
5	Post-transitional CRR rules	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	CET1
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo	Solo	Solo	Solo	Solo	Solo
7	Instrument type (OSC & SP) (types to be specified by each jurisdiction)	Tier 2	Tier 2	Tier 2	Tier 2	Tier 2	Ordinary Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR 67m	EUR 315m	EUR 55m	EUR 28m	EUR 1m	EUR 4,736m
9	Nominal amount of instrument	EUR 100000000	EUR 430000000	EUR 31154111.15	GBP 11453000	GBP 1148000	N/A
9a	Issue price	100 per cent	100 per cent	100 per cent	100 per cent	100 per cent	N/A
9b	Redemption price	Par	Par	N/A	N/A	N/A	N/A
10	Accounting classification	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Liability - amortised cost	Shareholders Equity
11	Original date of issuance	25-Apr-07	21-Aug-07	07-Sep-98	07-Sep-98	07-Sep-98	N/A
12	Perpetual or dated	Dated	Dated	Perpetual	Perpetual	Perpetual	PERPETUAL
13	Original maturity date	25-Apr-22	19-Aug-22	No maturity	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	No	Yes	No	No	No	N/A
15	Optional call date, contingent call dates and redemption amount	N/A	Interest Payment Date falling after July 2017, Redemption Price: Par	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	Interest Payment Date falling in July 2017 or any Interest Payment Date (quarterly payment dates) thereafter.	N/A	N/A	N/A	N/A
	Coupons / dividends						
17	Fixed or floating dividend/coupon	Floating	Floating	Fixed	Fixed	Floating	N/A
18	Coupon rate and any related index	Three month EURIBOR plus 0.35 per cent.	Three month EURIBOR plus 0.35 per cent.	11.375 per cent.	11.75 per cent.	6 month Sterling LIBOR plus 2.55 per cent	N/A
19	Existence of a dividend stopper	No	No	No	No	No	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Partially discretionary	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Partially discretionary	Partially discretionary	Partially discretionary	N/A
21	Existence of step up or other incentive to redeem	No	No	No	No	No	N/A
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Cumulative	Cumulative	Cumulative	Non cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	No	No	No	No	N/A
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to all unsubordinated creditors	Subordinated to all unsubordinated creditors	Subordinated to all unsubordinated creditors	Subordinated to all unsubordinated creditors	Subordinated to all unsubordinated creditors	Immediately subordinate to Tier 2 instruments
36	Non-compliant transitioned features	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A

Appendix 2: CRR Disclosure Requirements Reference Table

The table below outlines how UBIDAC Pillar III Disclosures comply with the requirements of the Capital Requirements Regulation (CRR). It includes references to where UBIDAC disclosures are located in the RBS 2018 Pillar III Disclosure Document and if not within the RBS Pillar III Report, the relevant publication is specifically referred to.

(Note: Tables 01 – 21 in this 2018 UBIDAC Pillar III document have been extracted from the 2018 RBS Pillar III document and reported in Euro).

Article / CRR Ref	High-level Requirement	Annual Report & Accounts Royal Bank of Scotland	Ulster Bank Ireland DAC	Pillar 3 Document RBS (Tables)	UBI DAC (Tables)	Other
Own Funds						
437 (1)	Requirements regarding capital resources table.					
437 (1) (a)	Reconciliation of regulatory values for Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions to statutory balance sheet			EU LI1 CAP 2	CAP 2 pg 06-07	
437 (1) (b)	Description of the main features of Capital Instruments issued by institution				Appendix 1 pg 34	Pillar 3 Capital Instruments Common Disclosure template available on RBS Investor Relations website. www.investors.rbs.com
437 (1) (c)	Full terms and conditions of Capital Instruments issued by institution				Appendix 1 pg 34	Pillar 3 Capital Instruments Common Disclosure template available on RBS Investor Relations website. www.investors.rbs.com
437 (1) (d)	Disclosure of the nature and amounts of the following: each prudential filter applied each capital deduction applied items not deducted from capital			CAP 2	CAP 2 pg 06-07	
437 (1) (e)	A description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply			CAP 2	CAP 2, pg 06-07	
437 (1) (f)	Where institutions disclose capital ratios calculated using elements of own funds determined on a different basis				N/A	
437 (2)	EBA shall develop draft implementing technical standards to specify uniform templates for disclosure					EBA published technical standards introducing Common Disclosure Template for Own Funds; available on CAP 2.
Capital requirements						
438	Institutions shall disclose the following information regarding the compliance by the institution with the requirements laid down in Article 92 (see below) of this Regulation and in Article 73 of Directive 2013/36/EU: Article 92: Own funds requirements Article 73 (Dir 2013/36/EU): Internal Capital		See sub paragraphs below			
438 (a)	Summary of institution's approach to assessing adequacy of internal capital levels.	Pillar III - Presentation of Information & ARA: Capital and risk management - Risk management framework	Note 23 Risk management Note 34 Capital resources - unaudited			
438 (b)	Result of ICAAP on demand from authorities.					N/A
438 (c)	Capital requirement amounts for credit risk for each Standardised approach exposure class.			CR 2	CR2 pg 11-12 EU CRB_B pg 13-14	
438 (d)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class.			CR 2 EU OV1 EU CR10 EU CR8	CR2 pg 11-12	
438 (e)	Capital requirements amounts for market risk or settlement risk, or large exposures where they exceed limits.			EU OV1 EU MR1	EU OV1 pg 8 EU MR1 pg 32	
438 (f)	Capital requirement amounts for operational risk, separately for the basic indicator approach, the Standardised approach, and the advanced measurement approaches as applicable.			RBS uses Standardised approach; EU OV1 includes Operational Risk capital requirements	EU OV1 pg 8	
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.			EU CR10	EU CR10 pg 29 - 30	

Appendix 2: CRR Disclosure Requirements Reference Table (cont'd)

Article / CRR Ref	High-level Requirement	Annual Report & Accounts		Pillar 3 Document		Other
		Royal Bank of Scotland	Ulster Bank Ireland DAC	RBS (Tables)	UBI DAC (Tables)	
Capital buffers						
440 (1) (a)	Geographical distribution of relevant credit exposures.			CAP 5a	CAP 5a pg 10	
440 (1) (b)	Amount of the institution specific countercyclical capital buffer.			CAP 5b	CAP 5b pg 10	
440 (2)	EBA will issue technical implementation standards related to 440 (1).					RBS / UBIDAC follow s the current standards
Credit risk adjustments						
442 (a)	Disclosure of bank's definitions of past due and impaired.	ARA: Capital and Risk Management- Key IFRS 9 terms and differences to current accounting framework and regulatory framework	Note 23 Risk management Note 30 The adoption of IFRS 9			
442 (b)	Approaches for calculating credit risk adjustments.	ARA: Accounting policies 14: Impairments	Note 12, Loan impairment provisions			
442 (c)	Disclosure of EAD by exposure class.			EU CRB_B	EU CRB_B pg 13-14	
442 (d)	Disclosures of EAD by geography and exposure class.			EU CRB_C	EU CRB_C pg 15-16	
442 (e)	Disclosures of EAD by industry and exposure class.			EU CRB_D	EU CRB_D pg 17-18	
442 (f)	Disclosures of EAD by residual maturity and exposure class.			EU CRB_E	EU CRB_E pg 19-20	
442 (g)	Breakdown n of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.		Note 23 Risk management	EU CR1_A, EU CR1_B, EU CR1_C, EU CR1_D, EU CR1_E & EU CR2_A	EU CR1_A pg 21-22, EU CR1_B pg 23, EU CR1_C pg 24	
442 (g) (i)	Impaired exposures and past due exposures, provided separately	ARA: Capital and risk management - Segmental loans and impairments				
442 (g) (ii)	Specific and general credit risk adjustments					
442 (g) (iii)	charges for specific and general credit risk adjustments during the reporting period					
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	ARA: Capital and risk management - Segmental loans and impairments		EU CR1_C	EU CR1_C pg 24	
442 (i)	Reconciliation of changes in specific and general credit risk adjustments.		Note 23 Risk management - flow statements	EU CR2-A		
442 (i) (i)						
442 (i) (ii)						
442 (i) (iii)						
442 (i) (iv)						
442 (i) (v)						
442 (endnote)	Specific credit risk adjustments recorded to income statement are disclosed separately.			EU CR2-A		

Appendix 2: CRR Disclosure Requirements Reference Table (cont'd)

Article / CRR Ref	High-level Requirement	Annual Report & Accounts		Pillar 3 Document		Other
		Royal Bank of Scotland	Ulster Bank Ireland DAC	RBS (Tables)	UBI DAC (Tables)	
Remuneration disclosures						
450	Remuneration	ARA: Governance - Directors' remuneration report and other remuneration disclosures Further detail on compliance with CRD IV and remuneration from rbs.com/about/board-and-governance.html			Disclosed within appendix 3	
Leverage						
451 (1) (a)	Leverage ratio, and breakdown of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items.			CAP 3	CAP 3 pg 9	
451 (1) (b)				CAP 3	CAP 3 pg 9	
451 (1) (c)						N/A
451 (1) (d)	Description of the risk management approach to mitigate excessive leverage, and factors that impacted the leverage ratio during the year.	ARA Capital and Risk Management - Capital Management	Note 23 Risk management			
451 (1) (e)	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	Capital, liquidity and funding - key points.	Note 23 Risk management			
451 (2)	EBA to publish implementation standards for points above.	RBS follow the current standards	UBIDAC follow the current standards			
Use of credit risk mitigation techniques						
453 (a)	Use of on- and off-balance sheet netting.			EU CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation Wholesale IRB models - Exposure at default models EU L12		
453 (b)	How collateral valuation is managed.		Note 23 Risk management	EU CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation	EU CR3 and EU CR3_a p.25 -28	
453 (c)	Description of types of collateral used by RBS/UBI DAC			EU CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation		
453 (d)	Guarantor and credit derivative counterparty, creditworthiness.			Recognition of credit risk mitigation in the calculation of RWAs		
453 (e)	Market or credit risk concentrations within risk mitigation exposures.		Note 23 Risk management	Pillar 3: EU CRC: IRB and STD: Qualitative disclosures relating to credit risk mitigation	EU CR3 and EU CR3_a pg 25 -28	
453 (f)	Standardised or Foundation IRB approach, exposure value covered by eligible collateral.			EU_CR 4	EU_CR 4 pg 31	
453 (g)	Exposures covered by guarantees or credit derivatives.			EU_CR 3	EU_CR 3 pg 25-28	

Appendix 3: Ulster Bank Ireland DAC (UBIDAC) Remuneration Disclosure

This section contains a number of disclosures which are required in accordance with Article 450 of the Capital Requirements Regulation.

UBIDAC Performance and Remuneration Committee (UBIDAC RemCo)

The UBIDAC RemCo was established in October 2014 in accordance with Article 95 of Directive 2013/36/EU (CRD IV) as implemented in the Republic of Ireland by way of Statutory Instrument 158, paragraph 83.

The Chair and members of the UBIDAC RemCo are all non-executive directors of UBIDAC. The Committee met 8 times in 2018.

Specific responsibilities of the UBIDAC RemCo are to:

- Review and adopt The Royal Bank of Scotland Group plc (RBS) Remuneration Policy for the UBIDAC business on an annual basis, reviewing the policy and ensuring it meets regulatory requirements applicable to UBIDAC.
- Oversee the remuneration arrangements for Executive Directors on the UBIDAC Board.
- Oversee the performance assessment and remuneration arrangements of the UBIDAC Executive Committee members, Pre-Approved Control Functions (PCF) and Senior Material Risk Takers (MRTs).
- Oversee the remuneration framework for other MRTs within UBIDAC.
- Review the annual bonus pool for UBIDAC.
- Retain oversight of pay considerations across the broader UBIDAC employee population.
- Review any UBIDAC compensation disclosures and any submissions to regulators in relation to compensation.

Some of the activities undertaken by the UBIDAC RemCo during 2018 included a review of senior role appointments, an update of performance assessment and 2018/2019 pay arrangements and a review and rebalancing of the pay construct for staff. The UBIDAC RemCo adopted the RBS Remuneration Policy and continues to operate within approved Terms of Reference which closely reflect legal entity responsibilities and applicable regulatory requirements.

Our remuneration policy for employees

As a fully owned subsidiary of RBS, the UBIDAC remuneration policy is aligned to RBS's remuneration policy principles, and is compliant with CRD IV and regulatory requirements.

The UBIDAC remuneration policy supports the business strategy and is designed to promote the long-term success of UBIDAC. It aims to reward employees for delivering good performance provided this is achieved in a manner consistent with our values and within acceptable risk parameters. The remuneration policy applies the same principles to all employees, including MRTs

The key elements of the policy are set out below.

Base salary

The purpose is to provide a market-facing level of fixed cash remuneration

Operation

Base salaries are reviewed annually and should reflect the talents, skills and competencies that the individual brings to the business.

Role-based allowance

The purpose is to provide fixed pay that reflects the skills and experience required for the role.

Appendix 3: Ulster Bank Ireland DAC (UBIDAC) Remuneration Disclosure (continued)

Operation

Role-based allowances are a fixed allowance which form an element of the employee's overall fixed remuneration for regulatory purposes and are based on the role the individual performs.

They are delivered in cash and/or shares depending on the level of the allowance and the seniority of the recipient. Shares are subject to an appropriate retention period, not less than six months.

Benefits and pension

The purpose is to provide a range of flexible and competitive benefits.

Operation

Employee benefits can be selected from a flexible benefits account or taken as cash.

Pension funding forms part of fixed remuneration and RBS and UBIDAC do not as a rule award discretionary pension benefits.

Annual bonus

The purpose is to support a culture where employees recognise the importance of serving customers well and are rewarded for superior performance.

Operation

The annual bonus pool is based on a balanced scorecard of measures including Customer, People, Financial & Business Delivery, and Risk & Control measures. Allocation from the pool depends on performance of the franchise or function and the individual.

Individual performance assessment is supported by a structured performance management framework. This is designed to assess performance against longer term business requirements across a range of financial and non-financial metrics as well as an evaluation of adherence to internal controls and risk management. A balanced scorecard is used to align with the business strategy. Each individual will have defined measures of success appropriate to their role.

Risk and conduct performance is also taken into account. Control functions are assessed independently of the business units that they oversee, with the objectives and remuneration being set according to the priorities of the control area, not the targets of the businesses they support.

Independent control functions have dual solid reporting lines into both the UBIDAC Chief Executive Officer and the Group Control Function Head. Audit report to the Chair of the UBIDAC Audit Committee with oversight provided by the Natwest Holdings Chief Audit Executive.

For awards made in respect of the 2018 performance year, immediate awards, paid through payroll, continue to be limited to a maximum of €2,261. In line with regulatory requirements, a significant proportion of annual bonus awards for our more senior employees is deferred and includes partial delivery in shares.

The deferral period varies from three years for standard MRTs, rising to five years for individuals identified as Risk Manager MRTs and seven years for Senior Managers under the Senior Managers Regime. All awards are subject to malus and clawback provisions. For MRTs, a minimum of 50% of

Appendix 3: Ulster Bank Ireland DAC (UBIDAC) Remuneration Disclosure (continued)

any annual bonus is delivered in shares and a twelve month retention period will apply post vesting in line with regulatory requirements.

Other share plans

The purpose is to offer employees in certain jurisdictions the opportunity to acquire shares.

Operation

Employees in certain countries are eligible to contribute to share plans which are not subject to performance conditions.

Criteria for identifying MRTs

The European Banking Authority has issued criteria for identifying MRT roles, those staff whose activities have a material influence over UBIDAC's performance or risk profile. The criteria are both qualitative (based on the nature of the role) and quantitative (for example those who exceed the stipulated total remuneration threshold).

The qualitative criteria can be summarised as: staff within the management body; senior management; other staff with key functional or managerial responsibilities; and staff who individually, or as part of a Committee, have authority to approve new business products or to commit to credit risk exposures and market risk transactions above certain levels. In addition to the qualitative and quantitative criteria, UBIDAC has applied its own minimum standards to identify roles that are considered to have a material influence over its risk profile.

Personal hedging strategies

In accordance with regulatory requirements and internal dealing rules that apply to employees, the conditions attached to discretionary share-based awards prohibit the use of any personal hedging strategies to lessen the impact of a reduction in value of such awards. These conditions are explicitly acknowledged and accepted by employees when any share-based awards are granted.

Risk in our remuneration process

RBS and UBIDAC's approach to remuneration and related policies promotes effective risk management through a clear distinction between fixed remuneration, which reflects the role undertaken by an individual, and variable remuneration, which is directly linked and reflective of performance and can be risk-adjusted. Fixed pay is set at an appropriate level to avoid incentives that are adverse to sound risk management, and at a level which would allow us to pay zero variable pay.

Focus on risk is achieved through clear risk input into objectives, performance reviews, the determination of variable pay pools, and incentive plan design as well as the application of malus and clawback. The Committee is supported by the UBIDAC Risk Committee and the UBIDAC and RBS Risk functions.

A robust process is used to assess risk performance. A range of measures are considered, specifically capital, liquidity and funding risk, credit risk, market risk, pension risk, compliance & conduct risk, financial crime, operational risk, business risk and reputational risk. Consideration is also given to overall Risk Culture. UBIDAC's remuneration arrangements are in accordance with regulatory requirements and the steps we take to ensure appropriate and thorough risk adjustment are also fully disclosed and discussed with the PRA and the FCA

Variable pay determination

For the 2018 performance year, RBS and UBIDAC operated a robust multi-step process, which is control function led, to assess performance and the appropriate bonus pool by franchise and function. At multiple points throughout the process, reference is made to Group-wide business performance (from both affordability and appropriateness perspectives) and the need to distinguish between go-forward and resolution activities.

The process considers a balanced scorecard of performance assessments at the level of each franchise or function, across financial, customer and people measures. Risk and conduct assessments at the same level are then undertaken to ensure that performance achieved without appropriate consideration of risk, risk culture and conduct controls is not inappropriately rewarded.

UBIDAC Board Risk Committee considers the Risk Performance Assessment and provides input to the Group Board Risk Committee (BRC) which reviews any material risk and conduct events and, if appropriate, an underpin may be applied to the individual business and function bonus pools or to the overall bonus pool. BRC may recommend a reduction of a bonus pool if it considers that risk and conduct performance is unacceptable or that the impact of poor risk management has yet to be fully reflected in the respective inputs.

Following further review against overall performance and conduct, the RBS Chief Executive will make a final recommendation to the RBS Group Performance and Remuneration Committee (RBS RemCo), informed by all the previous steps in the process and his strategic view of the business. The RBS RemCo will then make an independent decision on the final bonus pool taking all of these earlier steps into account. UBIDAC RemCo has oversight of the UBIDAC bonus pool determination process and provides input to the RBS RemCo.

Remuneration and culture

RBS and UBIDAC continue to assess conduct and its impact on remuneration as part of the annual Group-wide bonus pool process and also via the Accountability Review framework. We have continued to simplify our approach to reward and removed incentives for employees where this could drive unintended behaviours.

Accountability review process and malus/clawback

The accountability review process was introduced in 2012 to identify any material risk management, control and general policy breach failures, and to ensure accountability for those events. This allows UBIDAC and RBS to respond in instances where new information would change the variable pay decisions made in previous years and/or the decisions to be made in the current year.

Under the accountability review process UBIDAC can apply:

- Malus - to reduce (to zero if appropriate) the amount of any unvested variable pay awards prior to payment;
- Clawback - to recover awards that have already vested; and
- In-year bonus reductions - to adjust variable pay that would have otherwise been awarded for the current year.

Any variable pay awarded to MRTs from 1 January 2015 onwards is subject to clawback for seven years from the date of grant. For awards made in respect of the 2016 performance year onwards, this period has been extended to ten years for executive directors and other Senior Managers under

Appendix 3: Ulster Bank Ireland DAC (UBIDAC) Remuneration Disclosure (continued)

the Senior Managers Regime where there are outstanding internal or regulatory investigations at the end of the normal seven year clawback period.

Circumstances in which UBIDAC may apply malus, clawback or in-year reduction include:

- the individual being culpable, responsible or ultimately accountable for conduct which results in significant financial losses for UBIDAC;
- the individual failing to meet appropriate standards of fitness and propriety;
- reasonable evidence of an individual's misbehaviour or material error;
- UBIDAC or the individual's relevant business unit suffering a material failure of risk management; and for malus and in-year reduction only, circumstances where there has been a material downturn in financial performance.

The above list of circumstances is not exhaustive and UBIDAC may consider any further circumstances that it feels appropriate.

Remuneration of MRTs

The quantitative disclosures below are made in accordance with Article 450 of the EU Capital Requirements Regulation in relation to 76 employees who have been identified as MRTs.

1. Number of MRTs by business area

Number of beneficiaries	Senior mngt. ¹	Other MRTs	Total
Executive Directors	3	-	3
Non-Executive Directors ²	-	6	6
Retail	2	9	11
Commercial	1	12	13
Corporate Functions	4	8	12
Control Functions	4	20	24
Other Business Areas	2	5	7
Total	16	60	76

2. Aggregate remuneration expenditure

Aggregate remuneration expenditure in respect of 2018 performance was as follows:

Number of beneficiaries	Senior mngt.	Other MRTs	Total
	€m	€m	€m
Executive Directors	2.30	-	2.30
Non-Executive Directors	-	0.51	0.51
Retail	0.68	1.50	2.18
Commercial	0.48	2.35	2.84
Corporate Functions	0.76	2.31	3.07
Control Functions	1.34	3.05	4.39
Other Business Areas	0.72	1.11	1.83
Total	6.28	10.84	17.12

¹ Our disclosures reflect anyone who has performed a role during PY 2018, so the Executive Director (ED) and Senior Management (SM) figures include 6 individuals who have now left UBIDAC. The total number of ED and SM roles at 31 Dec 2018 is 2 EDs and 8 SMs.

² Excludes 1 individual not receiving remuneration for the NED role.

Appendix 3: Ulster Bank Ireland DAC (UBIDAC) Remuneration Disclosure (continued)

3. Amounts and form of fixed and variable remuneration

Fixed remuneration consisted of salaries, allowances, pension and benefit funding.

Fixed remuneration	Senior mngt.	Other MRTs	Total
Number of beneficiaries	16	60	76
	€m	€m	€m
Executive Directors	1.45	-	1.45
Non-Executive Directors	-	0.51	0.51
Retail	0.52	1.41	1.93
Commercial	0.32	2.16	2.48
Corporate Functions	0.61	1.73	2.34
Control Functions	1.17	2.74	3.91
Other Business Areas	0.54	0.98	1.53
Total	4.61	9.53	14.15

Variable remuneration awarded for 2018 performance

Variable remuneration consisted of a combination of annual bonus and long-term incentive awards still to vest from prior years, deferred over a three to seven year period in accordance with regulatory requirements. Under the UBIDAC bonus deferral structure, immediate cash awards are limited to €2,261 per employee.

Long-term incentive awards vest subject to the extent to which performance conditions are met and can result in zero payment. There were no recipients of LTI awards for performance year 2018.

Annual bonus	Senior mngt.	Other MRTs	Total
Number of beneficiaries	11	46	57
	€m	€m	€m
Executive Directors	0.85	-	0.85
Non-Executive Directors	-	-	-
Retail			
Cash remuneration	0.00	0.02	0.02
Deferred bonds	0.07	0.08	0.14
Deferred shares	0.09	-	0.09
	0.16	0.09	0.25
Commercial			
Cash remuneration	0.00	0.03	0.03
Deferred bonds	0.07	0.17	0.23
Deferred shares	0.09	-	0.09
	0.16	0.19	0.35
Corporate Functions			
Cash remuneration	0.00	0.02	0.02
Deferred bonds	0.13	0.33	0.46
Deferred shares	0.02	0.23	0.25
	0.15	0.58	0.73
Control Functions			
Cash remuneration	0.01	0.03	0.04
Deferred bonds	0.15	0.28	0.43
Deferred shares	0.02	-	0.02
	0.18	0.31	0.48
Other Business Areas			
Cash remuneration	0.00	0.01	0.01
Deferred bonds	0.12	0.12	0.24
Deferred shares	0.05	-	0.05
	0.18	0.13	0.30
Total	1.67	1.31	2.97

4. Outstanding deferred remuneration through 2018

The table below includes deferred remuneration awarded or paid out in 2018 in respect of prior performance years. Deferred remuneration reduced during the year relates to long-term incentives lapsed when performance conditions are not met, long-term incentives and deferred awards forfeited on leaving and malus adjustments of prior year deferred awards and long-term incentives.

Category of deferred remuneration	Senior mngt. €m	Other MRTs €m	Total €m
Unvested from prior year	2.40	0.80	3.21
Awarded during year	1.63	1.48	3.11
Paid out	1.02	1.41	2.44
Reduced from prior years	0.80	0.00	0.81
Unvested at year end	2.21	0.87	3.08

5. Guaranteed Awards (including 'Sign-on' awards) and Severance Payments

UBIDAC does not offer 'Sign-on awards'. Guaranteed awards may only be granted to new hires in exceptional circumstances in compensation for awards foregone in their previous company and are limited to the first year of service. No new hire guarantees were made in respect of the 2018 performance year.

Severance payments and / or arrangements can be made to employees who leave UBIDAC in certain situations, including redundancy. Such payments are calculated by a pre-determined formula set out within the relevant social plans, policies, agreements or local laws. Where local laws permit, there is a cap on the maximum amount that can be awarded.

No severance payments were made during the financial year in excess of contractual payments, local policies, standards or statutory amounts.

6. Ratio between fixed and variable remuneration

The variable component of total remuneration for MRTs at UBIDAC shall not exceed 100% of the fixed component. The average ratio between fixed and variable remuneration for 2018 is approximately 1 to 0.25. The majority of MRTs are based in Ireland.

Ratio of fixed to variable	Senior mngt.	Other MRTs	Total
Number of beneficiaries	11	46	57
	ratio	ratio	ratio
Executive Directors	1 to 0.86	1 to 0	1 to 0.86
Non-Executive Directors	1 to 0	1 to 0	1 to 0
Retail	1 to 0.49	1 to 0.08	1 to 0.16
Commercial	1 to 0.49	1 to 0.09	1 to 0.14
Corporate Functions	1 to 0.36	1 to 0.34	1 to 0.34
Control Functions	1 to 0.20	1 to 0.13	1 to 0.15
Other Business Areas	1 to 0.32	1 to 0.15	1 to 0.22
Consolidated	1 to 0.48	1 to 0.16	1 to 0.25

Appendix 3: Ulster Bank Ireland DAC (UBIDAC) Remuneration Disclosure (continued)

7. Discount Rate 2018

Under CRD IV regulations, a notional discount is available which allows variable pay to be awarded at a level that would otherwise exceed the 1:1 ratio, provided that at least 25% of variable pay is delivered 'in instruments' (shares) and deferred over five years or more. The discount rate was not used for remuneration awarded in respect of the 2018 performance year.

Total remuneration by band for all employees earning >€1 million

	Number of employees 2018
€1.0m - €1.5m	1
€1.5m - €2.0m	0
More than €2.0m	0
Total	1

Notes:

(1) Total remuneration in the table above includes fixed pay, pension and benefit funding and variable pay.

(2) The table is based on an average exchange rate where applicable of €1.1304306 to £1 as at 31 December 2018