

RBS Citizens Financial Group, Inc.

Dodd-Frank Act Stress Test 2014 (DFAST 2014)

Company-Run Stress Test Disclosure

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I. Introduction

RBS Citizens Financial Group, Inc. (RBSCFG) is a bank holding company headquartered in Providence, Rhode Island. The primary subsidiaries of RBSCFG are its two insured depository institutions, RBS Citizens, N.A. (RBSCNA), a national banking association, and Citizens Bank of Pennsylvania (CBPA), a Pennsylvania-chartered savings bank. Through its subsidiaries, RBSCFG provides traditional banking products and services to consumer and commercial customers across a twelve-state footprint in New England, the Mid-Atlantic and the Midwest. RBSCFG has approximately 1,400 branches, 3,500 branded ATMs and 19,000 employees. RBSCFG operates under the Citizens brand in Connecticut, Delaware, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island and Vermont. RBSCFG operates under the Charter One brand in Ohio, Michigan and Illinois.

This document outlines the estimated impacts of economic stress on RBSCFG, consistent with requirements for the 2014 Dodd-Frank Act Stress Test (DFAST 2014). The Stress Test Final Rule¹ published by the Board of Governors of the Federal Reserve System (Federal Reserve) defines this requirement in accordance with the Dodd-Frank Act of 2010². RBSCFG must disclose the following information for a prescribed Supervisory Severely Adverse Stress Scenario³ and associated set of capital actions over the 9-quarter planning horizon beginning Q4 2013 and ending Q4 2015:

- A. A description of the types of risk included in the stress tests.
- B. A general description of the methodologies used in the stress test, including those used to estimate losses, revenues, provision for loan and lease losses, and changes in capital positions over the planning horizon.
- C. The estimates of projected revenue, losses and net income before taxes; loan losses in aggregate and by sub-portfolio; pro forma regulatory capital ratios along with the Tier 1 Common ratio; and an explanation of the most significant causes for the changes in regulatory capital ratios.
- D. A summary of company-run stress test conducted by depository institution subsidiaries that are required to disclose a summary of stress test results under applicable regulations, including changes in pro forma regulatory capital ratios and an explanation of the most significant causes for the changes in those ratios.

The Federal Reserve Board defines a stress test as “a process to assess the potential impact of a scenario (hypothetical economic conditions) on the consolidated earnings, losses, and capital of a covered company over the planning horizon (a set period of time), taking into account its current condition, risks, exposures, strategies, and activities.” The RBSCFG DFAST disclosure reflects management’s interpretation of the possible outcomes of one hypothetical severely adverse stress

¹ Board of Governors of the Federal Reserve System, 12 CFR Part 252, Final Rule: Supervisory and Company-Run Stress Test Requirements for Covered Companies.

² Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 165(i)(2).

³ For details of the Supervisory Severely Adverse Stress scenario defined for DFAST 2014, see Board of Governors of the Federal Reserve System, 2014 Supervisory Scenarios for Annual Stress Tests Required under the Dodd-Frank Act Stress Testing Rules and Capital Plan Rule, November 1, 2013.

scenario, as defined by the US banking supervisors⁴. The enclosed outcomes are not a forecast and do not represent RBSCFG's expected performance under current business strategies.

The projected outcomes published in this disclosure are the result of a "company-run" assessment of the Supervisory Severely Adverse Stress Scenario reflecting: supervisory scenario inputs that define the severely adverse macroeconomic environment, internally-developed models and methodologies, specific knowledge of RBSCFG's business portfolios, DFAST capital actions defined by the Federal Reserve and, where necessary, management's interpretation of regulatory requirements and guidance. Details of scenario-specific macroeconomic inputs defined by the US banking supervisors for the Supervisory Severely Adverse Stress are available in the 2014 Supervisory Scenarios for Annual Stress Test. Exhibit 1 summarizes the Federal Reserve defined DFAST capital action assumptions.

Exhibit 1: Supervisory Capital Action Assumptions for DFAST Assessment

DFAST Capital Action Assumption	Q4 2013	Q1 2014 - Q4 2015
Quarterly Common Dividends	Actual	Equal to the quarterly average dollar amount of common stock dividends that the company paid in the previous year
Payments on Tier 1 and Tier 2 Capital Instruments ¹	Actual	Equal to the stated dividend, interest, or principal due on such instrument
Redemption / Repurchase of Capital Instruments	Actual	None
Issuance of Capital Instruments	Actual	None except for common stock issuances associated with expensed employee compensation
¹ Tier 1 and Tier 2 Capital Instruments include non-cumulative preferred, trust preferred, qualifying subordinated-debt.		

In conjunction with the 2014 Comprehensive Capital Analysis and Review (CCAR) process and DFAST 2014, the Federal Reserve has also published pro forma financials and capital ratios for RBSCFG. Projections under these "supervisory stress tests" will not align with RBSCFG's internal projections due to differences in underlying methodologies and assumptions as demonstrated by the range of input factors noted in Exhibit 2.

Exhibit 2: Factors Impacting Projected Outcomes under Stress

	RBSCFG-Published DFAST Results	FRB-Published DFAST Results	FRB-Published CCAR Results
Scenario defined by	Supervisors	Supervisors	Supervisors
Portfolio details provided by	RBSCFG	RBSCFG	RBSCFG
Projection and Loss Models developed by	RBSCFG	Supervisors	Supervisors
Assumed capital actions defined by	Supervisors	Supervisors	RBSCFG

Estimated impacts of stress are one of many inputs to RBSCFG's capital adequacy process. RBSCFG is committed to an ongoing, comprehensive and continuously-improving capital adequacy process that incorporates an end-to-end view of risk-taking, risk management, risk-based capital assessment, and capital planning. The Treasury and Risk organizations lead this capital adequacy process with participation from the lines of business, Finance and Audit. The RBSCFG capital

⁴ Federal Reserve Board of Governors, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation.

adequacy process is fully supported by internal policies and practices used by RBSCFG to ensure that the amount and composition of capital is adequate given the company's risk exposures and the regulatory standards.

I.A Risks Considered by RBSCFG

In its capital adequacy process, RBSCFG considers all key risks identified and managed by RBSCFG's Risk Management Framework. The integrated stress testing process, a component of the end-to-end capital adequacy process, directly covers the following risks:

- Credit Risk: Risk associated with the failure of a customer to meet obligations to settle outstanding amounts.
- Operational Risk: Risk associated with inadequate or failed internal processes, people and systems, or from external events.
- Pension Risk: Risk associated with not meeting contractual pension obligations to its employees.
- Traded Market Risk: Risk associated with fluctuations in interest rates, foreign currency, credit spreads, equity prices and commodity prices.
- Non-Traded Market Risk: Risk associated with non-traded assets, liabilities or financial investments designated as available-for-sale and held-to-maturity.

In addition, the material risk assessment and measurement process, another component of the end-to-end capital adequacy process, evaluates all risks not directly covered in stress testing to determine estimated exposure and associated capital requirements. These risks include:

- Model Risk: Risk associated with model errors or misapplication/misuse of models through a failure to understand or apply the model within specified limitations.
- Reputational Risk: Risk associated with negative public opinion of RBSCFG/RBSCNA which may arise from actions taken or by the failure to take actions.
- Strategic Risk: Risk associated with adverse business decisions, poor implementation of business decisions or lack of responsiveness to changes in the industry and operating environment.
- Capital Adequacy Risk: Risk associated with not being able to conduct business due to insufficient qualifying capital or the failure to assess, monitor, plan and manage capital adequacy requirements.
- Funding and Liquidity Risk: Risk associated with not being able to meet financial obligations due to insufficient capital or inability to effectively transfer risk through the secured funding of assets.

I.B RBSCFG Methodologies

RBSCFG's integrated stress testing process measures the impact of macroeconomic factors on the material risks and estimated financial performance of RBSCFG and its subsidiaries. The goal of the stress testing process is to ensure that RBSCFG and its subsidiaries have sufficient capital to absorb potential losses and to support operations under severely adverse economic conditions. RBSCFG uses a number of quantitative and qualitative methodologies to generate a projected balance sheet,

income statement and pro forma capital ratios for a specific scenario. This section provides details about the methodologies used for pre-provision net revenue, losses, provisions and changes in capital position.

I.B.1 Pre-provision Net Revenue

RBSCFG develops projected balances and yield by “rolling” the balance sheet forward through the planning horizon. RBSCFG starts with the current portfolio position and adds or subtracts the estimated business activity (e.g., originations, prepayment, scheduled payments, losses, re-pricing, etc.) to project the ending balance and yield for each product or portfolio. Dedicated teams within the lines of business and central business functions develop and document these business activity assumptions. These teams combine internal analytics, business activity macroeconomic models, historical data and prior stress test results with business unit expert judgment to develop the projections.

I.B.1.1 *Net-Interest Income*

RBSCFG determines the net-interest income for a given period based on the pricing characteristics of starting position balances and the pricing characteristics of any new asset or liability balance. More specifically, RBSCFG calculates net-interest income as the yield on performing assets less the yield on liabilities based upon the scenario specific interest rates. Business line subject matter experts provide pricing characteristics associated with new business and renewals.

I.B.1.2 *Non-Interest Income*

RBSCFG captures fees and other income in order to create a complete income statement. The businesses provide forecast fees and other income generally based on the level of business activity for a given scenario using expert judgment supported by analytics and historical data.

I.B.1.3 *Non-Interest Expenses*

Businesses and support functions use analytics and expert judgment to project expenses. Starting with the most recent expense structure, the stress forecast takes into account the economic conditions defined in the scenario and the planned levels of business activity to determine the projected expenses over the planning horizon. In addition, the Operational Risk Management team projects expenses for operational risk expected losses for a scenario using an internally developed model. RBSCFG’s external pension actuaries calculate the expected pension expenses for a given scenario.

I.B.2 Losses

This section provides a high-level description of the expected loss projection methodologies for credit and other than temporary impairment (OTTI) losses used for the Supervisory Severely Adverse Stress Scenario.

I.B.2.1 *Credit Losses*

RBSCFG and its subsidiaries use retail and wholesale credit loss forecasting models to project charge-offs for a given scenario. The credit loss forecasting models utilize historically observed losses from RBSCFG’s portfolios and take into account the macroeconomic conditions and interest rate environment defined in the scenario. The credit modeling team uses forecast balances

generated as part of the pre-provision net revenue methodology, described above, to forecast charge-offs through the scenario horizon.

I.B.2.2 Other Than Temporary Impairment Losses

RBSCFG and its subsidiaries use a model to project OTTI exposures for the residential mortgage-backed securities and commercial mortgage-backed securities in a given scenario. The projected OTTI is included in the credit loss portion of the income statement for the period the impairment is expected to be realized.

I.B.3 Provision for Loan and Lease Losses

RBSCFG generates provisions based on net charge-offs and change in the allowance for loan and lease losses (ALLL). RBSCFG forecasts the ALLL stress reserve based on a forward loss coverage ratio. For all scenarios, RBSCFG uses a rolling one-year net charge-off multiplier to calculate the reserve. The provisions process starts with the Q3 2013 beginning reserve balance. Each quarter's subsequent reserve is forecast by taking the next four quarters of estimated net charge-offs multiplied by the reserve ratio. Once each quarter's reserves are calculated, RBSCFG performs a subsequent calculation to determine the quarterly provision expense for each quarter of the scenario.

I.B.4 Changes in Capital Position

RBSCFG assesses and manages regulatory capital ratios as a "non-advanced" banking organization. This designation means that the Federal Reserve does not require RBSCFG or its subsidiary banks to assess credit and operational risk using the Federal Reserve's more complex advanced approach modeling methodologies to calculate risk-weighted asset requirements. Through December 31, 2014, RBSCFG and its subsidiary banks will remain accountable for capital ratios that use "general" Basel I regulatory capital and risk-weight definitions. Beginning on January 1, 2015 and phased in by 2019, RBSCFG's measures of regulatory capital and capital ratios will reflect new Basel III capital definitions⁵, new ratio requirements and a new "standardized" risk-weighted asset methodology.

Within this disclosure, RBSCFG uses the outputs of the integrated stress testing process to assess pro forma capital ratios for the Supervisory Severely Adverse Stress Scenario as required of a non-advanced bank holding company. RBSCFG's estimated financial performance and changes in the size and credit characteristics of RBSCFG's underlying risk portfolios under stress are the key drivers in determining both its projected level of capital and projected risk-weighted asset requirement at the end of each quarter in the scenario horizon. These projected sources and uses of capital are the drivers of change for RBSCFG's capital ratios.

⁵ As a non-advanced banking organization, RBSCFG plans to exercise its right to "opt-out" of the Basel III requirement to include in Common Equity Tier 1 Capital all components of Accumulated Other Comprehensive Income ("AOCI") except net gains and losses on cash flow hedges related to items that are not fair-valued on the balance sheet. Consistent with this "AOCI opt-out," RBSCFG calculates Basel III ratios in which its regulatory capital position is not impacted by certain transactions that are otherwise included in AOCI under GAAP accounting, such as the mark-to-market of securities held as available for sale or any amount recorded in AOCI in relation to defined benefit pension plan assets.

I.C RBSCFG Performance under the Supervisory Severely Adverse Stress Scenario

I.C.1 DFAST Capital Actions Applied by RBSCFG

During 2013, RBSCFG made common dividend payments for two reasons: 1) to return a portion of prior-quarter net earnings to shareholders, and 2) to bring RBSCFG's capital structure more in line with industry norms through paired "exchange transactions" that reduce common equity while issuing a like amount of subordinated debt. In 2013, RBSCFG executed three such exchanges with its parent, The Royal Bank of Scotland plc, paying special dividends of \$1 billion, offset by the issuance of \$1 billion of new sub-debt.⁶

The first of the common dividend types noted above is comparable to a recurring quarterly dividend. RBSCFG has planned and executed the second type of common dividend only on a transaction-by-transaction basis and only when the special dividend matched the issuance of a like amount of lower-tier capital. Given these clear distinctions, RBSCFG has defined DFAST 2014 actions for 2014 – 2015 that meet the Federal Reserve's intent of reducing capital based on a steady flow of quarterly common dividends but also remains consistent with the Federal Reserve instructions that no special redemption or issuance transactions should occur during 2014 – 2015, as summarized in Exhibit 3.

Exhibit 3: DFAST Capital Actions as Interpreted by RBSCFG

Capital Action	Federal Reserve Instructions		RBSCFG Interpretation (\$ in millions)	
	Q4 2013	Q1 2014 - Q4 2015	Q4 2013	Q1 2014 - Q4 2015
Quarterly Common Dividends	Actual	Equal to 25% of common stock dividends paid in 2013	\$40	\$46.25 / quarter = 25% of "recurring" common dividends paid in 2013
Redemption of Trust Preferred Securities	Actual	Equal to the stated dividend, interest, or principal due on such instrument	10	0
Exchange Transaction: Special "Return" of Common Equity	Actual	None	334	0
Exchange Transaction: Issuance of Capital Instruments	Actual	None except for common stock issuances associated with expensed employee compensation	334	0

I.C.2 Impacts of Stress on Overall Financial Performance and Loan Portfolios

Exhibit 4 and Exhibit 5 outline the pro forma impact of the Supervisory Severely Adverse Stress Scenario on RBSCFG's cumulative financial performance for Q4 2013 through Q4 2015.

The net income before taxes under the Supervisory Severely Adverse Stress Scenario as shown in Exhibit 4 below is primarily impacted by: an increase to provision expense in anticipation of

⁶ At year-end 2013, after executing \$1 billion of exchange transactions, Tier 1 Common Equity was still 84% of Total Risk-Based Capital for RBSCFG, compared with a mean of 73% for comparable US banks. Additionally, RBSCFG's Tier 1 Common Equity ratio was 13.5 %, highest among a group of peers, whose mean ratio was 10.5%.

projected future charge-offs; a reduction in net interest income due to a combination of lower interest rates and a declining balance sheet size; and a reduction in non-interest income due to reduced business activity in the stressed economic environment.

Provision expense increases as higher unemployment rates reduce many customers' ability to pay, increasing loss rates across all retail and small business portfolios. Declining home prices deflate the value of the collateral RBSCFG is holding against losses experienced further impacting the provision expense. At the same time, revenue declines. The balance sheet is materially smaller as expected business activity and increased losses reduce the loan balance. Net interest margin remains compressed as a result of the low rate environment. Non-interest income also declines due to reduced loan origination and customer payment activity.

Exhibit 4: RBSCFG Projected Net Income under Supervisory Severely Adverse Stress Scenario

	Q4 2013 - Q4 2015 (\$ in billions)	Percent of Average Assets ¹
Pre-provision net revenue²	\$2.0	1.7%
Other revenue³	0.0	0.0
<i>less</i>		
Provisions	3.9	3.3
Realized gains (losses) on securities (AFS/HTM)	(0.1)	(0.1)
Trading and counterparty losses⁴	0.0	0.0
Other gains (losses)⁵	0.0	0.0
<i>equals</i>		
Net income (loss) before taxes⁶	(1.9)	(1.7)

¹ Average assets is the nine-quarter average of total assets.

² Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses and other real estate owned ("OREO") costs.

³ Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.

⁴ Trading and counterparty losses include mark-to-market and credit valuation adjustments ("CVA") losses and losses from counterparty default scenario component applied to derivatives, securities lending and repurchase agreement activities.

⁵ Other gains (losses) includes projected change in fair value of loans held for sale and loans held for investment measured under the fair-value option and goodwill impairment losses.

⁶ Numbers may not sum due to rounding.

The macroeconomic variables under the Supervisory Severely Adverse Stress Scenario negatively impact the portfolio performance across all loan types as shown in Exhibit 5. The rise in unemployment and drop in home prices are the primary drivers that impact the first-lien mortgage and HELOC losses. The rise in unemployment and drop in gross domestic product are the primary drivers that impact the commercial real estate losses. The drop in commercial real estate prices is the primary driver that impacts the commercial real estate losses. As reduced loan originations in the weaker macroeconomic environments are not sufficient to offset large increases in losses and expected prepayment activity during the Supervisory Severely Adverse Stress Scenario, the size of the loan book declines.

Exhibit 5: RBSCFG Projected Loan Losses under Supervisory Severely Adverse Stress Scenario

	Q4 2013 - Q4 2015 (\$ in billions)	Portfolio loss rates (%) ¹
Loan losses²	\$3.0	3.8%
First-lien mortgages, domestic	0.2	2.1
Junior-liens and HELOCs, domestic	0.9	4.7
Commercial and industrial³	0.5	2.5
Commercial real estate, domestic	0.5	5.6
Credit cards	0.2	14.2
Other consumer⁴	0.5	3.9
Other loans⁵	0.1	2.6

¹ Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.

² Numbers may not sum due to rounding.

³ Commercial and industrial loans include small- and medium-enterprise loans and corporate cards.

⁴ Other consumer loans include student loans, automobile loans and other personal loans.

⁵ Other loans include lending to not for profit, municipals, depository and other financial institutions, commercial leases, and loans denominated in foreign currency.

I.C.3 Impacts of Stress and Assumed Capital Actions on Capital Ratios

RBSCFG is well-positioned to withstand stress due to the strength of its capital base. Exhibit 6 summarizes RBSCFG's estimated capital ratios under the Supervisory Severely Adverse Stress Scenario with DFAST capital actions. All ratios end the scenario 110 to 160 basis points lower than where they began; however, both the ending level and the minimum level for each ratio exceed the Federal Reserve's required minimum for CCAR 2014 and DFAST 2014 by at least 600 basis points. For all ratios except the Tier 1 Common Ratio, this required minimum ratio is the Basel III minimum that will be in place through 2015.

Exhibit 6: RBSCFG Projected Capital Ratios under Supervisory Severely Adverse Stress Scenario

	Actual Q3 2013	Stressed Capital Ratios ¹		Regulatory
		Ending Q4 2015	Minimum Through Q4 2015	2015 Required Minimum Capital Ratios
Tier 1 common ratio (%)	13.9%	12.3%	12.2%	5.0%
Common equity tier 1 capital ratio (%)²	n/a	12.4	12.3	4.5
Tier 1 risk-based capital ratio (%)	14.0	12.4	12.2	6.0
Total risk-based capital ratio (%)	16.3	15.2	14.9	8.0
Tier 1 leverage ratio (%)	12.1	10.5	10.0	4.0

¹ The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period Q4 2013 to Q4 2015.

² Advanced approaches bank holding companies (BHCs) are subject to the Common Equity Tier 1 ratio for each quarter of 2014. All bank holding companies are subject to the Common Equity Tier 1 ratio for each quarter of 2015. For purposes of this stress test cycle, an advanced approaches BHC includes any BHC that has consolidated assets greater than or equal to \$250 billion or total consolidated on-balance sheet foreign exposure of at least \$10 billion as of December 31, 2013. See 12 CFR 217.100(b)(1); 12 CFR part 225, appendix G, section 1(b). Other BHCs include any BHC that is subject to 12 CFR 225.8 and is not an advanced approach BHC.

Pro forma capital ratios also benefit from a reduction in RBSCFG's risk-weighted asset requirement. Risk-weighted assets decline due to projected credit losses and anticipated weak loan demand under stress. Partly offsetting this reduction in loan balances is the impact of the transition to Basel III "standardized" risk-weighting methodology in 2015 as shown in Exhibit 7.

Exhibit 7: RBSCFG Projected Risk-Weighted Assets under Supervisory Severely Adverse Stress Scenario

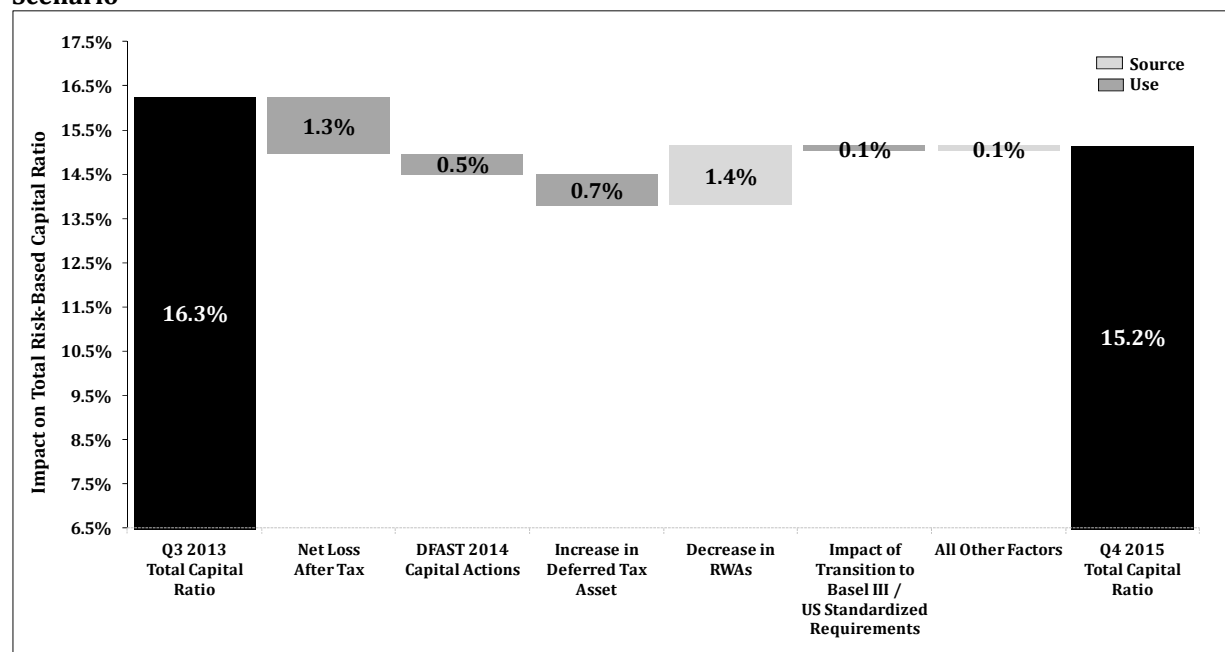
	Actual Q3 2013	Projected Q4 2015	
		Current general approach	Basel III standardized approach
Risk-weighted assets (\$ in billions)¹	\$96.7	\$89.9	\$91.9

¹ For each quarter in 2014, risk-weighted assets are calculated using the current general risk-based capital approach. For each quarter in 2015, risk-weighted assets are calculated under the Basel III standardized capital risk-based approach, except for the Tier 1 Common ratio which uses the general risk-based capital approach for all quarters.

I.C.4 Most Significant Drivers of Change in Regulatory Capital Ratios

Pro forma changes in the Total Risk-Based Capital ratio demonstrate the key drivers of ratio change. Over nine quarters of the Supervisory Severely Adverse Stress Scenario with DFAST capital actions, RBSCFG estimates that its Total Risk-Based Capital ratio declines approximately 110 basis points, from 16.3% to 15.2%, as demonstrated in Exhibit 8. This decline reflects an estimated \$1.2 billion (-1.3%) of net loss and an increase of \$0.7 billion (-0.7%) in the Deferred Tax Asset that is created as a result of the loss. DFAST capital actions reduce capital by \$0.4 billion (-0.5%). The ratio benefits from an estimated decrease of \$7.7 billion (+1.4%) of risk-weighted assets, calculated on a Basel I basis. The transition to Basel III methodologies reduces the ratio (-0.1%), while all other factors provide a slight lift (+0.1%).

Exhibit 8: RBSCFG Total Risk-Based Capital Ratio Change under Supervisory Severely Adverse Stress Scenario



In addition to factors laid out in Exhibit 8, the decline of ratios that rely on Tier 1 capital alone was approximately 50 basis points more than for the Total Risk-Based Capital ratio. The assumption that redemptions and issuances undertaken in Q4 2013 would occur as planned, irrespective of stress losses in that quarter, is the primary driver of this incremental decrease for Tier 1 ratios. In Q4 2013, RBSCFG exchanged \$334 million of common equity for tier 2 sub-debt now held by its parent entity, The Royal Bank of Scotland plc. Assuming execution of this special exchange transaction lowers ratios reliant on common equity and Tier 1 capital by approximately 40 basis points, while being net neutral to the Total Risk-Based Capital ratio.

Supervisory DFAST capital actions do not reflect RBSCFG's planned capital actions for 2014 and 2015, nor do they necessarily reflect the capital actions that RBSCFG would execute in a stressed environment. RBSCFG's internal policy controls would halt planned capital distributions if losses such as those implied by the Supervisory Severely Adverse Stress Scenario occur. RBSCFG would not reconvene distributions until it returned to profitability and could meet the full range of internal and regulatory requirements governing the distributions.

I.D RBSCNA Performance under the Supervisory Severely Adverse Stress Scenario

RBS Citizens, N.A. is RBSCFG's primary subsidiary bank. RBSCNA's primary regulator, the Office of the Comptroller of the Currency, authorized RBSCNA to disclose the pro forma results of its DFAST 2014 assessment under the Federal Reserve's BHC rule, 12 CFR 252.148 (FRB BHC rule). All estimated outcomes in this disclosure are made pursuant to the same Federal Reserve rule and process that governed the above RBSCFG disclosure.

I.D.1 DFAST Capital Actions Applied by RBSCNA

During 2013, RBSCNA paid total common dividends of \$150 million to RBSCFG with \$75 million paid in Q4 2013. As intended, RBSCNA did not redeem nor issue any capital instruments in Q4 2013. Consistent with supervisory guidance, DFAST capital actions include a common dividend of \$75 million in Q4 2013, and recurring quarterly dividends of \$37.5 million in each of the eight quarters, Q1 2014 through Q4 2015.

I.D.2 Impacts of Stress on Overall Financial Performance and Loan Portfolios

Exhibit 9 and Exhibit 10 outline the pro forma impact of the Supervisory Severely Adverse Stress Scenario on RBSCNA's cumulative financial performance for Q4 2013 through Q4 2015. As RBSCNA represents approximately 81% of RBSCFG's total assets and shares a similar business and risk structure, the drivers of net income before taxes and project loan losses are the same as outlined in the RBSCFG findings provided above.

Exhibit 9: RBSCNA Projected Net Income under Supervisory Severely Adverse Stress Scenario

	Q4 2013 - Q4 2015 (\$ in billions)	Percent of Average Assets ¹
Pre-provision net revenue²	\$1.5	1.7%
Other revenue³	0.0	0.0
<i>less</i>		
Provisions	3.2	3.7
Realized gains (losses) on securities (AFS/HTM)	(0.1)	(0.1)
Trading and counterparty losses⁴	0.0	0.0
Other gains (losses)⁵	0.0	0.0
<i>equals</i>		
Net income (loss) before taxes⁶	(1.8)	(2.0)

¹ Average assets is the nine-quarter average of total assets.

² Pre-provision net revenue includes losses from operational-risk events, mortgage repurchase expenses and other real estate owned ("OREO") costs.

³ Other revenue includes one-time income and (expense) items not included in pre-provision net revenue.

⁴ Trading and counterparty losses include mark-to-market and credit valuation adjustments ("CVA") losses and losses from counterparty default scenario component applied to derivatives, securities lending and repurchase agreement activities.

⁵ Other gains (losses) includes projected change in fair value of loans held for sale and loans held for investment measured under the fair-value option and goodwill impairment losses.

⁶ Numbers may not sum due to rounding.

Exhibit 10: RBSCNA Project Loan Losses under Supervisory Severely Adverse Stress Scenario

	Q4 2013 - Q4 2015 (\$ in billions)	Portfolio loss rates (%) ¹
Loan losses²	\$2.5	3.8%
First-lien mortgages, domestic	0.2	2.0
Junior-liens and HELOCs, domestic	0.7	4.9
Commercial and industrial³	0.4	2.6
Commercial real estate, domestic	0.4	5.6
Credit cards	0.2	14.2
Other consumer⁴	0.4	3.6
Other loans⁵	0.1	2.6

¹ Average loan balances used to calculate portfolio loss rates exclude loans held for sale and loans held for investment under the fair-value option, and are calculated over nine quarters.

² Numbers may not sum due to rounding.

³ Commercial and industrial loans include small- and medium-enterprise loans and corporate cards.

⁴ Other consumer loans include student loans, automobile loans and other personal loans.

⁵ Other loans include lending to not for profit, municipals, depository and other financial institutions, commercial leases, and loans denominated in foreign currency.

I.D.3 Impacts of Stress and Assumed Capital Actions on Capital Ratios

Like the BHC, RBSCNA benefits from a strong capital base. Exhibit 11 summarizes RBSCNA's estimated capital ratios under the Supervisory Severely Adverse Stress Scenario with DFAST Capital Actions. All ratios end the scenario 80 to 110 basis points lower than where they began;

however, both the ending level and the minimum level for each ratio exceed the Federal Reserve's required minimum for CCAR 2014 and DFAST 2014 by 540 to 730 basis points.

Exhibit 11: RBSCNA Projected Capital Ratios under Supervisory Severely Adverse Stress Scenario

	Actual Q3 2013	Stressed Capital Ratios ¹		Regulatory
		Ending Q4 2015	Minimum Through Q4 2015	2015 Required Minimum Capital Ratios
Tier 1 common ratio (%)	12.9%	12.1%	12.1%	5.0%
Common equity tier 1 capital ratio (%) ²	n/a	11.8	11.8	4.5
Tier 1 risk-based capital ratio (%)	12.9	11.8	11.8	6.0
Total risk-based capital ratio (%)	14.5	13.4	13.4	8.0
Tier 1 leverage ratio (%)	11.7	10.9	10.9	4.0

¹ The capital ratios are calculated using capital action assumptions provided within the Dodd-Frank Act stress testing rule. These projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts of expected losses, revenues, net income before taxes, or capital ratios. The minimum capital ratio presented is for the period Q4 2013 to Q4 2015.

² Advanced approaches bank holding companies (BHCs) are subject to the Common Equity Tier 1 ratio for each quarter of 2014. All bank holding companies are subject to the Common Equity Tier 1 ratio for each quarter of 2015. For purposes of this stress test cycle, an advanced approaches BHC includes any BHC that has consolidated assets greater than or equal to \$250 billion or total consolidated on-balance sheet foreign exposure of at least \$10 billion as of December 31, 2013. See 12 CFR 217.100(b)(1); 12 CFR part 225, appendix G, section 1(b). Other BHCs include any BHC that is subject to 12 CFR 225.8 and is not an advanced approach BHC.

Pro forma capital ratios also benefit from a reduction in the bank's risk-weighted asset requirement. Risk-weighted assets decline due to projected credit losses and anticipated weak loan demand under stress. Partly offsetting this reduction in loan balances is the impact of the transition to Basel III "standardized" risk-weighting methodology in 2015 as shown in Exhibit 12.

Exhibit 12: RBSCNA Projected Risk-Weighted Assets under Supervisory Severely Adverse Stress Scenario

	Actual Q3 2013	Projected Q4 2015	
		Current general approach	Basel III standardized approach
Risk weighted assets (\$ in billions) ¹	\$79.9	\$72.5	\$73.7

¹ For each quarter in 2014, risk-weighted assets are calculated using the current general risk-based capital approach. For each quarter in 2015, risk-weighted assets are calculated under the Basel III standardized capital risk-based approach, except for the Tier 1 Common ratio which uses the general risk-based capital approach for all quarters.

I.D.4 Most Significant Drivers of Change in Regulatory Capital Ratios

Pro forma changes in the Total Risk-Based Capital Ratio demonstrate the key drivers of ratio change. Over nine quarters of the Supervisory Severely Adverse Stress Scenario with DFAST capital actions, RBSCNA estimates that its Total Risk-Based Capital ratio declines approximately 108 basis points, from 14.5% to 13.4%, as demonstrated in Exhibit 13. This decline reflects an estimated \$1.1 billion (-1.5%) of net loss and an increase of \$0.2 billion (-0.2%) in the Deferred Tax Asset that is created as a result of the loss. DFAST capital actions reduce capital by \$0.4 billion (-0.5%). As previously discussed, the ratio benefits from an estimated decrease of \$8.0 billion (+1.6%) of risk-weighted assets, calculated on a Basel I basis, partly offset by the transition to Basel III methodologies (-0.4%).

Exhibit 13: RBSCNA Total Risk-Based Capital Ratio Change under Supervisory Severely Adverse Stress Scenario