

The Royal Bank of Scotland Group plc

Statement on the publication of the 2019 Bank of England stress test results

16 December 2019

The Royal Bank of Scotland Group plc ("the Group") notes the announcement made today by the Bank of England ("BoE") regarding the results of its 2019 stress test. The test applied a hypothetical adverse scenario to the Group's balance sheet as at 31 December 2018 and compared the theoretical Common Equity Tier 1 ("CET1") ratio and Tier 1 leverage ratio positions of the Group before and after the impact of strategic management actions.

IFRS 9 Transitional basis

The Group's low point CET1 ratio under the hypothetical adverse scenario would have been 9.9% on a transitional minimum stressed ratio basis pre the impact of strategic management actions. This is above the Group's 7.2% hurdle rate (please refer to definitions in notes below the table).

The Group's Tier 1 leverage ratio under the hypothetical adverse scenario would have been 4.7% pre the impact of strategic management actions. This is above the hurdle rate of 3.56%.

IFRS 9 Non-transitional basis (fully loaded)

The Group's low point CET1 ratio under the hypothetical adverse scenario would have been 9.5% on a fully loaded minimum stressed ratio basis pre the impact of strategic management actions. This is above the Group's 6.2% hurdle rate (please refer to definitions in notes below the table).

The Group's Tier 1 leverage ratio under the hypothetical adverse scenario would have been 4.3% pre the impact of strategic management actions. This is above the hurdle rate of 3.25%.

Commenting on the results, Katie Murray, Chief Financial Officer, said:

"I am pleased that we have achieved another clear pass in the Bank of England's stress test. This result provides confidence that the Group could continue to support its customers and the UK economy, even in the very tough economic conditions modelled in the test. Today's result demonstrates the progress we have made in becoming a much stronger bank for our customers and shareholders."

Table: The projected consolidated solvency ratios in the stress scenario

	Actual (end -2018)	Minimum stressed ratio (<i>before</i> 'strategic' management actions or AT1 conversions)	Minimum stressed ratio after 'strategic' management actions and before conversion of AT1		Minimum stressed ratio (<i>after</i> the impact of 'strategic' management actions and conversion of AT1)	Hurdle rate	Actual (2019 Q3)	Submit revised capital plan?
			Non-dividend 'strategic' management actions only ⁽ⁱ⁾	All 'strategic' management actions including CRD IV related restrictions				
IFRS 9 Transitional								
Common equity Tier 1 ratio ^{(a) (b)}	16.2%	9.9%	9.9%	10.3%	10.3%	7.2%	15.7%	Not Required
Tier 1 capital ratio ^(c)	19.2%	12.2% ^(g)	12.2% ^(g)	12.6% ^(g)	12.6% ^(g)		18.7%	
Total capital ratio ^(d)	23.4%	14.8% ^(g)	14.9% ^(g)	15.2% ^(g)	15.2% ^(g)		22.0%	
<i>Memo:</i> risk-weighted assets (£ bn)	189	254 ^(g)	254 ^(g)	254 ^(g)	254 ^(g)		189	
<i>Memo:</i> CET1 (£ bn)	31	25 ^(g)	25 ^(g)	26 ^(g)	26 ^(g)		30	
Tier 1 leverage ratio ^{(a) (e)}	6.2%	4.7%	4.7%	4.7%	4.7%	3.56%	5.7%	
<i>Memo:</i> leverage exposure (£ bn)	560	631 ^(h)	631 ^(h)	631 ^(h)	631 ^(h)		589	
IFRS 9 non-transitional								
Common equity Tier 1 ratio ^(f)	16.2%	9.5%	9.5%	9.5%	9.5%	6.2%	15.7%	
Tier 1 leverage ratio ^(f)	6.2%	4.3%	4.3%	4.3%	4.3%	3.25%	5.7%	

Sources: Participating firms' published accounts and STDF data submissions, Bank analysis and calculations.

(a) The low points for the common equity Tier 1 (CET1) ratio and leverage ratio shown in the table do not necessarily occur in the same year of the stress scenario and correspond to the year where the minimum stressed ratio is calculated after 'strategic' management actions and before AT1 conversion.

(b) The CET1 capital ratio is defined as CET1 capital expressed as a percentage of risk-weighted assets, where these are in line with CRR and the UK implementation of CRD IV via the PRA Rulebook.

- (c) Tier 1 capital ratio is defined as Tier 1 capital expressed as a percentage of RWAs where Tier 1 capital is defined as the sum of CET1 capital and additional Tier 1 capital in line with the UK implementation of CRD IV.
- (d) Total capital ratio is defined as total capital expressed as a percentage of RWAs where total capital is defined as the sum of Tier 1 capital and Tier 2 capital in line with the UK implementation of CRD IV.
- (e) The Tier 1 leverage ratio is Tier 1 capital expressed as a percentage of the leverage exposure measure excluding central bank reserves, in line with the PRA's Policy Statement PS21/17.
- (f) The low point year for the non-transitional IFRS 9 basis may differ to the low point year on a transitional IFRS 9 basis.
- (g) Corresponds to the same year as the minimum CET1 ratio over the stress scenario after 'strategic' management actions.
- (h) Corresponds to the same year as the minimum leverage ratio over the stress scenario after 'strategic' management actions.
- (i) This excludes CRD IV distribution restrictions. Where a bank is subject to such restrictions all non-business as usual cuts to distributions subject to CRD IV restrictions will appear in the next column – 'All 'strategic' management actions including CRD IV distribution restrictions'. This should not be interpreted as a judgement by the Bank that any or all of such cuts are conditional on such restrictions.

Additional information:

1. Hurdle rate is Bank specific and set by the PRA.
2. The projections of the Group's financial performance under hypothetical stress included in this announcement are based on the methodology and calculations of the BoE. This does not represent the Group's projections or base capital plan assumptions.
3. IFRS 9 Transitional – at the time of introduction of IFRS 9 as at 1 Jan 2018, arrangements were put in place under EU law to offer banks transitional relief over a period of five years as they adapt to the new standard. These arrangements allow banks to 'add-back' to CET1 capital a specified percentage of 'new' provisions made due to IFRS 9.
4. IFRS 9 Non-Transitional – reflects the total impact of IFRS 9 accounting standards.

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Forward-Looking Statements

This announcement contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995, including (but not limited to) those related to the Group and its subsidiaries' regulatory capital position and funding requirements, financial position, ongoing litigation and regulatory investigations, profitability and financial performance (including financial performance targets and expectations), structural reform and the implementation of the UK ring-fencing regime, the implementation of the Group's restructuring and transformation programme, impairment losses and credit exposures under certain specified scenarios, increasing competition from new incumbents and disruptive technologies and the Group's exposure to political and economic risks (including with respect to Brexit), operational risk, conduct risk, cyber and IT risk and credit rating risk. In addition, forward-looking statements may include, without limitation, the words 'expect', 'estimate', 'project', 'anticipate', 'commit', 'believe', 'should', 'intend', 'plan', 'could', 'probability', 'risk', 'Value-at-Risk (VaR)', 'target', 'goal', 'objective', 'may', 'endeavour', 'outlook', 'optimistic', 'prospects' and similar expressions or variations on these expressions. These statements concern or may affect future matters, such as the Group's future economic results, business plans and current strategies. Forward-looking statements are subject to a number of risks and uncertainties that might cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. Factors that could cause or contribute to differences in current expectations include, but are not limited to, legislative, political, fiscal and regulatory developments, accounting standards, competitive conditions, technological developments, interest and exchange rate fluctuations and general economic and political conditions. These and other factors, risks and uncertainties that may impact any forward-looking statement or the Group's actual results are discussed in the Group's UK 2018 Annual Report and Accounts (ARA) and materials filed with, or furnished to, the US Securities and Exchange Commission, including, but not limited to, the Group's most recent Annual Report on Form 20-F and Reports on Form 6-K. The forward-looking statements contained in this announcement speak only as of the date of this announcement and the Group does not assume or undertake any obligation or responsibility to update any of the forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise, except to the extent legally required.

Legal Entity Identifier:

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