



# **Annual Results**

## **for the year ended 31 December 2017**

### **Call to Fixed Income Investors**

#### **FORWARD-LOOKING STATEMENTS**

This transcript includes certain statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements constitute “forward-looking statements” for purposes of the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements.

You should read the section entitled “Forward-Looking Statements” in our Annual Results announcement published on 23<sup>rd</sup> February 2018.

#### **THE ROYAL BANK OF SCOTLAND**

**Moderator: Ewen Stevenson**

**February 23, 2018**

**13:30 GMT**

Operator: This is Conference #8735879.

Good afternoon, ladies and gentlemen. This afternoon's call will be hosted by Ewen Stevenson, Chief Financial Officer; and Robert Begbie, Treasurer. Please go ahead, gentlemen.

Ewen Stevenson: Thanks, Laura. Good afternoon or good morning, depending on where you are in the world, and thanks for joining the call. It's Ewen here. I'm joined, as just said, Robert Begbie, our Treasurer; Richard Place, CFO of NatWest Markets; and Paul Pybus, our new Head of Debt Investor Relations.



We've put a few fixed income slides on to our Investor Relations website, which Robert Begbie and I will now step through. I'll provide a quick overview of our full year results that were out a few hours ago now then focus on some of the credit messages. Robert will provide you an overview of our balance sheet along with 2018 issuance plans. And then we'll leave plenty of time at the end for any questions you have.

In summary, good set of full year results. I view them as our best results, full year results, for many years. We achieved most things we set out to do last year. Operating profit, amid returns, were up materially. We achieved first bottom line profit in 10 years and delivered a strong build in our core capital ratio.

You can turn to the next slide, 2017. When Ross, the Chief Executive, and I set out a year ago, we had four objectives for last year – to grow income, to cut costs, to reduce risk-weighted assets, and substantially finish the legacy cleanup.

On income, our adjusted income was up 4 percent; more than offsetting the pressure we saw on the net interest margin, down 5 basis points on the full year. We also like how we're achieving our growth. The mix heavily weighted towards secured lending.

On adjusted operating costs, GBP810 million of further costs out last year. That's an 8 percent reduction in nominal terms. Together with the income growth, we had operating jaws of 12 percent. And our adjusted cost income ratio fell from 66 percent in 2016 to 58 percent last year.

On risk-weighted assets, they were down GBP27 billion last year, a 12 percent reduction. And that included a gross GBP21 billion reduction in our core business. As you recall, we set out a target through the end of 2018 of reducing our risk-weighted assets in the core bank by GBP20 billion; so that's a year ahead of target. Together, that helped drive a 250-basis-point improvement in our



core Tier 1 ratio up to 15.9 percent. And then together with the 30 basis points from the day one benefit from IFRS 9, as of 1st of January, our pro forma core Tier 1 ratio was 16.2 percent. With good jaws delivery, adjusted operating profits were up 31 percent. And coupled with good discipline on RWA reduction, adjusted returns grew to 8.8 percent.

On our legacy issues, we continue to make substantial progress. Three years ago, when I presented how our capital was allocated, for every GBP1 we had invested in the core bank, GBP1 was tied up in legacy. Today, we have 8x more capital invested in the core bank compared to our legacy portfolios.

A significant issue for us last year was agreeing the alternative remedy for Williams & Glyn. We no longer separately report Williams & Glyn. It's now fully reflected back into the U.K. Personal & Business Banking.

Risk elements in lending are down to 2.7 percent of total gross lending. That's down almost 3/4 from where that ratio stood just four years ago.

Most of our major litigation is now resolved, including both settling with FHFA on U.S. RMBS and with claimants in relation to our 2008 rights issue. As you can see from today's results, we're also continuing to resolve other legacy conduct issues. And another key milestone for us last year, all three agencies now have our holdco senior long-term ratings as investment grade.

On the next slide, the progress last year, I think, reinforces our confidence in our improving credit story. Firstly, given our business mix spanning retail through to wholesale, we've got well-diversified income streams that aren't overly reliant on any single customer or product segment.



Secondly, our core capital ratios continue to strengthen, and our liquidity ratios remain sound. Core Tier 1, as I just said, pro forma for IFRS 9, is 16.2 percent. Our legacy cap – with our legacy capital stack, we continue to right-size towards future requirements. And with 152 percent liquidity coverage ratio, we've maintained strong liquidity.

Thirdly, we're being very deliberate in how we allocate our risk appetite. We're pleased with how we're achieving our growth; heavily weighted towards secured lending.

And fourthly, the progress we're making on legacy issues. Most of the major litigation now resolved, further materially reduced legacy risk-weighted assets that has, in turn, enabled us to close our bad bank Capital Resolution in Q4 of last year.

Turning to the next slide for our Core Tier 1 generation and risk-weighted asset trajectory. On Core Tier 1, two large items that remain uncertain. Firstly, the eventual final cost of the DOJ settlement; secondly, the impact on our Core Tier 1 of continuing to meet our defined benefit pension obligations.

And on risk-weighted assets, it's a near-term positive story with a longer-term headwind starting in the second half of 2020. We expect risk-weighted assets to be now some GBP5 billion to GBP10 billion lower by this year end. In Q1 2019, there's a modest uplift from IFRS 16, some GBP2 billion to GBP3 billion.

In the second half of 2020, there's the impact of mortgage floors. Our best estimate for this remains in the order of about a GBP12 billion RWA uplift. And then from end 2021 onwards, the impact of the new Basel III reforms. For us, we expect this to represent a combination of higher credit and operational risk RWAs; and depending on the combined impact of these two, potentially the impact of the output floor.



We're still working through the Basel III reforms. As part of this, we do need to make, as I'm sure you're aware, a number of assumptions. But our working estimate for planning purposes at this point is a 10 percent uplift in RWAs from the end of 2021 onwards.

And as per our outlook statement, given the number of material parts that I've just covered and the additional Core Tier 1 stress volatility that's driven by IFRS 9, until we have greater clarity on the various inputs into our capital plan, we do plan to run our Core Tier 1 ratio in excess of our 13 percent target.

Turning to the next slide. As you can read in our outlook statement, we are making some changes in our guidance today. We're sticking to our 2020 target on cost/income and returns, namely a cost/income ratio below 50 percent and a return on tangible equity of 12-plus percent. But we're removing guidance for both near-term cost reduction and our previously hard GBP6.4 billion target for all-in cost in 2020. We also now expect restructuring charges to be around GBP1.5 billion higher over 2018 and '19 relative to previous guidance.

To give you some color on why we're adjusting guidance and how our views sit against current consensus, in addition to the risk-weighted asset and Core Tier 1 commentary just given, four additional points I wanted to make. Firstly, we continue to be very confident about our income growth potential through a combination of targeting lending volumes above market growth rates in segments we want to grow in, and a much better rate environment than a few months ago that, in turn, materially improves our structural hedging unwind. On our structural hedging, you should note that due to the steepening of the yield curve, the returns were broadly neutral at year-end rates.

Secondly, operating costs will be down this year, but the rate of reduction will be lower than last year. While we still expect operating costs to fall in 2018, we now expect materially higher



remediation spend than previously budgeted for, and investment and innovation spend to be in the order of 30 percent higher than 2017. We remain very focused on taking costs out as quickly as we can, but without damaging either our customer franchises or our controlled environment. By 2020, we continue to commit to an all-in cost/income ratio below 50 percent. And we're not seeking to adjust consensus views on 2020 adjusted costs of GBP6.4 billion.

Thirdly, we expect restructuring costs to be materially higher, but we think largely for the right reasons, and should be viewed as helping deliver much-lower operating costs over the longer term. Of the extra GBP1.5 billion we've announced today, GBP300 million of that relates to Williams & Glyn-related costs that were excluded from previous guidance. Of the remaining GBP1.2 billion of additional restructuring charges, around 2/3 of this is for costs associated with accelerated transformation. We believe this is in the interest – longer-term interest of shareholders and the bank, and we do expect that we'll deliver, over the longer term, a more flexible and lower cost base. For the remainder, we're guiding to some higher costs in existing restructuring. These primarily relate to higher cost to implement ring-fencing and preparing for Brexit, and higher cost in relation to some of the countries and properties we're exiting.

And fourthly, we continue to be cautious in how quickly higher conduct cost will tail off as evidenced by a number of smaller conduct issues in our Q4 results. Away from any DOJ settlement, we expect there still to be ongoing significant conduct costs in 2018 and 2019 before tailing off in 2020.

And with that, let me hand over to Robert.

Robert Begbie: Thanks, Ewen, and good afternoon, everyone. 2017 was another busy and successful year in treasury. The balance sheet continues to strengthen, and we today report strong regulatory ratios above capital and liquidity.



We also made substantial progress on diversifying our funding base with issuance across senior holdco, opco, and a return to the covered bond market, in addition to utilizing the Bank of England's Term Funding Scheme and continued strong deposit gathering in our core franchises.

The markets have recognized our strategic progress with spreads tightening sharply across our debt structure. And I'm delighted to have received an upgrade to our baseline credit assessment from Moody's, which moved our senior holdco ratings to investment grade for all agencies. And finally, we are delivering on our structural reform agenda, with ring-fencing plans progressing well.

Turning to Slide 10 and an overview of the balance sheet. We have maintained a solid set of key balance sheet metrics over the year. Our Core Tier 1 ratio remains ahead of the 13 percent target, an increase by 250 basis points in the year to end at 15.9 percent. We improved our peak-to-trough stress resilience by 300 basis points before management actions with no requirement to submit a revised capital plan following the 2017 Bank of England stress test.

We reiterate our steady-state target Core Tier 1 ratio of at least 13 percent, however, acknowledge that it will probably run higher in the short to medium term due to various risk factors, including pensions, Basel III changes, and IFRS 9 volatility.

Our loan-to-deposit ratio improved slightly to 88 percent, reflecting the strong deposit gathering in our core portfolios. Our liquidity coverage ratio is up from 123 percent to 152 percent, reflecting the benefit of our issuance program and our continued use of the Term Funding Scheme with drawings of GBP19 billion at the yearend. Our liquidity position is driven by preparations for the settlement of litigation and conduct costs, the rise in the minimum regulatory requirement from 90 percent to 100 percent on the 1st of January and ring-fencing requirements.



Turning to Slide 11 and our guidance on MREL. Fully phased, this will approximately be 28 percent, including our CRD IV buffers. The major focus for us is building up approximately GBP24 billion of bail-in securities over and above CRR capital requirements. We are therefore planning for senior holdco issuance in the region of GBP4 billion to GBP6 billion in 2018. The final item will, of course, be sensitive to our end balance sheet size and final capital requirements.

Turning to the next couple of slides. In 2017, we continued to build out our MREL stack and diversify the funding base. We issued GBP3.6 billion of MREL-eligible senior debt from RBSG plc, bringing the total issuance in 2016 and '17 to GBP7.8 billion. We also reentered the covered bond market with GBP2.4 billion of covered bonds by RBS plc, the first such issuance for RBS since 2012. And a further GBP1.1 billion of senior unsecured notes was issued by RBS plc to support the future standalone operations of NatWest Markets Plc.

We have continued to be an active participant in the Term Funding Scheme to support our net lending growth to our U.K. customers. As a guide to our future issuance requirements, you can see from the chart we have approximately GBP19 billion of senior debt maturing over the medium term in addition to Term Funding Scheme repayment. For 2018, we are targeting GBP4 billion to GBP6 billion of MREL senior holdco, a further GBP2 billion of covered bonds, and GBP2 billion to GBP4 billion of senior opco issuance for NatWest Markets Plc.

Turning to the next slide. On structural reform, our plans are progressing well and our issuance requirements take into account ring-fencing and future balance sheet composition.

As you can see on slide 13, how we view the primary market-facing entities on a post ring-fencing basis. Holdco will be the sole issuing





entity for MREL under a single point of entry model. NatWest Bank Plc, UBI DAC, and NatWest Markets Plc will be the opco issuers.

Turning to the next slide. On the future NatWest Markets Plc entity, you will see that we have provided in our disclosures today some guidance on the target end state capital and balance sheet structure of that entity as we build it up as a standalone non-ring-fenced bank. By 2020, this entity is targeting a capital base with a consolidated end state Core Tier 1 ratio of 14 percent, a leverage ratio greater than 4 percent, and its total capital ratio of at least twice the CET1 ratio, including the benefit of downstreamed internal MREL with an RWA position of circa GBP35 billion.

Turning now to ratings of our primary issuing entities. We continue to work with the rating agencies as they evolve their view on the future implications of ring-fencing. Our current ratings and outlooks incorporate rating agency views on a number of factors, including the impact of ring-fencing on our entities. We have new ratings for Adam & Co to be renamed the Royal Bank of Scotland Plc as well as a second rating for RBS International. We have reduced spending for NatWest Bank Plc and RBS plc, and expect the progress we have made on simplifying the bank and remediating the legacy issues to be reflected in those ratings over time.

And with that, I'll open up the call to Q&A.

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question, please press star key followed by the digit one on your telephone keypad. We will pause for a moment to give everyone an opportunity to signal for questions.

We will take our first question from Paul Fenner from Societe Generale.

Ewen Stevenson: Paul? Paul?



Operator: Your line is open. Please ask your question.

Paul Fenner-Leitao: Sorry. Can you hear me?

Robert Begbie: Yes.

Ewen Stevenson: We can hear you, Paul.

Paul Fenner-Leitao: (Inaudible) thanks. Hi, good afternoon. Thanks for the call.

Two quick related questions. On CET1, the minimum 13 percent, that's really quite comforting. I guess my question is, is it conceivable that you drop below that, possibly considerably below that, upon settlement with the DOJ? And if not, how are you going to manage that process? And the second question is what management buffer is it that you are assuming longer term with that 13 percent as capital requirements rise, countercyclical buffers and whatnot? Is it 200 basis points? Is it 100? It will be great to confirm. Thanks.

Ewen Stevenson: Yes, so without speculating, Paul, on what the DOJ settlement may be, just (inaudible) mathematically. You can see in our disclosures that we've got existing provisions of GBP3.2 billion for RMBS-related matters. The bulk of that, but not all of that, relates to existing DOJ provisions. Yes, if you just keep the math simple, we've got about GBP200 billion of RWAs and a Core Tier 1 ratio of 6 percent – sorry, of 16 percent, just over. So that's about 300 basis points over 13 percent, which gives you about GBP6 billion of additional capital buffer. So without speculating on what the DOJ settlement would be, and we've also signaled today that we expect risk-weighted assets to fall by a further GBP5 billion to GBP10 billion this year, and pre-DOJ settlement, certainly, the core business is generating positive income. So, all of that means that we should continue to be quite capital-accretive in 2018.

On the management buffer, I guess, I'll take the equity side and maybe Robert can talk about the fixed income side. From an equity



side, the way we think about it is we don't want to fall below 9 percent under an extreme stress event, and then we build up capital buffers on top of that. That would give us. Thirteen percent would give us a 400 basis point extreme stress buffer. Last year under the Bank of England stress test, it was about 700 points, but we are continuing to de-risk the bank. Yes, there is – the math gets more complicated as you roll forward because you've got significant RWA increases coming as a result of mortgage floors and as a result of Basel III reforms without changing the risk characteristics of the portfolios that you're sitting on. Counterweight to that is obviously the increased capital volatility that gets created by IFRS 9. So that's part of the reason why today, we're signaling, for the time being, we're going to run our capital ratios above 13 percent for the time being.

Robert Begbie: Yes. I mean I think that, that runs consistent with the kind of buildup of the buffers. I mean on slide 10, we look at the fully phased in MREL stack and MREL 11.8 percent. So I think we feel comfortable, what Ewen explained about, if you like the stress delta element of that, we feel that's consistent with what we're building out in terms of the MREL requirement as well.

Paul Fenner-Leitao: Thanks.

Operator: We will take our next question from Corinne Cunningham from Autonomous. Please ask your question.

Corinne Cunningham: A follow-up, really, from Paul's. I wanted to ask what kind of magnitude of swings you could expect to see on capital as a result of IFRS 9. I suppose if you think back to – maybe not the financial crisis, but if you think back to, say, a normal economic cycle, have you done any kind of forecast as to what you think the magnitude of that swing could be from one year to another?

Ewen Stevenson: Well, we obviously have. But that is not public yet. I mean we all obviously had to run stress tests for the Bank of England last year on



the basis of IFRS 9 and shared those numbers as part of last year stress testing, but they were not made public. This year's stress testing with the Bank of England will be, and there'll obviously be transitional relief that we've got all the way out to 2022. And I would expect over that time, we will also learn a lot more about IFRS 9 and therefore seek to mitigate some of that stress volatility over time. I guess the other thing I would observe is the nature of our portfolio is such that we're not big in asset classes like consumer finance that could see higher IFRS 9 stress volatility.

Corinne Cunningham: Thank you.

Operator: We will take our next question from Robert Smalley from UBS. Please ask your question.

Robert Smalley: Hi, thanks for doing the call and thanks for doing the call in U.S. time. A couple of quick follow-up questions to Paul. On buffers for AT1 and Tier 2, could you talk a little bit about where you're comfortable? And to be clear, there's no AT1 and Tier 2 issuance contemplated for 2018?

Robert Begbie: Do you want me to take that one first? Yes. Yes, that's right. I mean, we came out the blocks fairly early with a new set of AT1s and filled that bucket with the GBP4 billion we issued over 2015 and 2016. So there's no refinancing or additional financing required this year.

Ewen Stevenson: And that bucket being around 2 percent of AT1 on our capital stack.

Robert Begbie: Yes. Tier 2, we're actually over in terms of our requirements. We're working through that. I mean, this year, I think the additional consideration in complexity is that just the ring-fencing aspects of this because clearly we're moving into a non-ring-fenced bank and a ring-fenced bank. And in terms of the funding value of those securities within that new structure is part of the consideration.



There's nothing in the plan, as I've outlined, for either AT1 or Tier 2 this year.

Robert Smalley: And on slide 10, you have, as we move from year end 2017 to 2022, GBP4 billion to GBP6 billion annual issuance requirement. So for the next couple of years are basically going to look like this year, with potentially a little bit of swing in RWAs. Is that right?

Robert Begbie: Yes. I mean, we can only, I guess base our end state on our current best estimate of where our RWAs will be. Ewen's outlined some of the things that could change that over time. But we've built into our plans best estimates on a number of things for that. We've guided last year GBP3 billion to GBP5 billion. This year, we've guided GBP4 billion to GBP6 billion. We raised at the bottom end of that kind of GBP3 billion to GBP5 billion last year with GBP3.6 billion. So we've got a little bit of catching up potentially to do this year. But there's reason we didn't do the full amount. Last year was, really, if you look at our liquidity position and looked at where we were drawn down the TFS as part of our funding lend, there was no real need to go out in the second half of the year and raise additional debt.

Ewen Stevenson: And on the meeting with the sell-side analysts earlier today, I said in terms of the RWA trajectory, that we expect this year to be down GBP5 billion to GBP10 billion. We expect 2019 to be broadly flat. It's only when you get into the second half of 2020 you'll start seeing further material RWA inflation because of the mortgage floors, which we said would be about GBP12 billion. I think the only bit of RWA guidance at this point that continues to be probably the most uncertain. So we've got pretty good clarity, I think, on all of that all the way through to 2020. Once you get into 2021, obviously, the Basel III reform guidance of a 10 percent uplift is our sort of working assumption at this point, but it's based on a lot of assumptions underpinning that to get to that sort of uplift.

Robert Smalley: And it maybe one too many columns on the spreadsheet anyways. Last question. When I look at Page 16 and the breakdown by



division, and the adjusted ROE for each one of the businesses, given what you're planning on doing in terms of investment in restructuring, when we look at this in a year from now, which one of these businesses will have the most ROE upside to them? And how will this look different in a year from now?

Ewen Stevenson: Yes. I mean when you go through those various businesses, I don't think, if anything, returns in U.K. Personal & Business banking will come down, particularly if you normalize it for higher risk weightings for mortgages. For all of the businesses that are earning below cost of capital returns, our expectations are across Ulster Bank, Commercial Banking, NatWest Markets, that they will progress towards cost of capital returns. I guess the easiest journey in that is Commercial Banking. Both Ulster Bank and NatWest Markets continue to have significant legacy, which is acting as a drag on returns. And Private Banking – and we're very pleased with it. It has gone from a position, probably, where its ROE was half that number a couple of years ago, up to earning more than the cost of capital now. And RBS International, you'll see in our disclosures that there will be some asset transfers in lower RWAs as a result of some changes in the RWA modeling, offset by a higher Core Tier 1 target. But overall, its return should be in the high teens next year. So when you say where is the most upside? I would say, mathematically, in terms of pounds million in businesses, Commercial Banking, and NatWest Markets.

Robert Smalley: That's great. And, again, thanks for the call.

Ewen Stevenson: Thank you.

Operator: Once again, if you wish to ask a question, please press star followed by one on your telephone keypad. We will pause for a moment to give everyone an opportunity to signal for questions.

We will take our next question from James Hyde from PGIM.



James Hyde: Hi, just kind of sense-check questions. The ring-fenced, non-ring-fenced opco ratings, I mean, after what happened to your peer bank overnight, I get the impression that once they see, once – though at least one of the rating agencies sees a bit more figures around the non-ring-fenced bank, their reaction becomes slightly unpredictable. I'm just wondering, I mean, yes, you've got two BBB+s and you've got that one with – does any level than the Moody's one force to cause any operational concern? I don't think so, but just checking. I mean if it's sort of like three notches downgrade on that, is it operationally a problem? That's the first question.

Robert Begbie: Want me to start?

Ewen Stevenson: Yes.

Robert Begbie: So I mean I think as I said in my address, we've been pretty close to the rating agencies over a number of months on this now. And obviously we share those forward-looking plans as they evolve. I think what you've seen more recently has been what I would call direction of travel noises, especially from Moody's, in terms of what they have come out and said. So we wouldn't expect any surprises in terms of what the final ratings will look like. We would expect them to evolve fairly soon as we start to bring together that ring-fencing. So I don't think we've – the scenario that you painted out there, James, I don't think we've got any concerns about that given the dialogue with the rating agencies. I don't know, Richard, if you want to add anything.

Richard Place: Yes, I think the – we've posted more detail on the capital structure of NatWest Markets, particularly in the RBS plc accounts, slides – pages 14 to 17. And I think you can see there that it's a very highly liquid balance sheet with lots of capital strength. And so, that's partly the reason that we want to make sure that we have a reasonable investment-grade rating behind that. And that's sort of been part of the overall model. And as Robert said, we've been



talking extensively with the rating agencies throughout this whole process.

James Hyde: OK. Thank you. Second question, again just kind of sense-checking. I mean, you've obviously been addressing the numerator impact of a DOJ settlement. I'm still a bit uncertain as to whether it will have an RWA denominator effect. Or are your op risk models just not that sensitive to it?

Ewen Stevenson: Yes. I mean so while under the Basel III reforms, we are assuming that there will be an element of national discretion exercised by the PRA and the Bank of England in terms of – remember, it was – we are under investigation for the misselling of – alleged misselling of mortgage securities from 2005 to 2007. So if we were to settle it this year, it's conduct relating to issues over a decade ago for a business that we shut three years ago. So we would not think that it would have any significant impact on our operational risk RWAs. But that's obviously subject to ongoing discussions with the regulator in due course. But I think the national discretion on operational risk for conduct, legacy conduct, was pushed very hard as a topic by the Bank of England as part of the Basel negotiations.

James Hyde: Great. Thank you very much.

Operator: We will take our next question from the line of Marco Butin from BNP Paribas. Please ask your question.

Marco Butin: Yes, hello, thanks for taking my question. It's also related to ring-fencing. So I just wanted to confirm that the transfer basically of the assets to the ring-fenced entity from NatWest Markets Plc is expected for Q2 2018 and if we have any more clarity of when the timing, the exact timing of that, and also if we can have the details about the volumes of the covered bonds that are going to be transferred. Thank you.





Robert Begbie: So I think that there's probably two questions there. I mean one is the asset as well, the overall ring-fence transfer scheme, which is going on in terms of the restructure of RBS plc which will become NatWest Markets Plc. I think your question probably referred to the covered bond part itself. I mean, we did apply and got approval to move our covered bond portfolio into NatWest Bank Plc and (Inaudible). Yes, I mean, it will be part of the transfer schemes. It will be in Q2.

Marco Butin: OK. Because you have a court hearing, right, in March. And then after that, you have the execution of the first RFTS that is scheduled between April and June, I see. So I was just wondering if it's more towards April or towards the June part of the thing. But if – just wondering if we had any details there, but ...

Robert Begbie: Yes. I mean we're working through the detailed plans. You're right, there's a court hearing and there's a lot of detailed planning going on behind the scenes in terms of the actual RFTS transfer. I don't think we've been public in terms of the actual date we're doing it, but it is scheduled for Q2.

Ewen Stevenson: And just so we understand the question behind the question.

Marco Butin: Sorry?

Ewen Stevenson: The question behind the question is?

Marco Butin: Just to get an effective timeline of when we expect to see the transfer. I just wanted to have a reference point.

Operator: Thank you. Ewen, I'll now hand the call back to you for closing comments.

Ewen Stevenson: OK. Well, look, thanks all for joining the call this morning, afternoon. Yes, as you heard from us, we're actually delighted to be talking about our first bottom line profit in 10 years. It's been a long time coming. It means a lot to the bank. And hopefully it reinforces



what we've been talking about in terms of our credit story over recent periods.

I think the other thing, obviously, I'd point to is just the continuing progress that we're making in terms of our Core Tier 1 buildup pro forma for IFRS 9. We're now at 16.2 percent as of the 1st of January. The core performance of the operating bank is doing much better. Adjusted operating profits were up over 30 percent last year. We're back growing where we want to be growing. So, overall, we're very pleased with the performance over the full year last year. If you got any follow-up questions, please go follow up with Paul and our Debt Investor Relations team. So thanks for your time.

Robert Begbie: Thank you.

Richard Place: Thank you.

Operator: Ladies and gentlemen, that will conclude this afternoon's call. Thank you for your participation. You may now disconnect.

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