



NatWest Group plc

**Morgan Stanley European Financials Conference with Alison Rose
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Alvaro Serrano: Look, we're – maybe as an introduction, obviously, the topic at the moment is we're finally sort of going to a more normalized sort of post-COVID world, and now we have all the sort of political, sort of geopolitical uncertainty. Maybe we can start off how you're navigating, how NatWest is navigating, the whole current uncertain situation and what are your key sort of thoughts on this.

Alison Rose: Obviously, the Ukraine situation is very distressing for everyone. From a bank's perspective, our bank's perspective, we have no operations in Ukraine and Russia and very de minimis exposure. So, I think that's from our perspective.

Clearly, the focus that we have had in the short term is working very closely with the regulators, the Bank of England on deployment of the sanctions, which are being coordinated incredibly well across the U.K., Europe, and the U.S. So, operationally, we're very focused on that, very comfortable.

And then, really, it's thinking about the second-order impacts. Clearly, there are risks to inflation. Those are challenges that we've already been thinking about and dealing with. And so, how that impacts our customers, particularly cost-of-living increases, what that means for them; for businesses, dealing with a rising-rate environment, inflation, supply chain. Those are all things that we've been actively talking to our customers about and managing those.

So, I think it's really very little direct impact. Obviously, making sure we're supporting all of the efforts around sanctions. And then, it's really thinking about what the impact it is for our customers just on an inflation perspective.

But really, a driver for us is really unemployment. That would be a big influencer. U.K. balance sheets, both on the consumer side and the business side, have a significant cushion and liquidity and balance sheets that have built up. And our focus on things like financial health checks for customers are really helping them manage their household expenses. From a business perspective, we're the largest business bank, dedicated relationship managers, sector specialists. We're working really closely with our customers to make sure they're supported.

Alvaro Serrano: Touching on that sort of, obviously, the recovery sort of in the U.K. looks solid so far. I think the employment numbers actually out this morning were still pointing to a very tight labor market. But obviously, the question mark is around what's going to happen to purchasing power sort of coming under pressure soon. And on the CapEx side, we haven't seen sort of the material pickup, or at least the corporate loan growth hasn't sort of revived. How do you see that recovery shaping up? And what are you looking forward to with the current context in mind?

Alison Rose: We've given income guidance for this year of above £11 billion, which I think gives you a sense of the recovery that we're seeing. What we've seen coming into Q4 and into this year is a continuing strong recovery from the pandemic: consumer debit card spending, credit card spending back to pre-COVID levels; strong demand; as well as balance sheets remaining very robust.

Mortgage growth continues to be very strong. Obviously, the market is competitive, but we're seeing more of a balance now with rising rates coming through of sustainable returns in that space, which is good, and we're continuing to grow that business very well.

We're seeing very low levels of distress. Obviously, we're not exposed to the subprime, the near-prime part of the book. Our book is largely secured. Our mortgage book is 90% fixed. But good demand coming back. Good recovery on the consumer side. And travel not yet coming back fully. So, that is a continuing area of growth.

So, we feel good signs there and, particularly, with the diversification and spread across our book. We've obviously gone back into unsecured. We've seen good growth in that area, but in a very responsible and clear way.

On the business side, there has been a big overhang of liquidity in the commercial market, and we support across from entrepreneurs to small businesses, mid-corporate and large corporate, and infrastructure. So, it's a broad range. And what we've been seeing is that recovery has been going well. There's still, as you say, muted demand for new investments, but we've seen good trends: working capital lines are being utilized; invoice financing being drawn down, which shows businesses are transacting and building their working capital lines; the performance of the government schemes repaying well. And in places like infrastructure and ESG, very strong growth.

So, in the mid-corporate side, again, good demand coming back. Still a demand-side issue. I think we're very focused on where we can see growth, but certainly a stabilization, I think, of balance sheets and now that demand coming back. And I think what we would expect to see is that continuing recovery, it's dependent on business confidence, which is good. Obviously, we need to keep an eye on what the impact of inflation is, but that demand coming back. Defaults remain at very, very low levels. Procyclicality, very low. Corporate balance sheets in good health. And starting to sort of see that post-pandemic recovery and confidence continuing.

So, we think the outlook from that perspective is good. There are key segments which are growing very well. Infrastructure, ESG, very strong demand. Mid-corporate, starting to scale. Small business, stabilizing. So, we would hope to see that demand come back as we continue through the year.

Alvaro Serrano:

Obviously, rates is a very important lever in your business, probably the most important. The market is now pricing in – well, it's had a bit of a round trip; I've got here, "over 175" – I think it's closer to 2% at the moment level of rates next year. And obviously, so far we've had two rate hikes – probably a third one this week – and we haven't really seen a significant passthrough to savers. Maybe you can touch on that. And how do you expect to benefit on rising rates? And obviously, the reply from the audience is that people expect lower beta for longer. So, maybe you can address that, as well, in the context of the question.

Alison Rose:

So, look, I think rising rates, clearly a benefit for us. And we benefit from – the rising rates more than offset the challenge on the mortgage side and a much

more balanced return across our retail book. And so, we gave guidance of above £11 billion of income. Rates is one part of that book. Clearly, we benefit from that. But that assumption is based on – we anchor that to an assumption of rates going to 1.25% by Q422. So, clearly, as you say – when I looked at it yesterday the rate assumption was at 2%, but it's moving a little bit. But let's see.

But I think for us those raising rates give us a balanced return across our retail book, and those rising rates are positive for us. Clearly, as the rates come through, we would expect to see more passthrough. By the time you get to the second or third, we would look to pass through more of that. And we take a very careful view on that around product and segments and customer segments, and we would review that at the time, also based on the competitive environment.

But rising rates are clearly a positive for us from an income sort of perspective.

Alvaro Serrano:

Obviously, there a debate on the other side of the balance sheet, sort of around some of those rates benefit being competed away; obviously, in particular, in the mortgage market. How would you describe at the moment the competition in the segment? I think in the recent results you called out 60 basis points application margins, and we've picked up, actually, it could be even lower at the beginning of this year. More than the spreads itself, which would be interesting to gather your thoughts, is maybe how do you think about sort of the pricing? You have a very healthy sort of liability margin. So, do you look at this as a whole, the margin as a whole? And when you think about sort of the competitive dynamics, it feels to me that some of the challengers are going to really struggle to compete with so compressed sort of mortgage spreads. So, maybe you can touch on a whole sort of competitive environment in that space and your high-level thoughts on competition?

Alison Rose:

Look, the market has always been very competitive, and I'm very comfortable with our ability to compete. We continue to grow our market share, but we do that in a very considered way. I'm always going to balance volume and value.

I think with what you're seeing now, as we look at our retail business across the whole balance sheet and the balance between the asset and liability side, not just the mortgage pricing, and the increase in rates sort of more than offsets the sort of competitive pressure on the mortgage pricing. So, I would look at that across the whole. And we certainly see for our retail business NIM continuing to increase through the course of this year. So, it's the benefits of both.

We are able to compete effectively. You've seen real volatility on the swap curve. We've put through almost 20 price increases into our mortgage pricing. So, we're applying a very disciplined approach to how we go into that market. We do have the benefit of scale. We are able to compete effectively. And we think very carefully about balancing volume and value. We're not going to chase the market price down. We're not going to chase volume. We're very confident that we can be agile and compete and continue to grow share at

the right price and across the retail book. That balanced NIM will continue to increase for us this year.

We've been targeting a lot of our investment on the customer journey for our customers. You can see that we've increased our retention on mortgages. That's really attractive for us. Our investment on digital mortgages, being able to renew your mortgage in anywhere between seven and 14 minutes, all online. And those customers then cross-sell into other products. For us, that makes it a very attractive position.

So, with 19 million customers, a good share in current accounts, which is growing. A very competitive and agile way to compete on mortgages and think about it across both sides of the balance sheet, that continues to be attractive for us.

Alvaro Serrano: Maybe to move on to the corporate side, there's been a few changes in terms of the organization. You've created the division, Commercial and Institutional, which include RBSI, the Commercial banking, and NatWest Markets. How do you expect that to improve the offering? And what are you seeing in terms of the recovery in that segment? Until now, corporate lending has been pretty-muted, as we've discussed, but maybe this new offering is an opportunity to revamp our business.

Alison Rose: Look, I think one of the great advantages we have of the spread of our capabilities is the ability to deliver more to our existing customer bases across the spread of our franchises. Last year, I brought Private Banking in to create a Wealth division supporting our affluent customers which are in retail and that closer collaboration delivering the expertise of our asset management business in Coutts into our affluent customer base. We've seen, as you saw, last year a 17% increase in our growth in AUM is £3 billion net new money. That's about bringing the best of the bank to all of our customers.

So, as we bring Commercial and Institutional together, we're taking our Commercial business, which we are the #1 in the market, both from NPS and scale in mid-corporate and SME as well as a significant share in corporates, bringing NatWest Markets now that the restructuring has largely completed, which is really a strong product engine to support that customer base. And then RBSI, which is a – has a very strong funds capability, as well.

And just that closer collaboration means that we can deliver more of our products and services to our customers. So, if, for example, you take our infrastructure clients, where we have very strong expertise covered by our infrastructure team in commercial; our markets business can access the markets for them with the products, access to debt capital markets, bonds, financing; and our funds business can bring in distribution, as well. So, it's really putting much more of our customer franchises together so that we can create much shorter distance in collaboration, which we've done very successfully with that change I made to affluent last year.

Sorry. I didn't answer your second question. I apologize. On corporate growth. Sorry. So, demand has been more muted. I think what you saw during the pandemic is the capital markets continued to be very open. And so, a lot of

corporates managed their liquidity incredibly well, accessed capital markets, which is why we saw, as well, a strong performance through our DCM and capital markets business. So, corporate balance sheets are very liquid, very well capitalized.

We're seeing strong pipeline, but starting to develop more, stronger growth in things like ESG issuance, where we have a very strong position and leadership position in our ESG side. So, as demand sort of comes back, we're starting to see stronger pipelines, more demands. But that diversified funding has been why there's so much liquidity sitting there at the moment. But, again, as we come out of the pandemic, as demand comes back, we're well positioned and have the right supply and positioning to support that growth.

Alvaro Serrano:

Touching on NatWest Markets, obviously, it's been disappointing in Q4. You made the point at the full-year results that with the restructuring of the business now complete, performance should improve. And I think you had said that year to date the performance was in line with expectations. Is there – Just to help us with – I'm kind of looking for reassurance. Was there anything in the repositioning of the business that drove the negative sort of FIC (Fixed Income and Currencies) revenue prints? And does a new divisional setup mean we'll see increasing volumes? Is the visibility on that business improving? Anything you can reassure us?

Alison Rose:

The way I would think about NatWest Markets, if you think about the strategic direction, I've taken that business on, it was really to refocus that business around much tighter use of capital deployed to support our core clients – corporate, commercial, and institutional clients – and really be focused as the core product expertise that we need in order to support the growth in our core franchise. So, we've refocused that business very significantly, simplified it very significantly, and obviously, reduced the capital that is deployed into that business. We also said as we restructured that business it would be capital accretive. So, £1.25 billion of capital sort of sent back up to the group from NatWest Markets as we've resized it.

The Currency and FX businesses have been performing as expected through the course of last year, particularly strong growth in our ESG. And it was really on the fixed income sort of part of our business in Q3 and Q4 that was disappointing. A combination of a couple of things. One, very difficult markets. I think everyone saw that the markets were very difficult. And secondly, that was the area we were doing the most significant restructuring on. And we made those final decisions around simplifying products, exiting markets to really size that business to where we wanted it to be. And so, that's now largely complete. We would expect that business to stabilize as we go forward, and then the FX, the currency, the DCM business to continue to grow and perform very well.

So, I think that the restructuring is largely complete from the choices around products and capital and markets and front office and is, I think, more streamlined and focused around supporting the core business. And that collaboration with our leading commercial and corporate business, bringing that together, will allow us to deliver that. I think the thing to remember is I'm

not creating a full-service investment bank. This really is a very focused product delivery engine to support growth in our core business.

Alvaro Serrano: Changing to costs. Obviously, it's an issue for the whole economy. Inflation is an issue for the whole economy. And NatWest is not an exception. You have to deal with it. And you changed the cost guidance from minus 4%, and now you're targeting minus 3%, including restructuring. So, it's not the same sort of definition. But more holistically, when you think about costs and cost inflation, are you – Sort of this change of targets, is it purely driven by cost inflation? Or have you reassessed sort of how you think about investments, as other players have done, not only in the U.K., but internationally? How do you think about costs? And how do you decide really what's the right amount of money to invest?

Alison Rose: So, we obviously have a strong track record of delivering sort of cost efficiency within the business. And when I set out the strategy two years ago, it was really focused on continuing to drive efficiency and digitization and straight-through processing within our organization. And we're two years in to a £3 billion investment program. 80% of that investment is in digital data and technology, and you can see the benefit of that investment coming through. 60% of our customers in retail are now entirely digital. That is how they interact with us. That is their primary interaction. And 90% of our retail customers have their needs met digitally.

And the investment that we've been making in digital and customer journeys you can see through improving NPS scores, but also some of the straight-through processing. So, just to give you a sense, in 2019, our account opening journey, only 17% of that was done through straight-through processing; it's now 70%. So, that's the type of investment that we're driving, which is delivering real value, productivity, efficiency, and growth. We're acquiring primary banking relationships in retail because of those improving performances.

So, we're investing significantly in the business. We're also ensuring that we have excess capital that we're generating from our business and a clear capital distribution plan, as well as continuing to drive cost efficiency from the business.

Now, the cost guidance I gave, really trying to simplify our story for you, a much simpler, clear-across story. On the go-forward business, our £6.8 billion of operating expenses, excluding conduct and litigation, will reduce by 3% in '22 and '23. That is a result of the benefit of both the investments and the efficiency that we're driving.

We have taken into account inflation. We have higher degree of engineering staff, data staff, that type of thing, which are more expensive, as well as ensuring we're paying fairly and building in inflation fairly to our employees. There are higher costs to the business, things like National Insurance going up. There are – as you get back to a post-pandemic world, a little bit of back to normal in terms of people coming back into the office, costs not going back to the same level, we're keeping those benefits.

So, we've built in inflation, whilst also protecting that investment we're making in the business, and ensuring we're continuing to drive that accelerated digitization, data acceleration that you're seeing in our business overall.

Alvaro Serrano:

Maybe last one for me before we open up to the audience, on capital return. The guidance is for 14% CET1 by year-end. The 1st of January is 15.9%, pro forma. That's a lot of distribution, despite what some people replied. On our numbers, it's probably £4.5 billion, even £5 billion, or more, in a single year. Maybe can you run us through the logic of that fast distribution, versus a temptation maybe to distribute over a long period of time? Sort of that temptation, in my mind, might make it easier also for the government to sort of gradually sort of sell down. But maybe you can sort of – how did you come up with that?

Alison Rose:

So, I think sort of the key guidance I've given you is really this business, given its risk diversification, given the capital-generative nature of the business – we have capital-generating businesses – that 13% to 14% CET1 is the right sort of level of CET1. It's also important for our ROTE targets, where I've said those will be comfortably above 10%, as well as we're continuing to invest in the business.

So, if you think about the shape of the business we're generating, very strongly focused on keeping a safe and resilient balance sheet, that you can see that we have; a business that is generating capital, with good risk diversification; as well as a good distribution story.

Now, we have excess capital. I've been very clear my preference is to distribute capital to shareholders. I've given guidance that I would expect to distribute a minimum of £1.1 billion every year. We have a 40% payout ratio. You've seen that I've announced dividends that would mean £1.2 billion. Through the course of last year, we will have distributed £3.8 billion. So, clear intent of what we will do. And we'll do that through a mixture of ordinary 40% payout ratios and specials if we need to.

Clearly, I want to keep the capacity to participate in any sell-down by the government and directed buybacks if they choose to do that. That's up to them. But I think that is a good use of our capital. And also, I announced market buybacks, as well.

So, there are lots of different routes that we are pursuing there.

Equally, I'm investing in the business. That's already built in.

And then we do have capital if there are opportunities that we think would be accretive to shareholder value. You will have seen that I've bought a few years ago a mortgage book from Metro. We recently acquired a fintech, RoosterMoney, to augment our youth strategy, which is growing very well.

So, there are lots of different routes that we have.

We're targeting to get to 14% by the end of this year, 13% to 14% by the end of next year; comfortably about 10% ROTE. So, I think there are lots of options there. That hopefully gives people color around what our intent is.

But I think, most importantly, what we're building is a business now that is no longer a restructuring story. It is a strong franchise, good risk diversification, with good growth potential. You can see the growth coming through organically, whether that's through our primary customer acquisition in retail, strong mortgage growth, our reentry into unsecured, which in a very balanced risk way is now growing our market share up at 6.4%. Our new credit cards saw 33% new credit cards. Our Affluence Wealth business growing very strongly, 16%. And the powerhouse of commercial and corporate well positioned for a recovery in demand as that loan growth comes back. And a refocus at NatWest Markets that gives product power to that growth. And obviously, with our ESG capabilities, we've committed £100 billion target to grow in climate green and sustainable financing. We grew £17.5 billion last year.

So, I think, hopefully, that whole story, as well as that strong investment story, accelerated digital, straight-through processing, predominantly investing in data and technology should give comfort both on capital, accretion, and growth as well as a steady distribution story.

Alvaro Serrano: That's great. Thanks for that. We've got time for a few questions. Who wants to ask the first question?

There's one over there, James.

An Audience Member: Good morning, Alison. Thank you. If rates go up as much as the market is forecasting, rates are going back to where they were pre-GFC. And pre-GFC, mortgage spreads were 30, 40 basis points and you were making more of the margin on the deposit side. Could you see a time where – considering the amount of liquidity, consumer credit quality is very strong – where mortgage margins go ever lower? And at what spread do you stop making the returns you talk about that are above cost of capital, please?

Alison Rose: The way I would think about it is think about we've been in an artificially low-rate environments, and now we're going back to where we can make returns on both sides of the balance sheet. That's how I would think about the retail business. So, rather than just being mortgages, which are a good asset class, but we can actually offset lower mortgage rates with higher sort of deposit rates and actually look at the overall NIM on the retail book, as well as the diversification into products.

So, we're comfortable, as I look forward, that the deposit rates and the overall return on the balance sheet for our consumer business will be positive. And I'd look at it on a more normalized both sides of the balance sheet return perspective.

Alvaro Serrano: Next question, please?

Alex, there.

An Audience Member: Hi, Alison. Thank you very much for the update. A question on Ulster. Can you just help us to understand the £600 million cost attached to your exit from Ireland? What is the driver of the cost? And what is the degree of visibility you have on the £600 million? Thank you.

Alison Rose: With Ulster, obviously, I've talked about the decision that I made to withdraw from that market. And we're doing that in a very careful and considered way. That is being accelerated with some of the transactions that we've announced, the AIB and the PTSB transactions, which represent now around 60% of the balance sheet. We continue to expect that withdrawal to be capital-accretive during the life of the withdrawal.

In terms of the cost of exit, we're exiting a bank and we're exiting a market. So, those costs relate to a mixture of winding down the bank, redundancy costs, the costs of technology. It is the withdrawal. Obviously, as we exit, we'll do that in a very measured way.

But hopefully, the guidance I've given you is that. And as we continue to execute transactions that may accelerate that, we'll let you know about it. But the cost is really as we continue to exit that market. But it will be capital-accretive, just to reiterate.

An Audience Member: And the remaining 40%, what visibility do you have on selling or exiting for the remaining –? Because you say 60% is almost done. And the remaining?

Alison Rose: So, 60% of the assets book, we have signed transactions to exit. Of the 40%, that is made up of a tracker mortgage book and a small NPL book. You will have seen we've got very good track record on managing NPLs and the tracker book. There are lots of interested parties in that. So, if and when we sign more transactions or we have plans on that, we'll let you know about them.

And then on the liability side, we have a very clear plan on how we would manage our withdrawal in a very considered way. As you can see from the two transactions that we have announced, those assets involve moving both – include both people and, in some cases, branches. So, we are doing it in a very thoughtful and considered way.

Alvaro Serrano: Next question?

I've got a couple, but maybe one follow-up to this one. We sometimes receive questions on the deposit side of Ulster, the exit of Ulster. When you're selling these businesses, are you going to – is there a risk you can find yourself with some of the deposits that you're going to struggle to...?

Alison Rose: We have a very clear plan on how we will manage that. Obviously, the transactions that we've signed are the asset side of the book. One of the things as we were considering how we exit in a thoughtful and managed way was not tying ourselves into long-term sort of TSAs, which is why we are selling it on an asset basis.

On the liability side, despite announcing our withdrawal, our deposits remain very stable. But we have a very clear plan on how we will manage that transition. Working very closely with customers. Working very closely with the industry. As assets move, I would expect customers to want their deposits to move with them. So, there will be partly that. And then there's a very considered way in which we're managing the liability with our customers in Ireland to make sure that we end up getting them to the right place. The other banks are very keen to have them, as well. So, we'll ensure that's done in a very careful way.

And then we have as part of our transaction ensured that as we wind that down, if there is a residual left, that we have solutions to be able to manage that in order to give back the license at the right point.

Alvaro Serrano: The rate outlook in Europe maybe makes it easier, maybe. The other question I had is on investments. You touched on credit cards sort of recovering. In the past – this is an area where you're underrepresented. And in the past, when we've discussed M&A or add-ons, you've kind of thought, "Well, maybe if something is interesting in cards or in payments." Where do you see the parts of the business where you would be open to sort of complement your offering with M&A when we think about how much capital is available for distribution in that context, maybe?

Alison Rose: Look, I think we've been very clear that we have capacity and are showing our ability to grow organically within our business, do more with our existing customers. And you can see that with the results that we're driving. Clearly, we are underweight in unsecured. We have capacity to build on growth in Wealth and Affluence against a strong-performing business already. And we're continuing to build and grow our data capabilities, which are driving a lot of our growth.

I think if we were looking at M&A, it's really in those areas where we could augment that strategy in terms of continuing to drive growth. Not disrupt it. So, we don't want anything that's going to significantly disrupt our technology transformation. Where it can add capability. The acquisition of RoosterMoney is a great example of a fintech that fills a particular need in a youth strategy which is growing very strongly. Our asset books that would add to it.

So, those are the areas that we would look at. But it's got to offer compelling shareholder value. It's not got to be distracting to our technology transformation and it's got to be capability-adding. So, that would be the bar that we would set when we look at things.

Alvaro Serrano: Any questions from the audience? James, another one.

An Audience Member: Alison, just on, I suppose, culture costs, employee morale. I've been doing this job a long time, and NatWest seems to have been cutting costs for 15 years. When does it kind of stop? And how is employee morale with this? Because it's a mindset that people – it can be taken positively, where people sort of realize they've got to get costs down to get income up. But it can also be quite bad for morale and employee retention and things like that. So, could you talk a little bit about, please?

Alison Rose:

Absolutely. Well, our employee morale is very high. So, we do a sort of regular survey, and our employee engagement scores are well above the global financial norm. So, we have a really engaged and motivated and performing sort of set of colleagues who are feeling very supported.

One of the things about what we're doing, we're investing in the business, and we're investing for growth. And that's a really positive story for employees to be part of. And if you think about the example I gave on that straight-through processing, that's a really hard colleague experience if it's very manual, and it's lots of complaints and the customer experience isn't great. So, although that changes people's roles, it does create a better colleague experience.

So, when I talk about customer journeys internally, I also talk about colleague journeys and investing to make the colleague experience better which – and investing for growth. But we're also – I talk about being a learning organization. So, a big part of our culture is as rapidly as our customer behavior is changing, our jobs are changing as well. So, we have a Talent Academy, we have a Learning Academy, where we're helping our colleagues retrain for the future, as well. I have, for example, a group of colleagues at the moment whose jobs no longer exist, who are retraining to be software engineers, because that is a future skill that is part of what they want to do.

A lot of the investment in digital and data tools make my colleagues' jobs much easier, allow them to be more effective, allow them to do a better job. And you can see our NPS is improving across our customer journeys. Retail banking, for us, which has been a bit stuck on NPS for a number of years is improving because of the investments we're making in colleague and customer journeys.

So, yes, costs are always difficult, and it does affect people, but I think when you have a purposed strategy which people are really bought into about creating long-term value, our colleagues are part of that long-term value. We're investing in them. We're training them. We're developing them. Whether their future is with us or someone else, they are going to be well versed and well supported in what they do. And we can see that through our colleagues' scores.

So, I spend a lot of time, as do my whole executive team, on colleague engagements. And also, we're attracting talent into the organization as well as growing. And we can see a much more diverse workforce. Forty-three percent of my top 4,000 layers are female. That is creating a really positive dynamic and culture for people to want to be part of.

Alvaro Serrano:

One question there at the end.

An Audience Member:

Hi. Good morning. I have a question about the self-assessment for resolution. I think we're expecting those in June. And it's just a very broad question. Do you feel – I know it's a horrible question, as well, actually – do you feel completely ready for resolution? A clean balance sheet? Any liabilities that might need to be looked at? Or, in fact, any structural changes that still need to be made?

Alison Rose: Well, no structural changes. A huge amount of work on the resolution planning and the resolution regime, which my team and all of us have been working incredibly hard on. So, I think it's a huge amount of work for everyone.

I think we're in good shape. We're well prepared. We've been working very hard on it. But no structural changes for us.

An Audience Member: Just to follow up on that. And I know there's still the Dutch subsidiary, with a lot of debt there. That's not causing any difficulties from a resolution perspective?

Alison Rose: Our Dutch – our N.V. is an important part of our non-ring-fence bank entity and part of NatWest Markets in terms of the shape of that. And obviously, we think about that in the whole.

An Audience Member: Thank you.

Alvaro Serrano: Any last questions?

Maybe I'll finish up with a question. It didn't actually come up in Lloyds either. So, that's a sign of confidence. But maybe some reassurance around the guidance of lower provision charge than normalized levels this year. With the concerns we get, in particular from [...] PMs, around stagflation shocks and squeezing the consumer, maybe some reassurance of how confident you feel on the asset quality front and the high bar for any asset quality cycle there could be at the moment. I think you've still got, is it 800 post-model adjustments, from memory? But maybe you can touch on that.

Alison Rose: Look, I think when you look at the shape of our book, we've really focused on risk diversification, and our book is largely secured: 94% [of Personal book] is secured. So, the shape and risk diversification of our book is very strong.

When I look at the level of impairments and distress across our book, very, very low. You saw through the course of last year we were not seeing the procyclicality come through, and I think that is as a result of the strong support put into the economy during the pandemic and now recovery coming through.

We've obviously been very focused on making sure the shape of our book is actively and positively managed, both from a capital and risk perspective. We're very comfortable with our coverage levels. But we've actively managed our capital. So, the action in our commercial and in our NatWest Markets teams to reduce capital, both in areas of business that we don't want to be in, but also as we manage the portfolio of risk, has meant that our impairments and single-name impacts have been very, very, very low.

As I look going forward, balance sheets are in very strong position. Coverage ratios are good. The sectors that we have under heightened watch coming out of COVID, we're not concerned around the impairment outlook. And we changed our through-the-cycle guidance to 20 to 30, really given that view of

where we think a through-the-cycle is. And we're not expecting to get to that level.

On our post-model adjustments, we've reduced the amount held for economic uncertainty, but we will keep that under review, and I will always take a cautious view on that. But overall, when we look at the book, very well diversified from a risk perspective, very low levels of distress. We're not seeing any signs of concern or what we would call our forward-looking indicators coming through at the moment. But we actively manage our capital and our portfolio, and we'll continue to do so and manage that capital from a risk lens so that we have a strong and resilient balance sheet.

Alvaro Serrano: Great. Well, that was a very comprehensive overview. Thanks very much, Alison. Thank you very much.

Alison Rose: Thank you.