RBS settlement in principle with US DOJ on RMBS

RBS
Moderator: Ross McEwan, CEO
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OPERATOR: This is Conference #: 8162406.

Operator: Good morning ladies and gentlemen. Today's conference call will be hosted by Ross McEwan, Chief Executive. Please go ahead, Ross.

Thanks, very much, (Jodie). Thanks for opening the call. Thanks for joining us especially at such sort notice.

We'll take you through some of the content in relation to todays announcement about $4.9 billion in principal settlement with the Department of Justice.

As you know, Ewen and I firmly had the view that on matters such as this, it's important that you hear it directly from us so that we can provide some clarity on what we have announced and then we're happy to open up to Q&A.

I'm sure you'll appreciate there’s a limited amount we can say as it's an in-principle agreement that is subject to entering into legally binding agreements. Today's settlement with the DOJ is a stark reminder of what happened to RBS in the past when it focused too heavily on its global ambitions.

This bank and the British taxpayer have paid a very heavy price for those poor decisions. This is a symbolic moment for this bank and will allow us to put one of our largest legacy issues behind us.

We know we still have more to do but drawing a line after this issue is a milestone moment for us. It also means that the investment case for the bank is much clearer and the prospect of returning excess capital to our shareholders is getting closer.

Several years ago, Ewen and I took the decision to close our U.S. RMBS trading business. And today, is a further reminder of why that was the right thing to do at the time.

With that, I'll pass over to Ewen who will talk more about the details of the settlement.

Ewen Stevenson: Thanks, Ross, and apologies for being a few minutes late on to the call. Just as Ross said, look, this is only an in-principle agreement. We’ve still got to, as is with all of the certain banks get to a settlement agreement with the DOJ, that may take several weeks to conclude. We don’t think that that will have any impact on the financial numbers that I'm about to go through.

You know, the $4.9 billion in principle settlement that we've announced, we had existing provisions of $3.46 billion set aside for the DOJ within our overall RMBS provisions. That means we'll need to take an additional P&L provision of $1.44 billion just over a billion pounds that’s both pre and post tax. We'll take that provision in to our Q2 results.

Pro forma for Q1 2018 RWAs, that additional provision would have had a 50 basis point impact on our core tier 1 ratio. And together, with the accelerated pension deficit contribution of £2 billion that we announced a few weeks ago, that we'll also recognize for capital purposes in Q2 the core T1 ratio that was 16.4% end of Q1 would have been 130 basis points lower at 15.1% and fully deleted TNAV that was 295p for the same two issues would have been on a pro forma basis 21p lower or 274p.

It's obviously very humbling to have to announce a settlement of this magnitude. You know, but we are clearly pleased to have reached this agreement with the DOJ in principle together with the recent pension announcement. These two announcements together, I think, bring both substantial additional clarity to our roll forward core capital position and also, importantly, a material improvement in our stress resilience.

Before we open for your questions, just a note. While this is a critical milestone towards returning to capital distributions, you'll understand that we've got no update on this today.

And with that, (Jodie), if you could please open up the line for questions.

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

Thank you. We'll take our first question today from the line of Andrew Coombs from Citi. Please go ahead.

Ewen Stevenson: Hey, Andy.

Andrew Coombs: Good morning both. Thank you doing this call. I have three questions all around capital return, so indirectly linked today's news.

First thing first, you've previously said that before returning capital, you'd like to resolve the RMBS litigation, the pension issues. But you've also mentioned stress tests. So, should we think now that you will commence discussions with the PRA on capital return policy but it's possible you won't actually provide any capital return to a post stress test? Is that a key marker?

My second question would then be you've talked about buybacks and specials potentially supplementing an ordinary dividend in the past, what do you need in terms of authorizations to proceed with those?

And then third and final question, when you think about the amount of excess capital, do you think about the group core tier one ratio relative to the 13% target or is the NatWest Markets capital ratio also an important consideration given you've drawn that out in the release today in the 14% hurdle right there? Thank you.

Ewen Stevenson: Yes. On the -- maybe on reverse. Sort of, the last one on that was like I said, the reason we draw that -- we drew out was really to give comfort given that the provisions will be -- will flow through various NatWest Market entities to the bondholders of NatWest Markets that the end state core tier one ratio that was holding for NatWest Markets is around 14%, and therefore, that they should be no issues with today's provisioning in that respect.

In terms of excess capital, we've talked for some time about the fact that we've got a long-term target of 13%. But as I talked about a full-year results, and again, in Q1, we intend to run the ratios above that for the time being.

Some of those issues, we've now resolved like pensions and RMBS. Some are still on the table, like, getting to a better understanding of IFRS 9, stress volatility, the PRA mortgage floors that come on at the end of 2020 and the impact of Basel III reforms. So, what our long-term target is 13%. I think we continue to caution that we're going to maintain ratios above that for the time being.

On your first question on capital return, you're right. Stress testing isn't an extremely important factor. I think what we need to be ought to demonstrate is stress resilience. You know, both getting pensions resolved and getting this resolved do have a material impact on improving our stress resilience.

But it would be sort of prejudging those conversations with the PRA to talk about when we might be ought to return to capital returns. Then on your question on buy backs and special dividends, we obviously special dividends in a different -- I think the dividends on buybacks, we've obviously got the authorization today to do general buybacks if we want to do directed buybacks, though, we would need to pass a special resolution at either in AGM or EGM.

Andrew Coombs: Very clear. Thanks very much.

Operator: Thank you. Our next question comes from the line of Chris Manners from Barclays. Please go ahead.

Ross McEwan: Hi, Chris.

Ewen Stevenson: Hey, Chris.

Chris Manners: Good morning, Ross. Good morning, Ewen. It's very nice to see this announcement this morning.

I just had one question for you which was does this mean that everything is really settled with the DOJ because I know that we were sort of thinking this is a civil settlement and we were worried potentially about a criminal settlement, also about, you know, whether there's any customer address? I know that, you know, Credit Suisse, Deutsche had that, other banks that settled have not had that.

It doesn’t look to be a component of what you're announcing today so that that’s off the table, so, you know, 4.9 is -- is it that and we're done? Is that fair to say?

Ewen Stevenson: I mean the -- this is a cash settlement. There's no consumer relief involved.

So, I mean, I think, yes, there has been a shift, I think, from the previous administration to this administration towards favoring all cash settlements. We are happy with that because we would prefer to resolve this and move on, so there's no incremental consumer relief.

And this is a civil settlement. So, the previous civil and previous criminal investigation around this will now be resolved on a civil basis.

Chris Manners: Great. OK. That makes sense. Thank you.

Ewen Stevenson: Thank you, Chris.

Ross McEwan: Thanks, Chris.

Operator: Thank you. Our next question comes from the line of (Claire Kane) from Credit Suisse. Please go ahead.

Ross McEwan: Hi, (Claire).

Ewen Stevenson: Hey, (Claire).

Claire Kane: Good morning. Hi. Just a couple of follow-ups. So, in terms of the timing, I knew you've said maybe several weeks to complete this settlement but I guess you can start discussions with the PRA now, on the basis of the agreement. Is that fair?

And also, I knew you've mentioned in the past, you've cautioned over the timing of an agreement with the regulator but is it possible to adjust that you could announce some dividends with the interim results. Is that -- is that feasible in the next couple of months to reach that? Thank you.

Ross McEwan: Thanks, (Claire). We know the PRA will have process we'll have to go through as we said on an earlier call. It's been 10 years since we've paid a dividend. So, I'm sure there will be a process that the PRA will have us to go through because they will want to make sure that it's a dividend that starts and doesn't stop soon after. So, we'll start that conversation and update the market whenever we have anything to report.

Ewen Stevenson: But just -- I mean, to give everyone on the call comfort, Ross and I understand the importance of restarting dividends.

Ross McEwan: Absolutely.

Ewen Stevenson: We want to restart them and we'll restart them as quickly as we are able. But equally, we'll just caution it's been a long time since we've paid one. We do have to go through a process of engagement with the PRA. We're not going to prejudge how long that's going to take us but we are very committed to try to get there as quickly as we can.

Claire Kane: Great. Thank you. Maybe just one follow-up on the stress test. Do you think that we could see some support in the next stress test results for your 13% target so that we'll be able to see that material benefit from the pension RMBS in the results this year?

Ewen Stevenson: Yes. We would certainly think you will see, particularly around RMBS, the settlement would have a material improvement in our stress resilience. Because in addition to our own base planning assumptions, we had also built in our own assumption on stress amount that we may have to do on top of that and we work -- we were never clear what the PRA was modeling for their numbers.

But we do think, particularly today's announcement has a very material improvement in our stress resilience which we would expect to see reflected in the stress test results when they come out later this year.

Claire Kane: Great. Thank you very much.

Operator: Thank you. Our next question comes from the line of Michael Helsby from Bank of America. Please go ahead.

Ewen Stevenson: Hey, Michael.

Michael Helsby: Hi. Good morning, guys. Clearly a good number to settle on. It's a big relief. Feels a bit childish but I'd like to just look to the future and think while this draws a line, hopefully under the RMBS issues at the DOJ whether there's other conduct costs that we should be thinking about potentially coming through the P&L that you'd call out? Obviously, there's quite a chunk of issues left at the back of the accounts or should we just think of, you know, that this pretty much draws the line on any material costs? Thank you.

Ross McEwan: I'll start. I mean, this is the material one that we have been concentrating on. We've still got a few pages on the back of the accounts, some of which that need cleaning up.

We've got a provision. We think from the ones that we know of and can I say, it's been nice not to be hit on a monthly basis with new activities coming at us.

We can't roll out other conduct or litigation issues as you can well understand. But certainly, this is the big one for us, Michael. And I'm not aware of any other ones at sort of this magnitude for the bank.

Ewen Stevenson: Michael, please take your numbers down towards zero. You know, the reality is we still, along with most banks, have a tale of issues. I mean, there’s PPI which is the rolling through to, late, next year. Were not going to sort of prejudge where PPI claims may be over the next 18 months or so.

You know, we've got ongoing conduct issues that we're working through in Ireland. There's still resolution of certain parts of FX going back a few years. You know, there's still smaller parts of RMBS on top of what we've announced today.

So, after dampening the parade but there will be ongoing conduct issues that we're going to have to face into that as Ross has just said, this and the last year's FHFA settlement where the two big things that we've been getting on.

Michael Helsby: Yes.

Ewen Stevenson: And the other big draw on our capital, obviously, was the pension settlement that we announced few weeks ago.

Michael Helsby: Very clear. Thanks, guys.

Operator: Thank you. Our next question comes from the line of Joseph Dickerson from Jefferies. Please go ahead.

Ross McEwan: Hi, Joseph.

Joseph Dickerson: Hi. Good morning, guys. Most of my -- my questions has really been answered. So, I guess, its just clarity on the process with the PRA for returning on dividends. Does that run in theoretically -- I mean I know you don't want to -- nobody knows the timing?

But in theory, is that something that runs separate from the stress test process so that theoretically, you could have a situation where that process concludes before the stress test results are announced. No other questions on that.

Ross McEwan: Yes. No, look, we'll wonder down and have a conversation with the PRA just to find out what the process that they want us to go through. As I've said, it's been 10 years. So, it's a new experience for us all but we'll go down and get clarity out of the PRA, what they want us to submit.

And timeframes, we've got no idea. But, you know, we'll start there pretty much immediately.

Ewen Stevenson: Yes, I mean, this announcement today that, you know, there was a substantial acceleration in the discussions we were having with the DOJ after our Q1 results. So, we've had our head down for the last couple of weeks focused on getting today's announcement on and haven't really focused on next steps which we can start looking at today.

Joseph Dickerson: Fantastic. Thanks.

Ross McEwan: Thank you.

Operator: Thank you. Our next question comes from the line of Jonathan Pierce from Exane. Please go ahead.

Ewen Stevenson: Hey, Jon.

Jonathan Pierce: Good morning, chaps. Hi, there. Yes, again, most of mine had been asked. Can I just ask a couple of just small, more technical issues around some of these recent announcements?

I mean, obviously, there's quite a lot of cash going out the door as a result of pensions and DOJ. So, I just wanted to check on your broader liquidity position, presumably you had sort of front-loaded liquidity to these sorts of things that we shouldn’t expect any liquidity raises relating to this, you know, several billion pounds of the cash that’s going out?

Ross McEwan: (Inaudible).

Jonathan Pierce: Can I also just …

Ross McEwan: Sorry. Carry on.

Jonathan Pierce: Sorry. Just the last one, the distributable reserves are sort of -- I've forgotten this, but just to check, I think you restructured a lot of the positions that include a year or two back on distributable reserve such that those are now in a position to allow, you know, any sort of levels of dividends and buybacks. You may want to do moving towards that. That’s correct, isn't it?

And then my final one is on just broader balance sheet cleanup. Because, obviously, these things help very materially. I'm just wondering where there’s scope for you to maybe become a bit less prudent now in other areas of the balance sheet speaking in particular of very substantial amounts of DTA that haven't been recognized in RBS PLC, for instance, which, you know, can now become a bit more helpful to the see-through value on RBS if it's not your TNAV and your shares and now are going to be creating north of TNAV on the total.

So, can you just take up those three, slightly more, techy questions, please?

Ross McEwan: Yes. I'll throw that to you, Ewen.

Ewen Stevenson: Thanks, Ross. On liquidity, look, we've been anticipating today for some time and we think we've been signaling I think for a few quarters now that we've been running very high, liquidity ratios and we've also had liquidity add-ons from the PRA in relation to those.

So, over the medium term, you know, we should be able to begin to now run lower liquidity than we have been over the last few quarters. So, I think, you know, that is an incremental net benefit out of today's announcement as well. But in the very, very near term, I mean, we've been running very strong liquidity ratios in anticipation of this. So, there's no issue around that. But over you know, next few quarters, it should be a mild net benefit for us.

On distributable reserves, you're right, we did a very large restructuring last year, I think, of distributable reserves in anticipation of creating all the capacity that we needed in terms of being able to make future capital distributions.

On broader balance sheet cleanup, I wouldn't think that there's any significant additional benefit out of the DTAs but it may give us more flexibility, for example, in relation to some of our legacy capital securities in terms of thinking about, you know, how we optimize some of that and give us more flexibility around that.

As I've said earlier, this has come as a bit of a rush in the last couple of weeks. So, we haven't sort of got through all of the second order questions because we've been very focused on getting the first order one resolved.

Jonathan Pierce: I'm sorry. Can I just follow up on that? I've never really understood why you don’t recognize more of the RBS PLC DTA that you now think is recoverable. You sort of cut it off in 2022. So, I think it's 15p a share and, you know, certainly your peers recognize all this stuff out into the mid 2030’s. So, what is the driver of that?

Ross McEwan: We recognize what we and the auditors think it’s prudent to recognize. So, it's driven by accounting policies and we agree with our auditors what we think is appropriate to recognize.

So, the -- you know, it's appropriately prudent. So, we're not going to suddenly change our recognition policy on DTAs as a result with today's announcement.

Jonathan Pierce: No absolutely not. OK. Thank you very much.

Ewen Stevenson: OK. Thank you.

Operator: Thank you. Our next question comes from the line of Ed Firth from KBW. Please go ahead.

Ewen Stevenson: Hi, Ed.

Ed Firth: Hi, morning, all. Yes. Hi.

I just have a really simple question. The -- you mentioned the -- you highlight you got a billion odd provision for other legacy RMBS matters. I just wondered if you could just remind me is that the other states or -- and what the sort of sensitivity might be on that number?

Ewen Stevenson: Just over 300 million of that relates to an indemnity claim that we have on a settlement with Nomura. We do expect to be reimbursed for that at some point of the residual half a billion or so. Some of that relates to some of those state attorney settlements, you know, in New York, for example, that we've just announced a few months ago.

There's one or two smaller pieces of litigation. You know, on the original principal balance of the litigation that we had, I think that's well under a billion dollars now. There's one or two smaller state attorneys that we're continue to talk to. So, there may be, you know, bits and pieces of additional RMBS provisions required. But today's announcement is quite far and away the substantial final piece of it.

Ed Firth: Great. So, you don’t have a whole raft of states still to settle? That we are really now into the final process.

Ewen Stevenson: I mean the big three, as we've described them were Connecticut, California, and New York that we've all now settled with and provided for.

Ed Firth: Great. OK. Thank very so much.

Operator: Thank you. Our next question comes from the line of Martin Leitgeb from Goldman Sachs. Please go ahead.

Ewen Stevenson: Hi, Martin.

Martin Leitgeb: Yes. Good morning. Congratulations also, from my end, for reaching settlement on this matter. My first question is more a second order question and apologies if it might be a bit early -- early days for that.

Just looking at your capital and funding positions, so you have a core tier one ratio now north of 15% which is above your threshold. You have a funding position which at least within the ring fence appears to be of roughly 30 billion excess deposits plus also 19 billion of TFS drawings if I'm not mistaken. I'm just wondering if the settlement today, if the agreement on the settlement today changes anything in the outlook going forward in terms of growth versus capital return. Do you see now some room for bigger growth, maybe, other areas that you feel RBS is currently under represented or is the intention here to essentially return excess capital and potentially equally access liquidity going forward?

The second question is, just briefly, what you think the impact on operational risk weighted assets will be going forward? At what stage should we think those could go down as those litigation items are settled? And finally, to the extent, you can comment if there's any -- what's your current thinking on potential government sell down? Thank you.

Ewen Stevenson: OK. On the first question, I mean, firstly, from our perspective, it's -- yes, we are a bit humble about it having to pay a $4.9 billion settlement to the DOJ. So, I understand that you all may think its congratulations are in order, we don’t. We're happy to have it solved. But …

Ross McEwan: (Inaudible).

Ewen Stevenson: Yes, no one should -- no one should shy away from the fact that this is a very large amount of money that we're having to pay out of the bank for something that we did over 10 years ago.

Look, on liquidity, as I said earlier, the -- you know, we are liquid post today's announcement. We have been running excess liquidity in order to give us appropriate buffers for the settlement we would expect over the coming quarters to be able to reduce the liquidity.

I don’t think it's fundamentally Martin, changes our growth profile. You know, we are naturally and continuing to naturally be underweight on the asset side of personal banking, in particular. You know, we have a 15-16% share of current accounts, biggest single asset side product is mortgages at 10 so we continue to think that we'll be able to grow share as we had been on the asset side of personal banking in particular.

On commercial banking, it's really, for us, a question of risk appetite and business banking as in where we want to grow -- where we want to grow. We think we're going to continue to take share and grow but there are areas that we’d prefer not to grow at the moment such as commercial real estate and that book has been shrinking, large corporates, again, another segment where we don’t think the returns are appropriate, we've been reducing as well.

I don’t think this is any material impact on operational risk weighted assets at all, so you shouldn't model anything on out for that. I don’t think it changes our long-term view on what our core tier one capital ratio target should be.

Just as a reminder, we've always modeled up from where we want to be under extreme stress which is 9% plus the buffer that we think we need on top of that to deal with extreme stress, which we've always assumed over the longer term to be around 400 basis points and within that calculation, we had always assumed that we would have resolved legacy -- the large legacy going back to) issues.

Finally, on the government sell down, all Ross and I can do is control what we can control, what we can control are two things. Continuing to improve the operating performance of the bank. As you saw in Q1, you know, we think the core operational performance continues to improve. Profits in Q1 were three times high than what they were a year ago and more than what they were the full year of 2017. And the other thing we can control is getting the legacy issues resolved and getting pensions out the door a few weeks ago, this done today were the two big items that we've been very focused on over the last couple of months.

Martin Leitgeb: Thank you very much.

Operator: Thank you. Our next question comes from the line of Chris Cant from Autonomous. Please go ahead.

Ross McEwan: Hi, (Chris).

Chris Kant: Hi. Thanks for arranging the call. It is useful that you do these calls after this type of announcement.

I just had a couple of minor ones, really. I think a lot of grounds already been covered. On the stress test, you mentioned that you expect this to improve your stress test performance. Should we expect this actual figure to feature in your stress test result for this year? Some of your peers had previously said there's sort of a cutoff at the end of 1Q whereby anything settled after that, you still end up with a stress and maybe the PRA will tell you, tell us that there was a stress on RMBS which hasn't actually materialized in reality. But will this actual result feature in your headline stress performance this year? That would be the first question.

And secondly, sort of related to the capital return discussion, you've been diluting ordinary equity holders about 1% to 2% a year for several years now because you've been issues additional equity to pay debt coupons. Will that now stop for this year? Thank you.

Ewen Stevenson: Yes. So, on stress resilience, I think we, and all the banks, submit a preliminary stress test results into the bank -- into the Bank of England and the PRA at the end of Q2. So, we would fully expect this to be reflected on this year's stress test results.

It's such a large idiosyncratic issue for us. It's always been separately identified and separately modeled for us and we assume PRA has done their own modeling. So, yes, it will be included.

Secondly, on the capital returns, as you called out, for several years now, we've been issuing £300 million of equity as part immunization for the coupons that we're paying on capital securities. The agreement we have with the PRA is that we will continue to do that until such time as we get approval to return to capital distributions.

So, the two are linked. So, the moment that we can agree with the PRA, that we can return to the capital distributions, we will stop that program.

Chris Kant: OK. Thank you.

Operator: Thank you. Our next question comes from the line of (Hidea Kugori) from Allianz Global. Please go ahead.

Ross McEwan: Hi, (Hidea). Are you there?

Operator: (Hidea), your line is now open. Please ask your question.

Ross McEwan: Can we have another question, (Jodie).

Operator: Of course. Just as a reminder to you all, if you do wish to ask a question, please press star one. And the next question comes from the line of Jennifer Cook from Mediobanca. Please go ahead.

Ewan Stevenson: Hi, Jennifer.

Jennifer Cook: Hello. Just quick point of clarification. The liquidity position that you've been running into this has been a drive on NIM. I'm just thinking, theoretically, we should see a reversal of that. Is that already baked into your full-year NIM target, NIM guidance for a flat NIM this year or is that incremental upward pressure on that? Thanks.

Ewen Stevenson: Yes. I don't think I've given NIM guidance for the full year but so -- but it wouldn't have been in any previous commentary that we've made. But I think -- I wouldn't immediately normalize post today's announcement. It will take some time to normalize. So, it will have some benefit but I don't think it will be transformational in relation to our net interest margin.

Jennifer Cook: OK. Brilliant. Thank you.

Operator: Thank you. Your next question comes from the line of Paul Fenner from society general. Please go ahead.

Paul Fenner: Hi. Morning. Just a very quick question. Mechanically and in terms of legal entity, where does the payment come from? I'm just thinking is there an angle in terms of impact on NatWest Markets regulatory capital position in particular? Any color on that?

Ewen Stevenson: Yes. So, as we put out in today's announcement, the -- actually NatWest Markets at the moment has very high core tier 1 ratio because of the recent RFTS, ring-fencing transfer scheme, one that we just did a few weeks ago. We are now going to go into our capital reorganization of NatWest Markets capital structure to actually strip the excess capital out and put it back into NatWest holding the ring-fenced bank HoldCo.

But we put in today's announcement that we'll normalize back to 14% and that is normalized after the impact of today's announcement. So, this will have no -- should have no impact on the capital strength or will have no impact on the capital strength of NatWest Markets.

Paul Fenner: OK. Thank you.

Operator: Thank you. Once again, that’s star one to ask a question. And your next question comes from the line of (Hidea Kugori) from Allianz Global. Please go ahead.

(Hidea Kugori): Yes. Hello?

Ewen Stevenson: Hello?

(Hidea Kugori): Thank you for the call. You mentioned optimization of the legacy (inaudible). Can you elaborate more on this, please?

Ewen Stevenson: Sorry, I didn’t …

Ross McEwan: So the phone line is very, very bad. (Hidea) could you repeat the question, please?

(Hidea Kugori): Yes. On the capital instruments, you mentioned that you have more capacity to optimize the instrument. Can you elaborate more on this, please?

Ewen Stevenson: Yes. Look, I’m clearly not going to elaborate more on what we may or may not do in relation to legacy capital stack. As you know, we have been optimizing it over time. Some, we've been buying back. Some, we've been allowing to mature and we've always been trying to balance a range of considerations.

My only point today is one of those considerations was the capital resilience of the bank which has, obviously, improved as the result of today's announcement. So, it gives us more flexibility if we choose -- if we choose. But I'm not going to speculate whether that’s going to lead to any change in capital management.

(Hidea Kugori): OK. Thank you very much.

Operator: Thank you, all. So, now, I'll hand back to you for any closing comments.

Ross McEwan: Yes. Thanks very much. Thanks for running the call and thank you all for taking the time to join us today at short notice. And also, thanks for the questions.

I've darted most of those to Ewen. Ewen and the team, I'm sure, will be available for questions later in the day, particularly the IR team.

Look, today it’s difficult to make the announcement that Ewen and I have had to. But we are pleased to have this issue resolved. It was a significant legacy issue and the biggest uncertainty that was hanging over this bank. But with today's announcement, the investment case for this bank is much, much clearer.

Putting this behind us, it means we can now focus our time where it should be spent on making RBS a simpler, safer and innovative bank delivering for our customers and for our shareholders. Thanks for joining us.

Ewen Stevenson: Thanks.

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

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