



**NatWest Group plc
Annual Results 2019 and Investor Update –Fixed Income Investor Conference Call**

**Moderator: Katie Murray
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The results in this presentation relate to The Royal Bank of Scotland Group plc (“RBSG plc”). RBSG plc is intended to be renamed NatWest Group plc later this year.

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OPERATOR: This is Conference # 1075557

Operator: Good afternoon, ladies and gentlemen. This afternoon's conference call will be hosted by Katie Murray, Chief Financial Officer; Donal Quad, Group Treasurer; and Rupert Mingay, NatWest Markets Treasurer. Please go ahead.

Katie Murray: Thanks, Laura, and thank you for joining the call. On the line, you have myself, Katie Murray, Group CFO of NatWest Group. And I'm joined by

(Donald Cray), our Treasurer; Rupert Mingay, NatWest Markets Treasurer; Paul Pybus, our Head of Debt IR; and Amanda Hausler from NatWest Markets IR.

We put some fixed income slides onto our IR website, where Donal and I will now talk you through. We'll give you a brief overview of our financial performance in 2019 before taking you through the key elements of our strategy and our 2020 and medium to long-term outlook, and then we'll open up the call for Q&A at the end.

Let me start by running through the bank's solid performance in 2019. We delivered an operating profit before tax of GBP 4.2 billion, up 26 percent on 2018 in an uncertain economic and low interest rate environment.

Our attributable profit was GBP 3.1 billion, up 93 percent on 2018. Importantly, we grew lending in attractive segments of the market with net loan growth across retail and commercial of 3.7 percent, exceeding our 2019 lending growth target without changing our risk appetite.

At the same time, we reduced cost by GBP 310 million, meaning we have reduced cost by over GBP 4.5 billion in aggregate since 2014. And RWAs reduced by GBP 9.5 billion, reflecting continued capital optimization, and we continue to return excess capital today announcing 3p of ordinary dividend and 5p of special dividend equating to a return of GBP 2.7 billion to shareholders, taking us to an end CET1 position of 16.2 percent.

Going to the next slide, focusing on Q4 results. As we look at the bank, we feel it was a good result in a tough operating environment. All of our targets were met that we laid out at the start of the year. If I look down to the P&L, starting on income, excluding FX recycling gains of GBP 1.2 billion and other notable items, Q4 income was GBP 10 million lower than Q4 '18 and GBP 56 million or 2 percent higher than Q3 '19.

Q4 NIM of 193 basis points was 4 basis points lower than Q3 2019, primarily reflecting competitive pressures in the mortgage business as front book margins remain lower than back book. On costs, excluding conduct and strategic costs, other operating expenses reduced by GBP 117 million in Q4.

We had GBP 537 million of strategic costs and GBP 85 million of litigation and conduct costs in Q4. With no changes being made to the PPI charge we took in Q3.

Within impairments our Q4 charge of GBP 160 million represents 19 basis points of gross loans in the quarter. And while we have experienced more single name charges in commercial banking, we have not seen any material signs of deterioration in the trend in our core loan books.

Headline Q4 attributable profit was GBP 1.4 billion, excluding FX recycling gains. Q4 attributable profit was GBP 176 million. On returns, full year headline ROTE was 9.4 percent or 4.7 percent once you exclude the FX recycle gains.

And with that, let me hand over to Donal.

(Donald Cray): Thanks, Katie, and good afternoon, all, and thank you for joining today's call. I'm pleased to be joining you as Treasurer today. I met many of you over the course of last year, and I look forward to continuous engagement throughout 2020. Let me start with my thoughts on 2019. We've ended the year with a solid set of balance sheet metrics against our capital funding and liquidity requirements.

Once again, we achieved a strong pass from the Bank of England stress test, reflecting confidence that the group will continue to support customers and the U.K. economy through very tough economic scenarios and demonstrating the progress we have made in becoming a much stronger bank for our customers and investors.

The economic and political uncertainty, particularly in the U.K. as Brexit deadlines approached and passed contributed to the risk on, risk off environment for fixed income markets last year. So I'm pleased that in those market conditions, we achieved our funding targets for the year and completed a number of milestone transactions for the bank.

I would like to thank all investors who participated in our primary deals and who provided support for our paper in the secondary market. We continued to

take opportunities to optimize the capital stack across the group, calling EUR 1 billion of holding company tier securities in March and our Ulster Bank Ireland entity, returned EUR 500 million of equity to NatWest Holdings, its first dividend since 2018.

On ratings, we were pleased with S&P's 1 notch upgrade across all entities in May of last year, and we retained a positive outlook across all of our legal entities with Moody's, despite most U.K. banks outlook changing in November.

RBS International has assigned the first time rating by Moody's in July, and Ulster Bank Ireland made further progress in December with a one notch upgrade by Moody's.

Finally, all our Fitch ratings are now on stable outlook from rating watch negative following a U.K. sector-wide review in December. Turning to the balance sheet. Starting with capital. Our core equity Tier 1 ratio at full year was 16.2 percent. Excluding the impact of the Alawwal merger and PPI, the CET1 ratio reflects 110 basis points of capital generation from profits in 2019 and 60 basis points from a reduction in RWAs and other capital movements.

Our total capital ratio was 21.2 percent, and with a total loss-absorbing capacity ratio, including senior MREL of 33.3 percent, comfortably above our minimum regulatory requirements. Although the U.K. has now formally left the European Union, there is still a degree of uncertainty until we have final clarity on future trading relationship at the end of the transition period on December 31 of this year.

So with that in mind, we continue to manage a comfortable level of surplus liquidity while recognizing it results in a NIM drag. Our liquidity coverage ratio for the year was 152 percent, and with a total primary liquidity of GBP 125 billion. This is a decrease of around GBP 3 billion as deposit growth and the proceeds of net issuance were offset by the Tier 2 redemption, dividend payments and a further GBP 4 billion TFS repayment.

Our remaining TFS drawings is around GBP 10 billion from a peak of GBP 19 billion, a significant reduction well ahead of contractual maturities. Our

loan-to-deposit ratio is 89 percent, and we are seeing customer deposit growth of GBP 8 billion during the year. Our funding base continues to reflect a diverse mix of retail, commercial and wholesale liabilities supporting our customer lending.

Looking back at 2019, we issued GBP 4 billion of MREL compliant senior unsecured from our holding company in 4 very well received transactions across a range of tenors. Our outstanding stock of MREL-eligible securities is GBP 19 billion at the end of 2019 against our end 2021 requirements of around GBP 23 billion.

We were especially proud to bring the U.K.'s first social bond issued on the international capital market associations, social bond principles, further demonstrating our commitment to addressing regional inequality and promoting economic growth by supporting businesses to create and retain jobs in some of the U.K.'s most of product areas.

We also completed USD 750 million Tier 2 transaction, taking advantage of favorable market conditions to access the dollar markets in a rare callable format. In addition to senior MREL, we also issued GBP 5 billion of senior unsecured debt out of our NatWest market entity, including an inaugural U.S. dollar issuance from the newly established 144a program. And finally, we raised GBP 750 million from our first SONIA linked covered bond for NatWest Bank. I will now hand back over to Katie for an update on strategy, after which I'll discuss the 2020 funding and liquidity outlook.

Katie Murray: Thank you, Donal. And for those of you looking at the slides, we should be on Slide 10, I believe. We spoke to our shareholders this morning about becoming a purpose-led bank, responding to the changing needs of all of our stakeholders. We believe our purpose is to champion potential, helping people, families and businesses to thrive. We have a very strong foundation in place from which to deliver our plans. We see opportunities to deliver much more than this. Today, we have strong customer franchises, market-leading positions in many product categories. We will evolve our propositions to serve more of our customers' needs at every life stage.

This will both maximize our customers' potential and deliver returns through the bank. We have a strong track record of consistent cost reduction, which we will build upon. We see further opportunities for simplification of our core customer journeys to improve customer experience and reduce costs in key segments.

We have rapidly launched a broad range of innovation assets to defend our core franchises and enter new spaces. We will continue to test and learn with the customers, while scaling these assets as well as leverage partnerships to accelerate our efforts.

We will take a much sharper approach to capital allocation. The actions they will set out for NatWest markets is a good example of this. And finally, climate change is the defining issue of our generation. We have a bold new ambition to be a leading bank helping to address the climate change by making our own operations climate positive by 2025 and driving a material shift in our financing activity over the next 10 years as we support the transition to a low-carbon economy.

Getting all this right, we will ensure we are well positioned strategically, operationally and financially.

Turning to NatWest markets. We have taken the decision to refocus this business on activities which are directly supporting our core customers, significantly reducing capital allocated to our rates business.

Importantly, the areas that we are reducing are where we have experienced higher volatility as proven by the 2019 performance. So at the end of this, we will have a customer-focused business with a more stable and consistent income stream.

The business will be going from 21 percent to around 10 percent of the group's RWAs. We have previously guided you to NatWest markets being of around GBP 39 billion RWAs. Our current plan assumes the NatWest markets in the medium-term will be GBP 20 billion of RWAs, utilizing half of the GBP 6 billion capital it uses today. We expect this capital reduction to be

CET1 capital ratio accretive in year 1 and over the course of the transition period.

And finally, NatWest markets legal entity has a CET1 ratio of 17.3 percent at year-end 2019, which is above its 15 percent target, so it is well capitalized as we start the process of change.

I am conscious that throughout today, we shared a lot of numbers with yourself and the wider market. So I thought it would be helpful to get all of our financial targets and outlook on 1 page, and I'll highlight a few of them for you. Starting with costs we're targeting to take out another GBP 250 million or 3.6 percent in 2020 and will aim to continue to reduce cost in the medium to long term. We will do this while continuing to invest GBP 1 billion in the business per annum. We expect to incur GBP 0.8 billion to GBP 1 billion of strategic costs during full year 2020, resulting from the refocusing of NatWest Markets and the continued resizing of the group's cost base.

On lending, we are targeting growth of over 3 percent across our retail and commercial businesses in 2020. On impairments, we maintain our guidance of a normalized long-term loss rate of 30 to 40 basis points. And on capital, we are today updating our medium- to long-term CET1 ratio target to 13 percent to 14 percent as key uncertainties have reduced and reflecting a more normal retail and commercially focused bank.

With a smaller and less volatile NatWest markets. That's a medium to long-term target, and we'll get there by getting capital down to 14 percent by the end of 2021. As you are aware, there are a number of capital headwinds over the next couple of years. These include things like the RWA inflation, our pension contributions linked to dividends with payments starting from 2020, which are capped at GBP 500 million per annum, up to a total of GBP 1.5 billion, noting we have reflected year 1 in our 2019 CET1 with an impact of 20 basis points.

Basel 3 amendments, which we anticipate to be at the lower end of the 5 percent to 10 percent range and fees across 2021 to 2023. That we expect to end 2020 with RWAs in the range of GBP 185 billion to GBP 190 billion.

Looking at returns in the current economic and low rate environment, we believe that in the medium to long term, the NatWest group will be generating a return on tangible equity in the range of 9 percent to 11 percent.

And with that, let me hand back to Donal.

(Donald Cray): Thanks, Katie. So turning to issuance plans. Looking ahead to 2020, at the holding company, our guidance for senior MREL is in the range of GBP 2 billion to GBP 4 billion. This morning, Alison has announced a new purpose-led strategy for the bank and treasury will play a key role as we look to issue up to GBP 1 billion of our senior MREL requirements in green, social and sustainable format next year, building on the strong investor support, our social bond received last November.

We will continue to develop our internal framework to facilitate higher volumes of green social and sustainable linked issuance going forward. On capital, we will consider up to GBP 2.5 billion of Tier 2 and up to GBP 1.5 billion of additional tier one. As many of you will be aware, we have a call in our dollar additional Tier 1 in August. And over the coming months, we will consider our options in light of prevailing market conditions. The guidance of up to GBP 1.5 billion of additional Tier 1 issue in this year gives the option of refinancing, if required.

Turning to our operating companies, NatWest Markets will have senior unsecured funding requirements of GBP 3 billion to GBP 5 billion in 2020, primarily refinancing maturity legacy debt. We will also consider secured issuance from NatWest Bank, subject to funding requirements as we look to support the continued development of the SONIA bond markets for these products.

On capital optimization opportunities, it's an area we keep under constant review, and we maintain our prudent approach to legacy security management, which is based on both economic and regulatory considerations. We have been consistent in our guidance that our post 2021 capital stack supporting the bank's go-forward balance sheet will be as clean as possible.

We have not changed our assumptions on the future compliance of our legacy securities.

I thought it would be helpful to spend a few minutes on the recent changes to our capital requirements. A significant change for the bank has been the removal of the G-SIB classification as of the first of January. This results in a notional reduction of 100 basis points in the bank's minimum CRR core equity tier 1 buffer requirement and MDA.

However, minimum regulatory requirements remain broadly unchanged for the group due to the inclusion of the systemic risk buffer applied to NatWest Holdings in the group's PRA buffer. The Bank of England recently announced an intention to increase the countercyclical buffer to the region of 2 percent from the current level of 1 percent in December of this year.

At the same time, they announced a potential offsetting reduction in Pillar 2A and we will provide further guidance on the impact for us after the outcome of the PRA consultation is known.

Additionally, in November last year, we announced a reduction in the group's pillar 2A capital as agreed with the PRA. The total Pillar 2A requirement for the group was reduced by 20 basis points to 3.4 percent, of which 1.9 percent was held in the form of common equity Tier 1 capital.

Given our underlying capital strength, after application of these changes to minimum requirements, the group will continue to operate with comfortable headroom to our medium- to long-term management target of 13 percent to 14 percent announced today.

Finally, Katie has just outlined the changes to NatWest Markets. While we refocus that business, the NatWest Markets' legal entity from which we issue senior unsecured debts is targeting to maintain a core equity tier 1 ratio of above 15 percent, and an MREL ratio of at least 30 percent and to reduce risk-weighted assets by GBP 14 million to GBP 18 million in the medium term. With that, I'll hand back over to Katie Murray for final comments.

Katie Murray: So just let me finish with the key points behind our investment case. Our purpose will lead to a long-term sustainable business. We have solid customer businesses with an ability to grow. We will become simpler to deal with. Our business model is powered by innovation and partnerships. And we have a robust balance sheet with strong capital generation and returns to our shareholders.

And with that, I will now open the call to Q&A.

Thank you very much.

Operator: Ladies and gentlemen, if you would like to ask a question, please press the "star" key followed by digit "1" on your telephone keypad. We will pause for a moment to give everyone an opportunity to signal for questions. Once again, that's "star" followed by "1."

Katie Murray: Laura, do you have any questions on the telephone?

Operator: We will take our first question from (Alexander Latter) from (PGIM).

(Alexander): Sorry about that. And before entering the call, I'm really appreciate it. Sorry, can you hear me?

Katie Murray: Absolutely.

(Alexander): Sorry. And so a couple of questions. Firstly, watching the equity call this morning, you clearly look at NatWest markets in conjunction with the corporate business within the ring-fenced bank. And you talk about sort of GBP 80 billion of risk-weighted assets within that group. Now obviously, you can't treat that as a single division because of the ring-fencing rules, but given that this kind of strategic rationale for NatWest markets is pretty fundamentally based around that kind of being a bit of a division, and you've been sort of presenting with a customer view which is kind of along those lines.

Is the regulator kind of passed a view on this sort of way of managing the 2 entities kind of across the ring fence? That's the first question. Maybe

secondly, with what you said about cutting NatWest markets in half in terms of RWAs and also that you probably run it as a legal entity at roughly breakeven. Have you had any indications from the rating agencies in terms of how they might consider that for ratings and whether or not they'll recognize that it's still core to the group, even though it will be a sort of a 0 profitability entity? and what the implications might be for the ratings?

Katie Murray: OK. Thanks, Alexander. I'll take the first 1 on ring fencing. And then I'm going to pass over the rating agency point. So in terms of the ring-fencing piece, so it's – we've certainly gone through with a regulator in terms of how we're planning to run these 2 entities, but Robert Begbie is the interim CEO, and obviously, will remain so tomorrow. But there's no intention to kind of merge the leadership of those entities together.

I think it is important that we run and make sure we meet our ring-fencing obligations. But what's really important is the fact that we meet the needs of our customers and that we're able to make sure for those corporate customers, who's a significant number of who utilize their product and it's really important to them for their business delivery that they're able, from their perspective, to feel actually they're dealing with 1 entity, and the reality of the booking model is in the background is of interest to us and to the regulator. We probably have less important to those individual customers. So Rupert, do you want to comment on ratings?

Rupert Mingay: Yes, on ratings. So continued delivery of our strategy. We're sustainably profitable, have a high capital base, high asset quality, liquidity and funding base as compared to some highly weighted period internationally. At the end, we're focusing not NatWest markets, it will be circa 10 percent to the group's RWAS, so will be a smaller volatility on earnings, we see that as positive for ratings, given some of the concerns the agencies have previously cited in the reports, but we can't second-guess the rating agency's decisions.

Operator: Our next question comes from the line of Robert Smalley from UBS.

Robert Smalley: It's Robert Smalley from UBS. Couple of questions around strategy and then on ESG. In the other call, you had – it was mentioned that 6 out of 10 new

mortgages are outside of London and the Southeast. This is – these are areas that you're cutting back on branches. So you're leaning much more on digital. Could you talk a bit about the challenges with that? Number one.

Are you continuing to just cut price and compete on price? And when do you start competing on credit? And what are the challenges around accumulating that much mortgage exposure and that much data digitally? And what are the challenges, looking at that from an asset quality point of view? That's my first question. And then I want to – I have a question about ESG after that.

Katie Murray: OK. Well, let me deal with that, and then you can come to the ESG. So as I think that was actually 6 over every 10 pounds, but it will come to more or less the same things that interestingly, obviously, mortgages outside of London and generally, but not expect lower value. The way we deliver our mortgage proposition today is through a mixture of branches. A lot of it is also done digitally.

And also what we're also starting to branch out so that you can have your appointment and previously, you might have done telephonically or face to face, we will do it via a secure video into our kind of customer agents, which for us, works very well, because then we're able to have maximize the use of our various facilities.

In terms of the competition, there is definitely some competition going on, on pricing. That's not probably surprising, given I think on the executability we and some of our peers also holds. But I think what's really important is that we still – as we price and make sure we also look to ROE and also to the risk metrics, so that we're not having creating issues in terms of our credit quality or the kind of future profitability. And we're very comfortable with that.

In terms of the digital piece, I'm not sure if that's what you're getting at, but I would say that we've done a lot in terms of data. You have heard us talk, Robert, in the past around things like our people's journey. And actually, what that's been able to just do to access more data far more efficiently in lots of different formats, so that the whole process becomes a much slicker process.

And definitely, what we find is that you can compete on price. But you have to also compete on service and be able to be flexible in terms of how you're structuring mortgages as you go forward. So we still view it as a tremendously good quality effect with good high returns. You want to come on our ESG question?

Robert Smalley: Sure. So you had mentioned ESG issuance in the past. As we go forward, are you looking at ESG issuance is something that you'll be able to issue at tighter spreads than your regular benchmark issuance. And as a result, will you be able to pass on some of that a funding advantage with the use of proceeds to people that you're lending that money to? Or do you see doing the ESG bonds as, for lack of a better term table stakes as we all go into this together?

(Donal Quaid): I'll take that one. I would probably view this a bit more in the latter to recognize, obviously, the emergence of ESG focused mandate. You present the new opportunity to welcome new investors to group credit and also to help existing and new investors with their ESG focus.

So I think competitive pricing is not the main goal of GSS issuance for us. I think the bonds will be priced as a function of the building process and in line with other transactions and standard market considerations, but it is something as we build out our own framework internally. It's something we'd look to increase volumes with over time, both from our capital and MREL issuance.

Katie Murray: Laura, are there other questions from the phone line?

Operator: We will now take our next question from the line of Lee Street from Citigroup.

Lee Street: Lee Street from Citi. I have a couple of questions on returns and then 1 on LIBOR, please. So just obviously, there's a lot of questions about your return this morning you're business at 9 percent to 11 percent. So is there any pressure – have you guys comfort you're not just going to get forced down the credit curve or is there a to look back into some more unsecured lending or card lending and ?

And then, I guess, the flip side that is like, obviously, we like the lots of capital that you run up from a credit perspective. Is the – is it not get pressure to sort of lower those sort of longer-term targets of sort of 13 percent to 14 percent CET1, and you have to try and – can you still give the return on the return on equity story, the boost as a consequence, it'll be good to hear your thoughts there.

And then on LIBOR. What's the client or formats that don't have fall back I'm thinking that's a I don't have any fallback language. It feels like the regulator trying to put a bit of pressure on for banks to start seeing this week. Is that how I should be thinking about it? And are you feeling with pressure from the Bank of England?

Katie Murray: Thanks very much. In terms of returns, they were very, very focused on making sure in terms of the 9 percent to 11 percent that we deliver that sustainably. And not without going up and down the credit quality, you will notice that we have gone a little bit more into things like credit cards. I think that 8 percent growth we had in this last year, but when you listen think of that quite chunky, but the reality is that grades gone from GBP 4 billion to GBP 4.3 billion.

So it's – in itself, we're such a small level of that and we're happy to be returning into it. We see as big business with good return. We're very keen that we stay within our credit appetite. And that's something the Board is also very, very focused on. We can – obviously, and thanks recognizing knows if you guys, they hire our capital is the more comfortable. It does mean what I would say there's absolutely not a temptation to try to improve their capital and quicker or head towards the 13 percent, 14 percent to get that kind of return number up quite faster.

And I think from your perspective, while I'm not sure your equity colleagues particularly like this morning, the fact that we kind of started the year 16 percent and ended the year at 16.2 percent, really does show that we will do capital return, but we will do it cautiously and slowly, and we have certainly have preferences in the manner which we would like to do it. So that's not

something I think that you should be concerned about? Donal, do you want to talk LIBOR.

(Donal Quaid): So I think on LIBOR, we operated the fall back language with issuance programs back in 2017. So we're actually in good position there. We've already moved our corporate bond issuance referenced last year. We do have a small number of securities outstanding beyond the end of 2021, referencing LIBOR. Many of them do have regulatory call options. And I think for the ones that don't, we just continue to work with the industry to find the most viable solution.

Lee Street: OK. Sorry, just – you obviously referenced the very call options. So that's the type of where you'd be thinking about this rolling going for some form of consent is sort of alternative. Is that fair way to think about it?

(Donal Quaid): Well, I think we wouldn't rule out consent. We have done a due diligent exercise of what we have outstanding. So we have a corporate bond that's matured ahead of 2022. So for us, it's not really a major issue. It's only small number of securities that we think will be remaining referencing Libor.

Katie Murray: We have 1 question from the web, and then we'll come back to telephone.. Would you think about a green Tier 2 or Tier 1 bond rather than just a senior green bond. Donal, I don't know that feels that 1 for you,

(Donal Quaid): Happy to take that, Mark. Yes, we look at all formats. I said we're still developing internal framework to support. So MREL Capital, but I think also as well, we've looked at secured potential future security issuance out of NatWest as well.

Katie Murray: Laura, we should go back to the phone line.

Operator: We'll take our next question the line of Paul Fenner of Societe General.

Paul Fenner-Leitao: It's Paul Fenner-Leitao for Society General. A couple of my questions have already been answered, but I've got 1 on your legacy bonds. You've also got the \$2 long-call step-ups, which you recognize going to be tier 2 from 2021

onwards. And I think everyone is expecting some form of liability management.

I just wanted to know if those bonds are up something like 20 percent over the last year, LIBOR to get any cheaper for you to take those out, it doesn't feel like any time soon. What are your realistic options? Are you thinking maybe an exchange into your next '21? Or are you hoping for something for an event that makes the bonds cheaper to take out? That's my first question.

So I'm specifically talking about the 6.425 and the 7.6. And the second question actually is – forgive me, I didn't quite catch what your response was the question around ratings at NatWestMarkets. I mean, I look at these ratings, and I'm constantly surprised by the fact that S&P was some better than RBS Holdco. Are you not surprised at holdco investor rating. Again, it's NatWest markets? And where do you think is going to happen to that?

Katie Murray: And Donal, do you want to?

(Donal Quaid): I'll try and take those two, Paul. So I think on the first one, on legacy, I'm not going to comment on specific securities. We've had a consistent view regarding all our legacy capital instruments offering no capital value beyond 2021. We're going to continue that prudent approach to the management of our capital to ensure no surprise by the clear messaging to our bondholders.

That's probably all I'll say an updates. in terms of the ratings, again, I think, as I said previously, we're not going to second-guess the rating agencies are going to do. We view the changes that we've announced within NatWest Markets has been positive from a credit perspective in terms of derisking that business be a smaller amount of our RWAS, but we will, I suppose, wait and see what the rating agencies say.

Katie Murray: Brilliant. Thanks very much, Laura?

Operator: We will now take our next question from the line of (Corinne Cunningham) of (Autonomous).

(Corinne Cunningham): Just a quick one, really. Just now that your G-SIB buffer has disappeared and the DSIB only applies to the ring-fenced entity. obviously quite a big chunk of your business. So how should we think about that when we're looking at Slide 14, for example, is that just something that gets taken into account in the management buffer? I'm just wondering how we should actually think about that at the group level?

(Donal Quaid): Yes, I take that one. The way framework incorporates the supervisory risk buffer for the group into the PRA buffer. So as I said, it's not part of the CRR buffers for the purposes of group MDA. We don't disclose the PRA buffer and its components, as you know, but the PRA has given some guidance as to how that SRB is incorporated, which you can look into.

Operator: Once again, before you – if you wish to ask a question, please press "star" followed by "1" on your telephone keypad. That's "star" and "1" if you wish to ask a question.

We will take our next question from the line of (inaudible).

Male: So you explained that your need for Tier 2 and especially at Tier 1 over the next year? Because you haven't been that active on the specifically the H1 market. Can you explain your intention, like maybe to issue more like a standalone in H1 in your main currency? Or what kind of structure do you basically do you have in mind? Do you consider to fit the specific needs?

(Donal Quaid): Yes, I'd say just on additional Tier 1, obviously, we'll make a decision over coming months, so nothing else to add on that. In terms of different currency options, we look at the different options available, given the market conditions, providing time and key considerations of the relative pricing and volume requirements.

And I'd say as a U.K. bank, we'd like to do more in sterling, but fully aware that there's a great depth in the market. Be fair sterling has been attractive for a number of issuers this year. So we'll definitely keep a close eye on us. I'd also add that we received our first rating from the Japan rating agency last year. So the yen issue is also something that we could consider.

Operator: Once again, if you wish to ask a question, please press "star" followed by "1" on your telephone keypad. That's "star" "1" if you wish to ask a question.

We will take our question from the line of (inaudible).

Male: It's actually about the P3 appendix that has been updated. I just wanted to understand better the – I would say, the different fields. So for example, when we look at the regulatory treatment, there is traditional CRR rules and if we take the example of rules that are additional tier one. Then post transition, there would be either additional Tier 1 or ineligible.

And I can't find in your disclosure. Any additional terrains that are tier 2 first transition. So how should we read the field post conditional CRR rules when it says ineligible, does it mean ineligible as additional tier 1 or Ineligible as additional Tier 1 or in eligible as Tier 2? That's my first question.

(Donal Quaid): Yes, , we've a very, very consistent review regarding all of our legacy capital instruments is having no capital value beyond the end of 2021. So it was at should probably make it easy.

Male: So in eligible, we mean no like cap value as at T1 or Tier 2?

(Donald Cray): Correct.

Male: OK. And my second question is on the noncompliant feature so where you indicate some features for those that lose eligibility. I have to say, it's not necessarily consistent across the industry. So those features need noncompliance are the result of fewer own interpretation of the regulation. Is – has it been proposed or checked by the regulator, and it's actually the regulator's view on those instruments.

(Donal Quaid): . So probably, again, we've taken a very, very conservative view of the interpretation of that. And so to ensure that there are no surprises and give that message to our bondholders. So full details are in the pillar appendix, I can get Paul to follow-up after the call for further details.

Male: Yes, absolutely. No, I am familiar with the disclaimer on the pillar 3, but – so if I understand well, what you're saying is that those disclosures are actually your interpretation. What I'm just asking is to do it extend, has it been validated with maybe your regulator? It just a reflection of a legal opinion that you have? Or is it something that has been the result of an exchange and a validation?

(Donal Quaid): Yes. No, so the PRA don't give policy guidance. So that's our internal interpretation that we worked through with our legal counsel.

Katie Murray: But I think given – Donal, the fact that we take quite a conservative view in terms of the noncompliant features. It becomes a little bit of a no point. Laura, are there any other questions on the line?

Operator: We have no further questions at this time. Katie, I'll now hand the call back to you for closing comments.

Katie Murray: Lovely, Laura, thank you very much, indeed. Thank you, everybody, for joining the call. Everybody, we do appreciate you taking the time. If you do have any follow-up questions, please don't hesitate to contact Paul in our Debt IR team. Thanks very much, and enjoy the rest of your day.

(Donald Cray): Thank you.

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

END