



**NatWest Group plc
Q1 2020 Results
Update for Fixed Income Investors**

**Moderators: Katie Murray & Donal Quaid
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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. The targets, expectations and trends discussed in this document represent management’s current expectations and are subject to change, including as a result of the factors described in the “Risk Factors” section on pages 281 to 295 of the RBSG plc 2019 Annual Report and Accounts. These statements constitute forward looking statements under the US Private Securities Litigation Reform Act of 1995, refer to Forward Looking Statements in the RBSG plc ARA.

OPERATOR: This is Conference #: 1763235.

Operator: Good afternoon, ladies and gentlemen. We will now play a pre-recorded video of the fixed income call. This will be followed by live Q&A session with Katie Murray and Donal Quaid.

Katie Murray: Good afternoon. You have myself, Katie Murray, Group CFO of RBS; and Donal Quaid, our Treasurer. We've published some fixed income slides, which Donal and I will talk you through. We're going to give you a brief overview of our financial performance in Q1 before taking you through the impacts of COVID-19 and the details of key capital and liquidity resources supporting our response. And then at the end, we'll open up for Q&A.

Slide 3. Back in February, we launched our purpose; to champion potential, helping people, families and businesses to thrive. Each person, family and

business has been affected by the current situation, and normal business activity has been severely affected. My key messages for you today are the following: Firstly, we're putting our purpose into action as we respond to the pandemic.

Secondly, we retain a balanced risk appetite and are focused on careful and disciplined deployment of our balance sheet. Thirdly, we come at this from a position of absolute and relative strength with strong liquidity, diversified funding and sector-leading capital strength. And lastly, as we address the immediate challenges, we are maintaining focus on our key strategic priorities.

Slide 4. Before I talk through the impacts of COVID-19, I will touch on our Q1 results. Our attributable profit for the period was GBP 288 million, significantly impacted by the multiple economic scenario, or MES overlay, of GBP 628 million. On income, the total income was up GBP 125 million on Q1 last year. Income across the Retail and Commercial businesses decreased by 6.5 percent versus Q1 2019.

NatWest Markets' core income of GBP 412 million was GBP 35 million or 9 percent higher than Q1 2019. And Q1 2020 Bank NIM of 1.89 percent was down 4 basis points compared with Q4 2019. On costs, a reduction of GBP 26 million was achieved in the quarter. And strategic costs were GBP 131 million. We have also benefited from GBP 100 million PPI release, reflecting good progress in dealing with our claims, and we remain on track to complete the complaint process by the end of Q2.

Looking at impairments. Our Q1 charge of GBP 802 million represents 90 basis points of gross customer loans. I'm going to take you through this in more detail in a few moments.

And finally, on capital, RWAs increased by GBP 6 billion over Q1, primarily driven by credit RWA increases of GBP 5.4 billion, with increased lending and drawdowns accounted for the majority of the increase, and this was largely driven by the Commercial Banking.

Turning to lending on Slide 5. Prior to the crisis taking hold, January and February were really strong months for us. And for Q1, as a whole for Retail and Commercial, we saw net lending increase by GBP 13.1 billion or 4 percent, with GBP 4.8 billion through the personal bank, primarily being in mortgage growth and GBP 8 billion in commercial.

The commercial lending growth was driven by drawings on revolving credit facilities by our clients, particularly from large corporates and institutions in the face of disruption at the end of the quarter. The second half of this slide shows our gross lending until April 23, which Donal will touch on in more detail later.

Slide 6. Looking at our risk profile. Our book is well-diversified, of good quality and well-balanced between Retail and Commercial. We're comfortable with the level of risk we're taking on, including the new lending and the government schemes. The features of our retail books that give us – me the comfort are that only 8 percent of our book is unsecured. And in our U.K. mortgage portfolio, our average loan-to-value was 57 percent.

In commercial lending, our book is diverse across a good spread of many industries. To give you a sense of where we stand in Commercial, as at the end of March, only around \$1.2 billion or 1.5 percent of the book is Stage 2 or Stage 3. Of course, we will suffer losses on our books as the crisis plays out. However, we think it's too early to estimate the shape and the scale of the economic impacts of COVID-19.

Slide 7. Turning to impairments. Q1 2020 impairment charge was GBP 802 million, including GBP 630 million in relation to the multiple economic scenario overlay. This builds our stock of ECL from GBP 3.7 billion to GBP 4.2 billion. By the end of March, we were only beginning to see the initial signs of credit deterioration.

In Retail, our Q1 trends were stable. But heading into April, we are beginning to note some arrears building in our unsecured portfolios.

In Commercial, we had no new tall trees in Q1. But we were beginning to see signs of stress in certain sectors. And while there is a broad read-across to sectors that typically forewarn a traditional recession, the effect was most acute in a number of these sectors.

Slide 8. I'm going to spend more time explaining how we approached the MES overlaying. We leveraged established internal stress testing analysis as the most reliable and supportable source of information on which to base this overlay, alongside significant management judgment.

The stress analysis included unemployment rising to 7.6 percent, start-to-trough GDP of minus 4.3 percent and U.K. HPI of minus 19.7 percent. Our considerations on top of this scenario included, first of all, government support actions, the potential recovery trajectory and the differential impacts on portfolio sectors, including the application of IFRS 9 in the context of COVID-19.

The overlay at Q4 2019 of GBP 170 million was primarily predicated on a Brexit-related economic uncertainty. However, uncertainty related to COVID-19 has now significantly eclipsed this. Management, therefore, concluded that the value of the economic uncertainty overlay should be increased to GBP 798 million. This broadly equates to an increase in Stage 2 exposures of 32 percent and 65 percent in the personal and wholesale portfolios, respectively.

Slide 9. I wanted to spend some time focusing on the impact of the various customer support measures and their IFRS 9 implications. Starting with retail payment holidays, customers do not automatically trigger a significant increase in credit risk when a payment holiday is granted, and there's no automatic move to Stage 2. Accrual of arrears is being suspended during the payment holiday period, and the account will not progress to Stage 3. However, interest is still charged.

Turning to Commercial. On CBILS, the granting of a CBIL does not represent a significant increase in credit risk criteria. And therefore, loans are not moved into Stage 2 or Stage 3. CBIL loans are only made to companies who are considered viable prior to COVID-19. The government guarantee of up to 80

percent per loan reduces the loss expectation on CBILS' impairments, and RWAs are reduced pro rata with the guarantee, i.e., the LGD is effectively reduced by 80 percent. The treatment of CLBILS, which is targeted at larger companies is aligned to this treatment.

On Monday, the government announced bounce back loans focused at micro businesses seeking a loan of up to GBP 50,000 or less. Unlike CBILS and CLBILS, this will be a 100 percent guarantee by the government. Again, the use of this scheme will not change risk – credit risk criteria. And a 100 percent guarantee will reduce loss expectations and credit RWAs on this lending to 0.

On Slide 10, I thought it would be helpful to put all of our 2020 financial targets and outlooks on one page. We continue to expect that regulatory changes will adversely impact income in our personal business by around GBP 200 million as a result of the overdraft and high cost of credit reviews that we talked about at the year-end.

On costs, we remain committed to our GBP 250 million cost reduction target, and we now expect strategic costs to be at the lower end of our previous guidance of GBP 0.8 billion to GBP 1 billion.

On impairments, in Q1 2020, our impairment loss rate was 90 basis points of gross customer loans. We expect that for the full year, 2020 loss rate will be meaningfully higher than our guidance of below 30 to 40 basis points. The impacts of COVID-19 and the mitigating benefits of government schemes are uncertain and challenging to forecast accurately. At this time, it would be inappropriate to provide full year loss rate guidance.

On lending, we expect to achieve lending growth of greater than 3 percent across our Retail and Commercial businesses, given the significant increase in lending year-to-date.

And finally, on capital. We're very likely to exceed the GBP 185 billion to GBP 190 billion range we've previously guided to, even after taking into account the lack of mortgage floors. Given the uncertainties, which are well understood by you all, we will not provide an update on medium-term outlook at this time as we continue to monitor the evolving situation.

And with that, I will now hand over to Donal, who will take you through the details of our key capital and liquidity metrics. Donal?

Donal Quaid: Thanks, Katie. Good afternoon, all, and thank you for joining today's call. Although it's only been a short time since we spoke following our annual results, a lot has changed to the world in which we live. So I was, therefore, keen to provide an update to our fixed income investors and analysts on the capital and liquidity position of the group as well as touching on our funding plans for the rest of the year.

In the current market environment, safety and soundness is key. You've just heard Katie set out our response to COVID-19. That response is supported by our strong capital and liquidity resources, which I will take you through in more detail now.

I will also provide an update to our issuance plans for the remainder of 2020, given the market volatility over the last few months as a result of COVID-related economic disruption.

And finally, on ratings, I will touch on the recent changes to the outlook by Fitch and S&P.

Slide 13, and starting with the balance sheet. Our full year 2019 capital ratios reflected a track record of strong underlying capital generation, active de-risking and RWA management and a conservative approach to capital distributions.

Our CET1 ratio at the end of Q1 was 16.6 percent. And although the outlook is uncertain, we currently operate with a significant headroom of 760 basis points or GBP 14 billion above our MDA of 9 percent.

Many countries have recently announced reductions in their countercyclical buffers in response to COVID. Most notably for RBS, the U.K. rate reduced from 1 percent to 0, effective from the 11th of March 2020, having previously expected an increase to 2 percent later this year. The CBI also announced a reduction of the Republic of Ireland's countercyclical buffer from 1 percent to

0 percent effective from the 1st of April 2020. This reduction reduced our MDA from 9 percent as of the 31st of March to 8.9 percent as it stands today.

This reduction, together with the removal of the G-SIB buffer from the 1st of January 2020 and the action taken on capital distributions has significantly increased our CET1 headroom over minimum requirements.

We also note that PRA's expectation that all capital and liquidity buffers can be drawn down through the period of economic disruption to support new lending to U.K. businesses and households. And while this does create capacity to execute COVID support measures, it does not alter our prudent approach to capital or liquidity management.

The total capital ratio was 21.4 percent and total loss-absorbing capital is 34.1 percent, well above the bank's 2020 interim minimum requirements and reflecting our progress on MREL issuance.

Our U.K. leverage ratio was 5.8 percent at Q1, leaving us with 255 basis points headroom above the U.K.'s minimum requirements.

Our NatWest Markets entity ended the quarter with a CET1 ratio of 15.7 percent, a total capital ratio of 22.8 percent and MREL of 37.8 percent, inclusive of internal MREL issued by us to the holding company.

Slide 14, on liquidity and funding. We have a high-quality liquid asset portfolio and a stable and diverse funding base. Our total liquidity portfolio is GBP 201 billion, of which GBP 134 billion is primary liquidity, comprising a mix of cash and central bank balances and high-quality government-issued securities. We also have GBP 68 billion of secondary liquidity in the form of eligible collateral prepositioned at the Bank of England and can be – that can be accessed through the various Bank of England schemes and facilities.

As we've talked about previously, we've been prudent in our approach to liquidity, consistently managing buffers in excess of regulatory requirements, and our LCR for Q1 is unchanged at 152 percent, reflecting circa GBP 50 billion surplus primary liquidity above minimum requirements.

Our LDR ratio ended the quarter at 91 percent, with customer deposits increasing by GBP 15.6 billion, principally reflecting an GBP 8.9 billion increase in Commercial Banking.

We have significant funding headroom to deploy to support additional lending across our Retail and Commercial businesses. Katie has touched on the net lending growth in Q1. And since the end of Q1 and up until the 23rd of April, we have supported our customers in U.K. personal banking with gross new mortgage lending of GBP 1.3 billion. And in Commercial, we have approved GBP 1.4 billion of coronavirus business interruption loans, or CBILS, and commenced support for larger corporate customers under the CLBILS facility.

As you will be aware, the Bank of England has announced a number of funding measures to support the flow of lending from banks to their customers, including the TFSME facility, which offers full year funding at rates close to bank rate. So we will continue to look at all options available to us in light of the impact of COVID to assess the optimal blend and most cost-effective means of funding.

Slide 15 and turning to issuance plans. In the prevailing market conditions in the latter part of Q1, our issuance focused on the funding needs of our non-ring-fenced operating company, NatWest Markets, which has a requirement of GBP 3 billion to GBP 5 billion for the year, primarily refinancing maturing legacy debt.

Looking further ahead into 2020, at this stage, we are maintaining our guidance for issuance out of the holding company, although we do acknowledge that it will be subject to market conditions for the remainder of the year. We do have plenty of flexibility given the progress we have already made towards meeting our end-stage regulatory requirements by the 1st of January 2022.

To recap what I said at the beginning of the year, our guidance for senior MREL is in the range of GBP 2 billion to GBP 4 billion. On capital, we will consider up to GBP 2.5 billion of Tier 2 and up to GBP 1.5 billion of

additional Tier 1, which gives the option of refinancing the August additional Tier 1 call if required.

It is less likely that we will consider secured issuance from NatWest Bank this year given the introduction of TFS ME. However, we will keep this under review subject to funding requirements.

Finally, on capital optimisation opportunities. This is an area we keep under constant review, and we have not changed our assumptions on the future compliance of our legacy securities.

On Slide 16, and finally on ratings. You will know that both Fitch and S&P recently revised their outlook for banks, citing the increased downside risks to asset quality and earnings from the economic and market impact of the COVID-19 pandemic.

Fitch affirmed the long-term senior debt ratings of the Royal Bank of Scotland Group plc at A; the Royal Bank of Scotland plc, National Westminster Bank Plc and Ulster Bank Limited at A-plus. Fitch also upgraded the senior debt ratings of NatWest Markets Plc and NatWest Markets N.V. by one notch as a result of methodology changes.

S&P affirmed the ratings of RBS Group and related subsidiaries. In line with much of the U.K. banking sector, both Fitch and S&P revised the outlooks on the long-term issuer ratings for all entities in the RBS Group to negative from stable.

So in summary, there is substantial uncertainty ahead of us, but we entered this period with very strong capital and liquidity, both on an absolute and relative basis.

Operator: Thank you. We will now hand over the mic to Katie and Donal for Q&A. Katie, over to you.

Katie Murray: Thanks very much, Steve, and good afternoon, everybody. Happy to take your Q&A.

Operator: (Operator Instructions) Your first question today comes from the line of Paul Fenner of Societe Generale.

Paul Fenner: I've got a few questions. I think that will be quite quick. The first one is probably the longest one. It's really just about color on the CBILS because it's so unique and different and interesting.

So you've obviously garnered an enormous market share in the CBILS so far. I know from the – your previous comments that this is a kind of a timing thing. I just wanted to get a sense of what market share do you – did you envisage ending up with your natural market share? Or are you seeing an opportunity that no one else sees? Or do you feel that you need to take on more risk than others? Just a little bit of color on that.

Still on CBILS. Can you just explain a little bit about the pricing of CBILS relative to your normal relationship? How do you decide whether someone phoning you up or coming into the branch through the relationship manager, whatever, goes the CBIL route or the normal route, assuming most of the people coming to you for CBILS are existing clients? How does that whole process work?

And still on CBILS, sorry. What do you envisage to be the end proportion of the book that is guaranteed to some extent? Are you thinking maybe 10 percent or 15 percent? Color on that would be great. Sorry, that's the CBIL question. Do you want me to ask the others?

Katie Murray: Why don't we do your CBIL question first, and then we'll go to the others. I might not manage to remember your CBIL question if you will. So let me try to give you a little bit of color. Look, we are about 40 percent market share. We're very much focusing on our own customers.

So we would expect that, that would naturally just kind of rebalance itself out. I think that we have had some advantages where we had done a lot of investment in our systems in the last couple of years, a lot of digitisation and – of this whole journey. So actually, what we were able to do is to process them quite quickly. And then I think that's really been key to us getting there.

In terms of the pricing, look, there – the price similarly is at the first level. But then what happens afterwards is we pay the government for the guarantee. And I think, Donal, correct me if I'm wrong, I think that's 40 basis points that we pay them?

Donal Quaid: Yes. I think it's just different depending on the customer, yes.

Katie Murray: OK, depending on the customer. So there'll be a range. I think that's 40 to 100 basis points in terms of what you might be paying for that. So that's obviously comes off of that rate. The big difference, of course, is for the first year, the customer doesn't pay. It's kind of the government is paying for the first year.

Look, in terms of CBILS versus normal route, at the moment, I would say that we are predominantly using CBILS. And in reality for the customer, it would – if you qualified for a CBIL and the government was going to pay your first year of interest, it would be an unusual decision to go to a regulator. There can sometimes be reasons for that, but it would be relatively unusual. So at the moment, I would say CBILS are what we are using.

In terms of the end proportion of the book, it's a really interesting question. So I mean if we look at the overall lending, it's about GBP 108 billion, the size of the total commercial book. At the moment, we've done GBP 1.3 billion. That's – obviously, a little bit less of that is drawn in terms of the amount. So I think it will be very interesting 6 months from now. We'll get a lot much better feel of it. At the moment, it is small. It needs to grow substantially for it to become a big part of the group – of the book. Should we go to your next question?

Paul Fenner: Yes. That was a great answer. So I've got another 3 very quick questions. The second is given you've – as an element of the front-loading, a small element of the front-loading of your provision, one would hope, if you look across the full year and – how much worse do you think the provision might be were it not for the government guarantees, i.e., how sensitive is the provisioning to government guarantees?

The next question is on AT1. Obviously, you mentioned you've got a call coming up in August. Do you need to issue in order to call? Or given your

capital strength, could you do that regardless and just refinance or not at some other stage?

And then the very last question is what is the worth CET1 ratio that you think would be acceptable to management? Just to give us a little bit of guide as to where the floor might be.

Katie Murray: Lovely. Thanks so much. So I'll take – I'll try and take the first, and then I'll hand over to Donal. So in terms of the front-loading of the provision in its evolution, what we talked about a lot this morning on the equity call was to say, look, how might you see that evolve? And the reality is, given the level of uncertainty, whether it's around how deep the economic impact is, the impact of government support, the kind of shape and timing of the recovery, it's incredibly hard to say.

What we have done is we haven't given any guidance, particularly on the – on how the impairments might evolve. But what I said on the equity call is that kind of in absence of guidance from us, what I would suggest the rational approach might be is to extend our Q1 charge throughout for the rest of the year.

What we know is it won't occur as evenly as that, but that probably gives you a relatively good starting point. And if you look at consensus today, it's between GBP 1 billion and GBP 4.6 billion. So there's kind of huge range as to what this might be. And the reality is none of us actually know because of the uncertainty.

And I think what's interesting, if I was to look at that kind of level of impairments, I would say it's far more focused on the back book rather than the front book. Clearly, in terms of the loans that we're doing just now, there will be some level of impairments. The 80 percent guarantee on the CBILS will dampen that significantly. So that will dampen our LGDs.

So therefore, you – naturally, you just won't recognize as much impairment on that, and it will also dampen any RWA inflation kind of coming through. But it's really – so the evolution would be more focused on the back book. Donal, do you want to talk to the AT1?

Donal Quaid: Yes, sure. On the August call, I think, and I suppose what we've seen over the last 6, 8 weeks is a lot of volatility in terms of markets. So I think in terms of refinancing, we would look to, I think, refinancing before we called any instruments. You just don't want to run the risk into a tight call window of 1 month depending on what will be happening in the markets.

I think – I know you touched on our kind of strong core equity Tier 1 surplus. I think in normal markets, yes, you could probably go a period of time and look to issue post that. But I think just with a lot of uncertainty still ahead of us, we – I don't think that's something we'll be looking at the moment.

I think in terms of the management target, we talk about a buffer to MDA, which is 770 basis points today against our MDA of 8.9. I think for – as a management target, we'd always – we've always taken a prudent approach to our capital and liquidity. So I think we'd always want to be at quite a decent prudent buffer to have MDA.

Operator: Your next question comes from the line of Lee Street, Citigroup.

Lee Street: Just 2 quick ones for me. Firstly, on CBILS again. Just when it comes to June and you come to disclose your financial statements, are you going to sort of put CBILS within almost like a separate line item of the loan books? I guess it ultimately could end up being quite big, just so we can sort of assess what your credit risk actually is within the book. That's the first question.

And secondly, on your corporate loan book, GBP 79 billion. What's the pound value of loans benefiting from payment holidays? And can you confirm is that for payment holidays for both principal and interest? They are my 2 questions.

Katie Murray: OK. So let me help you on the CBILS disclosure. I have to admit, Lee, I haven't really thought of the disclosure for Q2 yet. I mean, I think we'd certainly give you some disclosure on CBILS without a doubt. So we'll work it whether we do that as additional rather than as a separate line. And I think we can take that forward, and I will certainly make sure that you kind of get what you need.

In terms of the split of how much is exposed in that GBP 79 billion and what I would say just on the payment and interest holiday is that your holiday is from the payment of capital. We continue to charge your interest. Obviously, you don't pay that interest, but it will be added to your loan. I think, Donal, you've got the...

Donal Quaid: Yes. So to date, we've – on that, Lee, we've offered 40,000 capital repayment holidays in the commercial book, but we're not disclosing the actual notional value of that.

Lee Street: OK. Fine. And so the mortgages, you obviously said that this morning, I was there – those were – but what – can you just remind us what the number was of mortgages as well, please?

Katie Murray: It's 18 percent of the book on mortgages and...

Lee Street: And that's 18 percent of the pound value?

Katie Murray: Yes.

Operator: And your next question comes from the line of Robert Smalley, UBS.

Robert Smalley: I wanted to follow up on some of your comments on PD and LGD. You talked about how you'll see the losses more in the back book, and that it's probably greater probability of default and less on the LGD.

But when I look at LGD – or when you look at LGD, are you re-basing those assumptions based on prices seen earlier in the year or at the end of last year? Reason why I ask is I saw nationwide index was up nicely for the first 3 months of the year. So are you kind of rolling back assumptions on that a couple of months earlier? That's my first question.

My second question is because we're all grasping at straws, we're really looking at last year's stress test as – and scenarios there as – for comparison. How is this experience as it's unfolding differing from the stress test? And how should we adjust how we look at this experience versus last year's stress test?

Katie Murray: Yes, sure. So let me try and have a crack at those. So I think, just to be clear, what I'm not saying is that the back book is more at risk from default than this new front book that's coming on. But clearly, the impacts of it would be greater because it's absent the guarantees. So it will be – whatever we have on the books, it will be there.

In terms of PD and LGD and kind of migration, what we've done as part of trying to calculate the overlay that we've put on is we've done some inflation of the PDs where we see them in higher kind of risk sectors or – and then within those sectors, higher risk clients within that sector base. We have not yet done any movement of the LGDs. We will start to do that during Q2. And within that, what we'll try to do is to make sure we take losses that are appropriate rather than losses that are pre-COVID. So we'll do some kind of scaling up on those kind of losses.

In terms of the comparison to the stress test, the stress test is helpful, and we certainly and obviously looked at it to kind of try to think about what we might or how might you think about it, but it's also quite different. So as you look at the stress test, we had a 4.3 percent assumption in our drop in GDP, the stress test was 4.7 percent. They have a 33 percent HPI drop. We had about 20 percent. Their unemployment was 9.2 percent. We had some 7.9 percent, I think.

So – but what was really important is the stress test had – it was a static balance sheet, so that makes the difference. It also had a very steep down and a very quick recovery. And I think it went up to 4 percent on the base rate. So I mean that just creates a completely different income journey on the way out to there. But also, crucially, what it didn't have was this level of government support that you see now within there.

So it's a helpful guide. When we were looking to see what's the right model that we should base on, we look first of all at our ACS model. But what we felt was actually it was too steep. So rather than we look a little bit more at our – internally, our earnings volatility kind of models.

I think it's a helpful benchmark. Time will tell. It's obviously a multiyear kind of, I think, it's a 5-year basis it provides impairments for. We're – at the time of prepping, we were about 2 weeks into the crisis. I'd say we're about 6 weeks in now. So it's kind of interesting to see how it evolves.

But certainly, as we do our kind of testing, we do a bit of the back to say that we've come up with this answer, let's back solve with the stress test and see is it something that's kind of sensible. So we use that as a bit of a comparator, but it's – the reality is the actual stress of how it recovers is really very different.

Webcast Operator: Our next question is a web question, and this comes from Mehdi Benleumi of Bayview AM. We understand that payment holidays have not led to an automatic classification to Stage 2 under IFRS. Could you explain what measures have been put in place to ensure that no spike in ACL will happen in the next quarters from these same customers?

Katie Murray: Thanks very much, Mehdi. And look – as we look at it, there's been no – we haven't moved any, at the moment, what we'd say is a request to go. And for a payment holiday, it doesn't necessarily signify a Stage 2. And if you looked at some of our customers, we know that they've got sufficient cash resources as to be able to continue to pay some of their loans or the mortgages. We also obviously know that others don't.

So I guess what we have sought to do as part of the overlay is to try to dampen any effect of a spike. We look – what I would say and I'd kind of say earlier, in absence of any guidance, kind of rolling forward the Q1 number is sensible. I could absolutely guarantee it will not be as equal as that.

So as we really start to go through this next quarter, in the next couple of months, you would expect to see some kind of tall trees come through from different companies that really cannot continue to sort of survive through this time. So I don't think you should expect it to be kind of a flat piece. For those of you that are on payment holidays, we're already starting to talk to them about when they want to come off their payment holiday, what's the right way to do that, and then how we deal with it.

And I think, Dave, we've also got another question from the web. Would you like to share it with us?

Webcast Operator: We do. This one comes from Nigel Myer of Commerzbank. Given your base case for U.K. GDP, house prices, et cetera, and the consequent overlay, please, can you talk about your current expectations for internal ratings migration and the consequent effect on RWAs and how the shift to hybrid TTC models is unlikely to play a part in this?

You have flagged general RWA inflation this year to above your previous target. And recognising the growth of government-backed enhanced low RWA lending, how do you think the RWA growth would be split between credit risk changes versus volume growth versus market risk and other sources of RWAs?

Donal Quaid: So I'm happy to take that one in terms of RWA growth. I think the honest answer is, it's just very, very hard to tell. And it probably links back to the earlier questions around the level of CBIL lending and, I suppose, government scheme lending that we're going to do over the 6 to 12 months, which, at this stage, we're just – we're unsure. We just have to see how that plays out.

I think there's another – there's a number of under and overs, I think, in terms of RWAs. We had GBP 10.5 billion of RWA inflation for mortgage floors. It's obviously built into our model when we last spoke in February. That's been pushed out next to 1st of January 2022.

And some of the Basel III amendments have also been delayed as well. So some of that orderly inflation we were expecting has been pushed out. But as you're saying, as we see over the next kind of 3 to 6 months in terms of the credit impact in orderly inflation, but at this stage, it's just very hard to tell.

Katie Murray: Lovely. Thanks, Donal. Do we have any other calls on the web?

Webcast Operator: We have no nothing more on the web.

Katie Murray: (Inaudible).

Webcast Operator: That's OK. We'll put you back on to the audio for more questions.

Katie Murray: Dave, thank you very much. I think my words mixed up. Thanks a lot.

Operator: Your next question on the phone line comes from Corinne Cunningham from Autonomous.

Corinne Cunningham: Actually, my question has been answered. So all good here. Thank you very much.

Katie Murray: OK, thanks for me – thank you very much, Corinne, for dialing in anyway.

Operator: (Operator Instructions) There are currently no further questions on the phone lines. Please continue.

Katie Murray: Super. Thanks very much for your help this afternoon as well, operator. Thanks very much to everyone for joining the call today. It's always – it's great that you do take up these calls when we make them available. It's much appreciated from our side as well.

If you do have any follow-up questions, please don't hesitate to contact Paul Pybus in our Debt IR team, and he will at least make sure that you get all the answers that you might need. Thanks very much, and enjoy the rest of your day.

Donal Quaid: Thank you.

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

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