Annual Results 2016
Moderator: Howard Davies
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FORWARD-LOOKING STATEMENTS

This transcript includes certain statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements constitute “forward-looking statements” for purposes of the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. You should read the section entitled “Forward-Looking Statements” in our Annual Results announcement published on 24th February 2017.

Howard Davies: Good morning. Thank you for joining us today, and can I ask you all to turn your phones to silent for the benefit of your neighbors? Thanks. We know that you need to get to Singapore by 11:00 AM, so we'll talk fast.

The bottom-line loss that we are announcing today is stark, seen in isolation, and is difficult for our shareholders, but the results do reflect progress in two areas. Firstly, the significant strides we've made this year in clearing up outstanding legacy issues and the continued rundown of non-strategic assets.

But, secondly, it shows the continuing strong underlying performance of the core Bank, particularly in mortgages and business lending; that is very evident. And the business is now growing healthily.

On the first point, related to the past, 2016 saw the Bank conclude a number of outstanding legacy issues. You'll have seen our announcements, and the related one from the treasury, about a potential way forward on the project formerly known as Williams & Glyn.

The European Commission will now be consulting on a revised plan, which we and the treasury think will achieve earlier benefits for competition, and particularly in small business banking, and would remove a continuing burden on the Bank. We now await the conclusion of that consultation, and a formal decision by the Commission, which we hope will be positive.

It has, however, been frustratingly difficult to make progress on the issues surrounding the Bank's participation in residential mortgage-backed securities in the US before the financial crisis. We remain under investigation and, as we've said, face potential criminal and civil action.

At this point, we cannot say when those issues will be resolved, as the timing is out of our hands. And we will not be providing any further update on that today.

Looking at the broader macro environment within which we operate, the vote to leave the EU was widely expected to have a negative impact on the economy. So far, though we've seen a significant fall in sterling, consumer spending has remained fairly robust and growth has continued.

Of course, the EU -- the UK has not yet left the EU, and we don't know the terms of our departure, so the long-term impact remains impossible to predict. But the short-term effect on banks was felt primarily through the reduction in interest rates, last summer.

Our prime focus through this uncertain period has been, and will continue to be, to provide high-quality banking services to our customers, and help them to understand the implications of change for their businesses and their families.

But set against a background of some uncertainty, the Board and I remain confident in our strategy, as we set it out in 2014, and confident that we have the right management team to deliver it.

On one other governance point, we announced this morning that Mark Seligman is joining the Board as a non-Executive Director. Mark is a former senior investment banker with broad financial services knowledge, and experience on a number of other FTSE 100 Boards, who will bring a range of skills and expertise to our Board. And I'm looking forward to working with him.

I'll now hand you over to Ross and Ewen for more detail, and will return to open the Q&A, remembering, as Ross tells me, not to take his script with me.

Ross McEwan: Always a fear that the person before you walks off with your script and you're left standing here wondering what to say. But thanks very much, Howard. And welcome, to everyone, this morning for our full-year results presentation.

You'll all have seen the results statement this morning. And when we last spoke, we said it would be a much tougher quarter, and we have delivered that by concluding as many of our legacy conduct and litigation issues as we possibly can.

These costs are a stark reminder of what happens to a bank when things go wrong and you lose focus on the customer, as this Bank did before the financial crisis.

This has also been another tough year for our colleagues at this Bank, and I'm grateful for their determination in serving millions of customers day in and day out, despite the many headline negatives that we've taken.

We can now increasingly shift our focus from the legacy of the past to the future of this core Bank.

Despite an eventful 2016 from a macro perspective, and some uncertainty around the future, the fundamentals of our strategy remain unchanged.

I'd like to talk you through the progress that we've made since we set out our strategy in 2014, and I'll then outline the bank we're becoming as we invest in our service model to meet our customers' ever-evolving needs.

Then, Ewen will provide you with the details on the Bank's financial performance in 2016; and, more importantly, he'll give you an overview of how we're going to meet our revised financial targets.

Finally, I'll look ahead to the bank we will be in 2020: a simpler, safe, customer-focused bank that delivers for its shareholders. And then, we'll finish by taking your questions.

We have made progress across all of our financial targets in 2016. The GBP7 billion bottom-line loss is, of course, on face value, very difficult for shareholders.

However, given the provisions we announced recently for RMBS, and the proposal to addressing our remaining state-aid commitments, the DAS payment of GBP1.2 billion in Q1, and our restructuring costs incurred over the -- first three quarters of 2016, I don't think any of this will have come as a surprise to you.

Our core business has continued to deliver strong results, generated GBP4.2 billion in adjusted pre-tax operating profit for the year, an average of GBP1 billion per quarter for the last eight quarters; and it's up 4 percent on our 2015 results.

This translated to a return on equity of 11 percent, a solid result in the tougher economic environment that we now find ourselves.

We are growing strongly in the markets we like. Net lending growth in PBB and CPB franchises was up 10 percent, and that's well ahead of the target we set; and, importantly, it's within our risk appetite.

We achieved particularly strong growth in certain segments: mortgages are up 12 percent, personal unsecured loans up 7 percent, and lending to small businesses is up 6 percent.

Against our cost reduction target of GBP800 million, we took another GBP985 million out of the business in 2016. That's the third year running we've exceeded the cost target we have set for ourselves. And between this and income growth, this has driven positive jaws in our core Bank.

Finally, following the vote to leave the EU last year, we promised an update on our targets, and I'd like to give you some certainty on that today.

We are targeting an unadjusted 12 percent, or greater, return on tangible equity, and a below 50 percent cost-to-income ratio by the time we get into 2020. That's one year later than originally planned.

Subject to providing for remaining legacy issues, we expect that 2017 will be our final year of substantive legacy clean up with significant one-off costs; and, as a result, we anticipate the Bank will make a bottom-line profit in 2018. This will be a big milestone for us all at the Bank.

Our service levels are improving, driving lending growth in our core business, and giving us belief that we can meet our tough 2020 customer aspirational target, which remains to become the number one bank for customer service, trust, and advocacy.

I joined RBS because I could see that underneath all the problems with this Bank there was a very strong bank that had great brands, and that had great colleagues doing an outstanding job for our customers each and every day. That underlying strength is even more evident to me today. And the good news is that we have been working through the majority of the material legacy issues that have masked this Bank.

In 2014, I set out a plan to make this a simpler, safer, customer-focused bank. I knew that it would be tough. But even in the face of more challenging economic conditions, the plan is working.

This Bank has changed for the better. We've taken a number of actions that on their own would represent significant change in any other organization.

Our common equity tier 1 ratio has now materially improved from 8.6 percent in 2013 to 13.4 percent today.

Our ownership structure has normalized with the repayment of the dividend access share and a single class of shares.

We have thoroughly reshaped our investment banking franchise, and just recently rebranded it to NatWest Markets.

We sold Citizens in the US, and completed the largest IPO of a bank in the US history; we've sold our international private bank business; we've ceased operations in 26 countries; we've decommissioned 30 percent of our IT systems and applications; we've closed down over half of our legal entities; we've also reduced legacy and non-core assets by more than 75 percent.

Successful strategies focus businesses on where you can win. Our strategy has focused on our core strength as a retail and commercial bank here in the UK, and in the Republic of Ireland.

We have made progress in relation to resolving outstanding legacy conduct matters. The announcement last Friday on HMT's proposal on an alternative way to allow us to meet our remaining state-aid commitments, if accepted, would deliver an outcome more quickly, with more certainty, than undertaking a complex sale. However, a number of other legacy issues remain, including, in particular, RMBS.

The core Bank has continued to deliver. Our UK PBB, private banking, commercial banking, and RBS international businesses have achieved significant net lending growth of GBP24 billion in the past year.

We've grown more than any other large UK bank. This has not been at the expense of income. We've also achieved income growth in five of our six customer-facing businesses. And Ewen will provide the detailed financials, shortly. But I wanted to highlight how we have been growing the core as well, as delivering on the past.

This is our strategy on a page; I know most of you will have seen it before.

The decision last summer by the UK electorate to leave the EU has wide-reaching consequences. And, in the light of this, we reviewed our strategy to ensure that our plans remained valid in a changing macro and political environment. Today, I want to reiterate that strategy.

We firmly believe that aspiring to be the number one for customers will deliver the best value for our shareholders. Building our capital strength remains a cornerstone of our plan. And while we hope that the conduct risk has diminished, our focus on capital strength does remain.

In 2017, we will continue to reduce legacy RWAs, we'll use capital more efficiently, and we will continue to target a common equity Tier 1 position of least 13 percent.

We're no longer a bank with global aspirations. We've reduced our RWAs by over GBP150 billion and taken out GBP3.1 billion of costs since the start of 2014. But we need to go further.

We expect to take out GBP750 million in operating costs in 2017, in large part by removing complexity in our core Bank and simplifying processes for our customers and for our colleagues. And we are confident that with the right customer focus and offerings we can continue to grow in the markets that are attractive to us.

The health of our core business is clear: it is supported by our strong market positions across all customer segments, and our distinctive brands. We believe that investing in these brands will help us to build high-quality enduring relationships with our customers.

Our customers continue to tell us that we are serving them better. While our net promoter scores for Q4 were down from the levels seen recently, our net promoter scores for commercial and NatWest Personal, which are our big customer groupings, were, in 2016, the highest that they have ever been.

Our efforts are being recognized externally, as well. We've been named the best bank for mortgages, and best first-time mortgage buyer/lender last year.

Customers are also benefiting from the enhanced functionality on our leading mobile banking app with net promoter score for users of our app at its highest ever, as well. And we recently won the best mobile app at the British Bank Awards.

We are determined to serve customers the way they want. Our innovation agenda is about giving customers more control. For the majority, that means more self-service via our digital channels, and great customer service when they need to have a conversation with our highly qualified colleagues.

We believe that our continued investment in how we serve customers will deliver long-term value in each of the franchises.

UK PBB has achieved its highest adjusted operating profit since the crisis, and our mortgage growth outpaced the market again in 2016, despite not overly competing on price, or on risk.

And new business loan-to-value has remained constant over the last year at around 69 percent, and customers are telling us that our service-led strategy is working.

Our mortgage broker team has a net promoter score of plus 79, which is outstanding.

We're delivering a reliable service that means brokers and our customers can trust us to deliver in key moments of truth for them.

We ended 2016 with over 1.1 million Reward account holders. That's up from 202,000 a year ago. That's almost 3,000 new Reward accounts a day. And this is a prime example of when you get the product and the service right customers want to bank with us.

These customers have a net promoter score of 24 points higher, on the average, than those without the account. And we are winning business that will create future value for our shareholders, and continuing to grow our market share.

Our support to SMEs continues to increase. We have a GBP1 billion NatWest lending fund supporting our SME customers; a 5 star-rated business current account in the UK; and our processes are improving as well.

The introduction of Digidocs, a cloud document solution, has sped up business current account applications and dramatically reduced the time taken to complete a business loan application, from 11 days to now less than one day, on average.

Digital innovation is improving productivity in our personal business as well, and mortgage processing times has reduced by 40 minutes through increased automation. 42 percent of existing customers re-mortgaged online in 2016. It takes about 2 minutes.

And, in addition, the introduction of an electronic signature has reduced the mortgage switching process from seven days to less than two. It is no wonder we are winning business.

We're also investing in a mobile sales and service proposition which will connect customers, no matter where they are, to the right specialist. This provides the trust of being able to see somebody, combined with the convenience of being able to do it from your own home, office, or in our branches.

Last week, we launched a new automated investment service for personal customers, called NatWest Invest. It's a fully digital service accessible through customers' normal internet banking accounts.

These innovations are responding to how customers' preferences are changing.

We interact with our customers over 20 times more through digital channels than physical ones. In PBB, 35 percent of all product sales are now digitally delivered, and rising. We now have 4.2 million mobile users in PBB; that's up 19 percent on last year.

We are the largest commercial bank in the UK and our ranking, joint number one on net promoter score.

While low rates in some of our legacy back-book loans are temporarily depressing returns in this business, our ability to generate value here is shown by delivering almost GBP9 billion of net new commercial lending, which, when you compare it to the wider market, is exceptional.

Our commitment to UK business goes beyond purely financial. Our Entrepreneurial Spark program has achieved seven industry awards in recognition of the outstanding support that this Bank has provided to entrepreneurs.

The Entrepreneurial Spark program provides premises, far-reaching networking, and mentoring for ambitious entrepreneurs to take their business to the next level.

We aim to serve 95 percent of our commercial customers' needs through their mobile and online, and that will be up from 80 percent today. This year, we're introducing a new online banking service for commercial customers that will greatly improve this experience for them.

The emergence of direct and peer-to-peer lending platforms, which now takes up 12 percent of the SME market, also reflects through changing customers' preferences, although we are confident that banks still have a key part to play in this space.

In response to this, last week we launched a fully automated lending platform, called ESME, to originate unsecured SME lending. And we'll introduce more alternative lending products, in due course.

Our private banking business was voted the best private bank in the UK in 2016, and generated an adjusted return on equity of 8 percent; that's up from 5 percent the year before.

And we're aiming to grow the portion of our customers' borrowing and investment needs that we provide for by improving service levels, and, at the same time, lowering the cost through simplification.

Through this, we foresee sustainable opportunity to grow above the market and continue this positive trend in improving the return on equity to double-digits in 2017 in the private bank.

We have a strong markets business and it's focused around our core strengths of rates, currencies, and financing.

NatWest Markets is the number one market maker for UK gilts, and the market leader in facilitating FX transactions. Currently, NatWest Markets delivers returns below our cost of equity, but our future expectations are for considerable improved returns.

It is a crucial offering for our business customers, and we are confident that NatWest Markets can deliver value on both a standalone basis, and through its support for the rest of the Bank.

We are at the forefront of the market in automating our fixed-income trading. This has benefits both for us and our customers with a consistent, clear, and around-the-clock pricing, and ensures that we can manage the increasingly complex regulatory requirement, while providing better controls over risk. It's simpler, quicker, and cheaper for the Bank, which lets us pass on these savings to our customers, and to our shareholders.

We're also replacing hundreds of separate product databases with a single scalable platform, called Data Fabric, which will help reduce costs significantly and dramatically increase the speed at which we can deploy new capabilities for our customers.

We're managing risks better with a single global risk engine that, by the end of next year, will cover all of our NatWest Markets products.

Finally, we have introduced a single-dealer platform, called Agile Markets; an electronic front door through which we can provide FX and rate solutions to our clients, while reducing the costs to serve.

These changes will both lower costs and protect revenue, while delivering even better customer service at the same time.

I know it's a busy day for you all, but if you have some opportunity to have a look at some of the screens outside with some of these innovations, check them out. I think you'll be impressed with what's going on in the innovation sphere in this Bank.

This is a bank that has been on a remarkable journey, and we still have further to go. But the next three years will not be the same as the past three years.

Despite the political and economic uncertainties, our customers, our cost base, and our plans for returning to headline profits will be our core priorities.

In 2016, we met all our financial targets for the third year running, and grew both income and net lending. We are now in a position to go further on costs and faster on our digital transformation, and to help us deliver increased productivity for colleagues, better service for our customers, and, ultimately, sustainable profits.

Back in 2014, I set out a vision to make us the number one bank. The results announced today feature a tough headline loss. But that figure masks the huge strides forward we've made; the long list of legacy issues we've dealt with; and, most importantly, that we are now a more simple, safe and customer-focused bank than we once were.

I'll now hand over to Ewen, who'll provide the details around the financial performance of the Bank, and the financial building blocks for our 2020 targets.

Ewen Stevenson: Thanks, Ross. The magnitude of our full-year loss today clearly reflects a further GBP10 billion of one-off costs we took in 2016; the final DAS payment to HM Treasury; further conduct and restructuring costs; and additional capital resolution disposal costs. But underlying the poor headline results was a lot of progress last year, both with the core Bank and with resolving our legacy issues.

We're targeting 2017 to be our final year of substantive clean up; and, subject to this being achieved, we're seeking to return to bottom-line profits in 2018.

As part of this turnaround, Ross and I are very keen to stop our practice of what I'd describe as adjustitis. In recent years, in order to show you a truer and fairer view, we've been showing you adjusted numbers, adjusted ratios. From Q1 2018, we plan to only report unadjusted numbers and unadjusted ratios.

For our three core businesses, 2016 was another year of good progress, combined, adjusted operating profits of GBP4.2 billion, that's up 4 percent on 2015, and that's despite a tougher interest rate environment; adjusted ROE of 11.1 percent.

Against all of our announced financial targets we delivered, again, adjusted for business transfers, personal and business banking, commercial and private banking, at combined income growth of 2 percent.

And together with NatWest Markets, our three core businesses had positive operating jaws of 4 percent.

We had our third year of over delivering on costs, a further GBP985 million taken out last year. That's a combined GBP3.1 billion of cost take-out over the last three years. In context, a 26 percent nominal reduction.

With capital resolution, it's RWAs declined by a further GBP14.5 billion, down (30 percent) during 2016; and down 64 percent since we established capital resolution, at the start of 2015.

Turning to Q4 in more detail, the substantive loss we recorded in Q4 primarily reflects the combination of GBP4.1 billion of additional conduct costs, and last week's GBP750 million Williams & Glyn provision.

Across the three core businesses, we had a much better quarter, relative to a weaker Q4 2015. Adjusted operating profits were up over 60 percent to GBP848 million; that includes the cost of the annual bank levy. Our adjusted ROE including the levy was 8.5 percent.

You should note that in Q4 the GBP161 million operating loss from central items included GBP308 million of IFRS volatility gains; GBP140 million of net FX gains; and the recent Williams & Glyn provision.

Turning to the balance sheet, I'd highlight three key trends from last year. Firstly, the strength of growth across our customer lending and deposit franchises with, overall, 5 percent net lending growth and 3 percent deposit growth.

Secondly, the continuing significant shift in our capital allocation that's going on. In aggregate, RWAs reduced by a further GBP14 billion, or 6 percent, during the year; and this continues the trend that we've seen in recent years, away from legacy and towards our core businesses.

In context, two years ago about 50 percent of our capital was tied up in legacy asset pools. At the end of 2016, we've got four times the capital invested in core, as opposed to our legacy.

And thirdly, given our weak stress-test results last year, our continued prioritization of stronger balance sheet resilience through derisking of higher-stress portfolios.

We talked in December, at our investor seminar, about Ulster Bank Republic of Ireland, private banking, and RBS international, so I was going to talk today about the other three franchises.

On UK personal and business banking, we do view 2016 as its best operating performance, since the start of the financial crisis. What we believe you are seeing in these results is validation of our business model: superior customer service driving higher customer needs met, driving a combination of both higher volumes and attractive returns.

UK PBB achieved 10 percent lending growth relative to Q4 2015, had adjusted operating profits in the quarter of GBP546 million, that's up 35 percent on Q4 2015; and it's adjusted ROE was 27.8 percent in the quarter.

With commercial banking, we've decisively reenergized the business from a relatively stagnated franchise position just three years ago. Customer loans and advances at end Q4 were at 10 percent higher than one year ago.

Adjusted operating profits in Q4 were GBP228 billion, that's up 23 percent on Q4 2015.

The adjusted ROE in the quarter of 5.3 percent, I think, reflects a combination of, obviously, the annual bank levy, but also the continuing impact of the rate environment.

Given that rate environment, we do expect overall returns in 2017 in commercial banking to continue to be weaker than target; but through a combination of improved capital allocation and improved jaws, we would expect an improving returns from 2018 onwards.

For NatWest Markets, after a weak start to the year, saw much stronger income flows for the remainder of the year. Q4 adjusted income was GBP314 million; that's up 25 percent on Q4 2015. For the full year, like-for-like adjusted income was up 16 percent.

Costs for the full year were impacted, and continue to be impacted, by the upfront expensing of significant investment spend. At the start of this year, for 2017, year to date, income flows have been much stronger than what we saw for the equivalent period last year.

Coupled with the income benefits of weaker sterling, post the EU referendum, and while it's early into the year, and all of the caveats that would go with that, we are planning for NatWest Markets' 2017 income to be above the previously indicated annual target of GBP1.3 billion to GBP1.4 billion.

On Williams & Glyn, given the proposed outline in last Friday's announcement, we are restricted on the detail we can go into at this point.

But to give you some more color, the proposal is very much focused on enhancing competition in the SME marketplace. As such, we would expect, under this proposal, to absorb the retail franchise at Williams & Glyn, and partially reabsorb the commercial franchise.

To help your modeling on this, our annual results and Pillar 3 document do provide some additional disclosures on retail and commercial split in Williams & Glyn, some of which is summarized on this table.

On the GBP750 million provision we've taken, it's our best estimate today of meeting the cost of that proposal. You should expect some additional provisioning to be required, if we reintegrate and rationalize Williams & Glyn in due course.

On timing from here, if the proposal is accepted by the European Commission HM Treasury will need to renegotiate and sign a new state-aid agreement. Realistically, this is likely to be no earlier than Q4 of this year.

As you can read in our outlook statement in more detail, we provided you guidance on a few areas for 2017.

On lending growth, we plan to grow our combined loan book across personal and business banking and commercial and private banking by a net 3 percent. The planning assumption underlying this is continuing strong growth in personal and business banking, and lower net growth in commercial and private banking.

On operating costs, we're committed to reducing these by a further GBP750 million in 2017. We expect much more of these cost savings to benefit the core businesses, relative to 2016, and, as such, we're targeting higher core jaws than what we saw last year.

With capital resolution at the end of 2016, and excluding the stake that we own in a Saudi Arabian bank, we had remaining RWAs of just under GBP27 billion. By the end of 2017, we plan to reduce these to between GBP15 billion to GBP20 billion.

On other one off, the headline is that while you should expect to see elevated one-off costs in 2017 these should then materially fall away in the coming years.

We've also confirmed today that, while recognizing the macro and regulatory uncertainty that exists, we're sticking to our medium-term targets: a 12 percent-plus return on equity; a sub-50 percent cost-to-income ratio.

We're targeting achieving these in the 2020 financial year. You should assume that they're on an unadjusted basis, consistent with what I've said earlier. And that's one year later than previously signaled.

Please note that all of these targets are based on consensus interest rates and macro assumptions.

Our confidence in achieving our 2020 targets are really based around four building blocks. Firstly, that we will address our remaining legacy issues. We aim to make substantial progress on these in 2017.

Secondly, in the segments that we're targeting, that we can grow lending volumes faster than market. We're not seeking to protect any legacy back-book pools of profitability, and, therefore, we can focus our business on providing superior delivery to customers on the front book.

Thirdly, further significant cost takeout. Despite the high cost takeout we've achieved over the last three years, we've remained the least efficient of our UK peers.

And fourthly, at least GBP20 billion of gross RWA reduction by the end of 2018 across our three core businesses.

On restructuring costs, we expect to incur a further GBP2 billion over the next three years, of which around GBP1 billion of this should be expected to be incurred this year.

The majority of our restructuring spend has relatively short paybacks through improved processes, better technology. But around 40 percent of this spend is in relation to (owned) real estate, who have relatively poor payback. It's a combination of expensive leases that we have on certain of our office buildings, together with the cost of reshaping our distribution network over the comings years.

On capital resolution, we expect this to be the final year of peak disposal costs. Of the GBP2 billion of expected disposal costs that we previously discussed, we've incurred GBP1.2 billion through the end of 2016, and you should expect the great bulk of the remainder to be expensed during 2017.

Our intention continues to be wind up capital resolution at the end of this year; at which point, this asset base will be spread across various parts of the Bank, depending on ring-fencing considerations.

On conduct costs, we've consistently talked to you of five significant legacy issues that need to be resolved, US RMBS; the 2008 rights issue shareholder litigation; the FCA review into our treatment of distressed SME customers; PPI; and FX. As you can see in the substantial conduct costs we took into our financial results last year, we made good progress against these in 2016.

In 2016, we committed to achieving income stabilization. We've delivered this across personal and business banking and commercial and private banking, income was up 2 percent; and in NatWest Markets adjusted income, on a like-for-like basis, was up 16 percent.

As we look out, we're increasingly confident in the delivery of our business model. With many of the income headwinds now having played out, a declining percentage of SVR mortgages that's now stabilizing over the last two quarters, a sharp reduction in interchange fees that's now been fully absorbed into our non-interest income we do expect the higher volume growth to be more visibly reflected in income.

This is further underpinned over the last few months by a more favorable interest rate outlook, underpinning a more favorable structural hedge income outlook than would have been the case six months ago.

Over the last three years, and excluding Williams & Glyn, we've reduced operating costs on an adjusted basis by just over GBP3 billion. Over the next four years, we've got increasingly robust plans to reduce it by a further GBP2 billion, including reducing costs by GBP750 million this year. Breaking down the 2016 cost structure, I think, helps explain why we have this confidence.

GBP764 million of our 2016 costs related to capital resolution; that's just over GBP190 million per quarter. This quarterly run rate is already down to under GBP100 million; and by 2019, we've got plans to reduce it to less than GBP25 million per quarter. In aggregate, that's an annual cost saving of more than GBP650 million.

GBP1.3 billion of our 2016 adjusted costs related to NatWest Markets. We're confident that we can reduce this to around GBP800 million by 2020. That's a GBP500 million annual run rate reduction.

We are currently fully expensing significant investment spend in NatWest Markets, and we'll continue to do so in 2017 and 2018. This will equip us both for new regulatory requirements, but also provide the opportunity to materially reduce back-office support costs, which will provide us with platform for NatWest Markets to meet its cost-reduction targets.

For the remainder of the Bank, the GBP6.1 billion of costs sitting across personal and business banking and commercial and private banking, we're well into a significant bottom-up review of our cost structure.

Around half of this cost structure relates to clearly identified customer journeys, like taking out a mortgage with us, opening up a new account. And just 10 of those journeys represent around GBP1.5 billion of cost. We've strip back each of those processes, end to end, and we've identified significant cost savings with each.

The great thing about this cost simplification is that it also typically delivers a much better customer service and a better control outcome.

Once we finish with those 10 customer journeys, we'll start on the next 10.

For the remainder of our cost structure, around a further GBP3 billion last year, we've gone back to basics and we're targeting any cost that's unnecessary to support our future Bank.

By the end of 2018, we've committed to reducing gross RWAs across our three core businesses by at least GBP20 billion, or 11 percent of the combined RWAs at the end of 2016.

So with some offsetting RWA growth from volume growth, potentially reabsorbing the majority of Williams & Glyn's RWAs, and expected regulatory-driven mortgage RWA inflation from Q1 2019, we now expect core bank RWAs to be well below GBP200 billion at that point.

We expect gross income loss from this gross RWA reduction to be relatively modest, in the order of GBP250 million to GBP300 million per annum. This reflects that within the planned gross RWA reduction much of this reduction has limited or no impact on income.

Before I hand back to Ross, to quickly sum up ahead of Q&A, just a few key messages from me. If you can't see them on the slide, focus on 2020, three building blocks. Firstly, on income, we are confident that our customer-servicing model can deliver superior income and volume growth.

Secondly, on costs, we're targeting GBP2 billion of nominal cost reduction over the next four years.

Thirdly, on capital efficiency, over the next two years we're targeting to take at least GBP20 billion of improved gross RWA efficiency out of the core bank. Thanks.

Ross McEwan: Thanks very much, Ewen. As Ewen described, despite a significant bottom-line loss, we continue to make progress against the medium-term goals we set ourselves.

Today, we are intentionally not dwelling on the past year's performance, but instead we sought to explain, the progress of the last three years positions us well today to go forward and being able to achieve our vision for 2020.

We've published a lot of information today, so I just thought I'd leave you with five key takeaways. The first of those is we have the right strategy, and it is starting to deliver the results.

Secondly, we have made progress on dealing with the many material legacy issues that have been holding this Bank back. We have some issues still to resolve, in particular, RMBS, and the final W&G resolution, but I don't expect legacy issues to dominate our story in the same way that they have in the past.

Thirdly, we have delivered our financial targets for the third year in a row.

Fourthly, our customers' behavior is changing at an ever-greater pace and we will change with them, going further on reducing cost to serve; going faster on digital transformation; and giving them more control over how they bank with us.

My final point, we're targeting profitability in 2018. And we have set clear targets for an unadjusted 12 percent return on tangible equity, and below 50 percent cost-to-income ratio by 2020.

Ewen's laid out the financial roadmap of how we expect to get there. This Bank has great potential, and we believe that by going faster on the cost reduction and faster on digital transformation we will deliver a simpler, safer, and even more customer-focused Bank, with a compelling shareholder investment case.

With that, I'll hand bank to Howard, to host the Q&A.

Howard Davies: Thank you, Ross, and Ewen. We will have, I expect, some questions from the ether, and I've got a little screen that tells me, but let's begin in the room.

Robert Noble: Robert Noble, RBC. The RWA guidance that you've given in the core, is the non-core on top of that? Should we expect GBP15 billion to GBP20 billion to fold back into the core business on top of the GBP163 billion you gave? And then, is Saudi Hollandi on top of that, as well?

And given all of the RWA movements and all of the restructuring cost hits, do you think, pre-dividend, you're going to have any excess capital by 2020 to a 13 percent target?

And then on a core question, I guess, you've said the structural hedge will be less of a drag. Is it still a drag? And do core NIMs still run backwards?

And, sorry, one more on the non-core, actually. The funding costs related to non-core, what funding costs you assign to non-core at the moment?

Howard Davies: I think most of that sounds like Ewen, to me.

Ewen Stevenson: On capital resolution, yes, GBP15 billion to GBP20 billion, I don't think we would describe it as core at the end of next year. It will still be non-core.

But, yes, it will be folded back. And not all of it, necessarily, will be folded back into -- it predominantly sits across asset classes that would be in NatWest Markets and commercial banking today. But some of it may well sit in a further vehicle outside of those two businesses, as well. So you should add that number on top.

The only reason for excluding the Alawwal Bank's stake was -- the timing on that is -- again, we're committed to exiting that stake, but the timing on that is uncertain. But you should assume that our aspiration is to also exit the GBP8 billion, or so, of RWAs that's sitting in that bank's safe today.

Your second question was?

Robert Noble: On NIMS, you said there was going to be a lower structural hedge drag.

Ewen Stevenson: Yes. In terms of NIM overall, I think Q4 was 219 basis points at the Bank level. You know that we don't guide on NIM. But if you think about what's going on in our various -- we'll get less of a benefit this year, I think, from the reduction in non-core. We saw quite a significant benefit from that last year. We've re-priced a whole bunch of deposits in Q4, not all of the benefit is reflected into Q4.

The SVR book, which has been a big drag for us in terms of the conversion, the SVR percentage declining, that has now stabilized over the last couple of quarters. So we think that will be less of a drag in terms of that changing mix on our NIM.

And if you -- in terms of what we've said, in terms of commercial, we said that we expect to keep income stable, broadly stable, this year. So you should assume that there's a mix change going on from lower ROE, lower- margin commercial business into higher-margin commercial business.

So you take all of that together, with some pluses and minuses, we do think there'll be very modest NIM pressure this year, overall.

Jonathan Pierce: Jonathan Pierce, Exane. Can I focus on the 2020 ROTE target, please? You've given us a lot of pieces of the jigsaw, and thank you for that, but can I just ask three questions to help us get to the bottom line?

Firstly, impairment charges, I assume, using a through-the-cycle there, can you give us an idea where you think through-the-cycle impairments is? Do you want me to give all three at the same time?

Howard Davies: Yes.

Jonathan Pierce: The second question, the equity Tier 1 ratio you're assuming, I guess, it's still 13 percent in 2020, but what's that applied to? It sounds like it is RWAs on the current regulatory basis, only adding in the mortgage uplift, due to the PRA proposals. But if you could confirm that, that would be helpful.

And the third one is some color on IFRS 9. I think there's a good section in the report and accounts, but there's no numbers as of yet. Maybe, you can help us a little bit with that today. But if not, could you at least tell us whether the equity Tier 1 ratio you expect to run in 2020 will be 13 percent, after any IFRS 9 impact? Or do you think you can run lower than 13 percent, if you include that? Thanks.

Ewen Stevenson: We talk about impairment trends this year being below normalized trends. We find it quite hard to think about what normalized is in this interest-rate environment, but somewhere between 30 basis points and 40 basis points over the cycle, I would have thought.

The core Tier 1 target we are targeting is 13 percent. That includes the mortgage RWA uplift, it includes some modest impact of some parts of the Basel IV initiatives, but doesn't assume the imposition of significant output floors on us in that timeframe.

And on IFRS 9, you're right, there is quite a bit of detail, for those of you who've got that far, in the annual report, but it's all qualitative at this point. We expect to provide quantitative feedback as part of Q2 reporting. But you should assume, for the time being, that we're modeling on the basis of a 13 percent core Tier 1 target.

Jonathan Pierce: And just to clarify, post any IFRS 9 impact? And, sorry, just one follow up on the Basel IV comment, because that's interesting that you are assuming some inflation in there, but still targeting 13 percent. Can I push you a little bit more on the areas of inflation you are assuming within the RWA base? Doesn't sound like output floors from what you say, but are you assuming some operational risk increase?

Ewen Stevenson: Yes, we're assuming bits and pieces of the Basel IV package do get announced on a timetable that's consistent with implementation in 2020. As we sit today, I think that looks to be a relatively conservative assumption.

Jonathan Pierce: Thanks.

Howard Davies: I'm going to take one webcast question from Rohith Chandra-Rajan, Barclays. Please could you discuss where the additional cost savings are planned to come from, and if you expect any associated revenue impact.

Similarly, with the GBP20 billion RWA reduction, could you provide some details on how much of this comes from each business, what type of assets these are, and what current returns they deliver?

Ross McEwan: (Myself) and Ewen have done a pretty good job of just outlining where the cost savings were going to come across the business over the next three years to four years, because they'll be different from what they were in the past. In the past, it's been as we've pulled down 26 countries and taken assets off the book, reduced our market's business.

But going forward, other than the CapRes cost that Ewen did outline, and the costs of running that operation, which will be coming down, certainly, we'll be seeing some costs come out of our NatWest Markets business from its current about GBP1.3 billion down to the GBP800 million, so GBP500 million over the next four years, on an annual basis, will come down. And the rest will come throughout the business itself.

As we use a lot more technology and simplify this business on an end-to-end basis, we believe that there are significant costs to come out. But, more importantly, those significant costs will make it easier for our staff to deal with customers and our customers to do business with us. So it's a win-win here.

I don't see a lot of revenue impact other than what we've already signaled with CapRes coming off, and the assets associated with it.

If anything, making this business a simpler business has shown in the past that we actually get revenue increases. And we're certainly seeing that as we make it a simpler business to deal with we're doing more business, so we'll continue on with that.

On the GBP20 billion RWA reduction, most of this will probably come out of our commercial business. But I'll leave Ewen just to take -- if there's any other detail you feel (multiple speakers).

Ewen Stevenson: A decent part of it's out of commercial, consistent with what I said earlier. But there's stuff across all three franchises. In terms of the income current returns, they deliver the -- we said there was GBP250 million to GBP300 million pre-tax of income reduction as a result of that GBP20 billion reduction, so you should assume from that, that it has a relatively modest impact on income.

Howard Davies: OK?

Jonathan Pierce: Yes, thanks.

Andrew Hollingworth: Andrew Hollingworth, Holland Advisors. Just coming back to the return on tangible target that the gentleman before me asked, just a couple of things, really.

One, could you just give the interest rate assumption for that? I think you talked about consensus rates, but obviously Lloyds yesterday reduced their targets because they had effectively moved their interest rate assumption down, so if you could talk to that, that would be very useful.

And the second thing is I hugely welcome the idea of moving to only reported numbers in the future, in 2018. But that being the case, ongoing restructuring and conduct issues may be something part of normal life in a bank going forwards, are they assumed in your target as well?

Ewen Stevenson: On the second one, yes, we're assuming consensus interest rate assumptions. So if those consensus assumptions were to change then it would have some impact on our forecast. But, yes.

On the conduct and restructuring charges, I think not, probably, dissimilar to one of the banks earlier this week, we are assuming, on a run rate basis, there will be some ongoing modest impact of conduct in our numbers; and that's included within the, effectively, GBP6.4 billion cost guidance.

Andrew Hollingworth: But just on -- just restructuring, surely it feels like restructuring is a part of a bank's life, not just today and tomorrow. (multiple speakers).

Ewen Stevenson: No. Sorry, to be clear, conduct, restructuring, everything is within that GBP6.4 billion guidance.

Ross McEwan: Yes, I think that's why we're keen to get to an unadjusted basis, rather than the adjusted and then everything else on it. And, as we said, we see those numbers included in our GBP6.4 billion guidance.

Andrew Hollingworth: OK, thank you. And just last observation is, obviously, during the period of time that you've had that target the consensus view on interest rates probably has moved quite a lot, both up and down. So your target has stayed the same, so how should we interpret that? Or is that just more of an aspirational guidance, sort of reading through those runes of market forecast?

Ewen Stevenson: I certainly wouldn't assume it's aspirational guidance. We have to go through a lot of governance to be able to put targets out in the market, and we do take them very seriously.

I think you should interpret it, when Ross first put them out there was probably a decent amount of fat in terms of getting to the 12 percent-plus return on equity and since then the interest rate environment has changed.

Certainly, relative to where we were in Q3, the interest rate environment has improved and, therefore, we've got more confidence in the delivery. But, as you recall, it was previously our 2019 target; and that's very much why we shifted it back a year, on the back of the changed outlook for interest rates, post Brexit.

Andrew Hollingworth: Thank you.

Fahed Kunwar: Fahed Kunwar, Redburn. Just had a question on the deposit side of things. You said there's more to come in 2017. I think, one of your peers did a breakdown off your book into the saving rates and what the move was from Q3 to Q4 so we can have a think about how much benefit there is to come through.

And then also, going forward from that new rate in Q4 2017, how much more can you cut? And I ask that question because you talk about the sharp increase in swap rates benefiting your NIM by reducing the drag on the structural hedge. If that was to reverse, which is possible, I guess, would that then change your balance sheet targets? Because I assume that then your NIM drag will get greater. Or have you got more flex on the deposit side to offset that? Thanks.

Ross McEwan: Maybe, if I take the last one, and then you can come back to the first one.

I don't think we have a lot of flexibility left in the deposit pricing in the books. They are, as you've probably seen, down at very low levels at the moment, so any further reductions, I think, would be hurting for us and for customers, and certainly from a banking revenue perspective. So I don't think there's a lot of flexibility left.

On just the benefits left to flow through, do you have any idea of what's left?

Ewen Stevenson: Yes. No, it's relatively modest, because the deposit change came through midway through the quarter. So we give you the interest spreads in our disclosures so you can assume relatively modest improvement.

But, as I said, overall, if you think about UK PBB and where a lot of that deposit-free pricing came through, obviously, the SVR book, which has been a big drag, has now stabilized at around 12 percent in the last two quarters. The mix change that we've had over recent years of a very rapidly declining unsecured book has also now stabilized. So, as I said, I think more of the -- and we've said today that we do expect income in UK PBB to go up this year.

Andrew Coombs: Andrew Coombs, Citi. If I could ask one on 2017 statutory profits, and a second question just coming back to the new HMT proposals and the state-aid obligations.

On the 2017 statutory profits, if I look at your 2016 accounts to start with, you've printed GBP3.7 billion of adjusted operating profit. You're expecting costs to be GBP750 million lower, of which only part should be offset by higher loan losses. And I think your CR disposal costs are not too dissimilar in 2017 versus 2016.

If we take that into account and then adjust for the GBP1 billion restructuring that you've taken, and your commentary that you only expect the Bank to potentially return to profit in 2018, it would seem to suggest conduct and other charges of GBP2.5 billion, or more. Is that a fair assumption? That would be the first question.

Second question on the HMT proposals, the original proposals had a dividend blocker based on an exit assured from Williams & Glyn. Now I know you're limited on what you can say here, but would it be fair to assume that we should -- that there would be some kind of SME switch assured; i.e., a certain amount would need to shift before you are allowed to resume dividends? Or is that way off the mark?

Ross McEwan: I'll start with the last one, and then Ewen can come back to the first. But you are right, that the difference is made up around conduct litigation and restructuring charges that will make up the difference.

On the Williams & Glyn, there's still a lot of detail to be put around the flesh of the option that's been put forward. But there would be a number of SME customers that would move across; and, I suspect, if they didn't move across, there'd be some sort of number that we'd have to pay out accordingly. But that's detail that has to be gone through.

The advantage of this arrangement, it gives much greater certainty to customers, which is, I think, very important; much greater certainty to our staff; much greater certainty to the Bank, that we can actually fulfill in a very short period of time, as opposed to current arrangements, which we've said will take, probably, through to 2019 or 2020.

And we still don't have -- we have to get into the details of that, what does that mean for dividend? We've always said that satisfying Williams & Glyn, RMBS, stress test, and getting ourselves profitable were the four criteria for getting back into dividend. So we'll see. This is why we're keen to get this one resolved, as well.

Howard Davies: I've got one from webcast, Claire Kane, Credit Suisse, actually, three questions, I'll give them quickly. 12 percent return on tangible target seems to be based on the ability to achieve GBP6.5 billion of pre-provision profit. You've confirmed guidance at GBP6.4 billion for 2019, so why push the target out by a year?

Secondly, is the leverage different higher risk density? What impairment assumptions, more below-the-line charges?

And third one, on cost guidance, does the GBP2 billion cost reduction plan include cost takeout for Williams & Glyn; i.e., Williams & Glyn is included in the GBP6.4 billion 2019 cost target? If so, are we just waiting to hear what the additional restructuring charges will be to get there? Or could we expect, with that update, to hear that the cost reduction target is above GBP2 billion?

Ross McEwan: All really good questions for Ewen, I think.

Ewen Stevenson: Firstly, just a point of clarification, the GBP6.4 billion is not a 2019 target, it's a 2020 target.

The GBP2 billion cost reduction does include an assumption around Williams & Glyn. It's obviously premature, at the moment, for us to be able to do detailed modeling on this, until we know what the final proposal package is and timetable, and, therefore, what the integration plan is around -- reintegration plan would be for Williams & Glyn.

But so, as and when we're able to confirm that, we will. As I said earlier, that may include needing to modestly adjust what our restructuring charges assumptions are at that point.

Is the leverage different in high risk density? I don't think you should assume, as we model out, that there's going to be a significant change in RWA density in the Bank overall. We're growing mortgage book well. So it's not based on a significant change in leverage assumptions during the planning period.

James Invine: James Invine, SocGen. I had a couple of questions, please. The first one is on your markets business. That -- I guess, what you've been saying today suggests that you will finally shrink it to the GBP30 billion risk-weighted assets, but it's been pretty sticky where it is. I guess the question is what's the hold up? And will this be happening this year for the markets business? And I'm thinking about that in relation to the income guidance that you've given.

And then, the second question is on the DoJ provision that you took recently. What does that number actually represent; i.e., is that your estimate of a best-case outcome? Or there's just nothing we can read into that number, it's just a staging post, nothing else?

Ross McEwan: I'll take the last one on the DoJ provision. It was -- after, obviously, very serious discussion at the Board on what we should take, one of the issues that we looked at was what settlements had happened in the month prior to us, which gave us a slightly better fix.

And also, your last point about what would the Board be comfortable (settling) with, this is well -- we're not in negotiations. The situation from one month ago hasn't changed, and I think it's got a little way to play through before we do get a final resolution. As we said, the number could be much higher than what it is in the plan. So until we get to that position, there's really no change from our last conversation.

On the markets business, Ewen, do you want to take that?

Ewen Stevenson: Yes. We're not changing our guidance, that we expect markets franchise to be at around GBP30 billion of RWAs. You should assume that it's within that gross GBP20 billion that I talked about earlier.

In 2016, there was obviously some adverse FX movements, which meant that there were some FX translation which kept RWAs higher than otherwise they would have been. But we're not changing the guidance on the GBP30 billion.

James Invine: And how much of the GBP35 billion is sterling, at the moment?

Ewen Stevenson: Sorry, we'll get you that number.

Howard Davies: I have a question online from Goldman Sachs. Two questions.

One, your targets seem to imply that you have significant excess capital further out. How should we think about capital return, both in terms of timing, i.e., earliest first half 2018 now; and form, for example, buybacks versus dividends?

Second question, could you comment on the competitive trends you currently see in the UK mortgages? Shall we expect RBS to maintain its current strategy, focusing on volumes and continued market share gains?

Ross McEwan: Maybe, do the latter one, first. The market is competitive. But we have, as I've said many quarters in a row, have been building distribution very strongly in this marketplace, which we did lack. I think we've still got some very good growth to go through here.

I was just in one of the branches this morning and the mortgage volumes are very, very strong, because the proposition of service delivery is fantastic. That's what people are enjoying, it's not so much around the price.

But I do see more compression of a nature in the NIM. But I think our current strategy will remain, and we are focusing on getting volumes, but not at all costs, thank you very much; it has to be within risk appetite. And we are not the price leader here, we sit middle market. And the volumes are going very well. So I'd stay with that strategy.

Ewen Stevenson: Yes, on your first question on return on capital, as Ross said earlier, Martin, the four hurdles that we see is, obviously, resolution at Williams & Glyn; RMBS; passing a stress test; and being profitable. We can clearly see a very visible path to achieving all of those.

We've talk previously about returning capital, both in the form of dividends and buyback. If we were to do directed buybacks, we would need to get shareholder approval to do that, which we don't currently have. And we're not proposing to put that approval in front of shareholders at this AGM.

But certainly, for this year, it's not a topic that we spent a lot of time debating internally. And we're very focused on ticking off the four things we need to tick off.

John Cronin: John Cronin, Goodbody. Just to come back to the Williams & Glyn question, you've indicated that there would be a further cost ahead of the GBP750 million to the extent that, that business is reintegrated. Can you give any guidance in terms of how we should think about that: substantially less than GBP750 million, or another GBP750 million, again, perhaps?

Then secondly, on the specific approval timing for that potential -- for that proposal, you've mentioned that it would be no earlier than Q4 2018 before you're renegotiating the state-aid agreement. But in terms of the actual approval of the proposal, when could we expect to see some progress on that? If you can give any guidance on that, that would help.

And then, just thirdly, to come back to the GBP20 billion of reduction in core RWAs, I suppose, to start, given you've put the Q4 2018 timing on that, does that indicate any progress recently with regulators in terms of discussions around risk densities?

And more specifically within that, you've alluded to scope to reduce the RWAs at the Ulster Bank business, which are currently still very, very high. Any update you can give on discussions with the Irish regulator in that respect would be helpful.

And finally, within that, if there is anything you can point to in terms of the actual uplift associated with what you've assumed from above-the-floor perspective, that would be helpful, too. Thank you.

Howard Davies: Do you have any particular reason to have an interest in the Irish --?

Ross McEwan: I was going say, he sounds like he's quite Irish (laughter). We have got some costs set aside for the W&G reintegration, but at this stage we don't know how big that will be. So there may well be. But I personally don't anticipate being another GBP750 million on top of the GBP750 million of getting through the solution, but we'll keep you updated as we go through that and make determinations.

Timing-wise, it's quite a complex process because both the European Commission will want to do some testing on the solution. I suspect there'll be some negotiation around the actual solution itself. The Treasury have put forward a proposal, and that will have to be tested in the marketplace. And I think that will take at least three months to six months to get the complete approval through on that. So I think we're going to have to be patient.

As I've said, I think it is a very good solution for everybody: customers, speed of getting it done in the marketplace, creating more competition in the marketplace. I think this is the best way of doing it, and, obviously, certainly for us. But I think this will probably take us at least three months, if not six months.

Howard, I know you've worked with these processes before.

Howard Davies: Yes.

Ross McEwan: But I think that's -- it's going to be timely.

Howard Davies: We understand that there's an initial consultation by the Treasury on the scope of their scheme; and then, that the EC have to consult for a period of, I think it's, three months, or maybe slightly longer than that; and then, it goes back to the Commission for a final decision.

Before you answer on Ulster risk-weighted assets, there's a related question, very similar question, from David Lock, Deutsche. Saying, at the Ulster Bank presentation in December Gerry Mallon mentioned our RWA intensity versus Irish peers at Ulster was due to the point-in-time models you use and that you have new models in chain which should be deployed in 2018 reducing that disparity.

What proportion of the GBP20 billion core bank RWA reduction expected relates to these model changes? And is there further potential optimization for Ulster risk-weighted assets to come during 2019 to 2020. So it's a linked question.

Ewen Stevenson: Yes, I ran Ulster Bank RWAs, as Gerry mentioned, back in December. Last year, we reduced RWAs in Ireland by 20 percent in euro terms. The tracker book RWA density that you can see in the Pillar 3 document came down a lot already. The tracker book RWAs came down by 30 percent last year.

As big an issue as model change is still that we've got about 55 percent of the Irish loan book either in the form of a tracker book, or an NPL portfolio. So we do think there is material further RWA reduction coming out of Ireland, which will go beyond 2018.

So there's some. But within that GBP20 billion it's, as we said earlier, by far and away, the bigger piece is commercial, a bit in NatWest Markets getting down to the GBP30 billion; then you've got bits and pieces across RBSI, UK PBB, and Ulster.

Chris Cant: Chris Cant, Autonomous. I just wanted to follow up your comments on Group margin being down a little bit overall. It feels like we'll see more growth in retail, or PBB, this year than commercial and I'm just wondering to what extent there's a mix benefit supporting that.

Because some of the other comments you've given about limited room for maneuver on deposit rates, and the fact that while the SVR isn't presenting a headwind any more the back book of fixed mortgages, I would guess, still has better spreads than the front-book mortgages you're going to be adding today, it feels like the retail margin, the PBB margin, will continue to decline, potentially, reasonably quickly. And the reason for stability at the Group level is just because you're growing retail more quickly than commercial. So that would be the first question, if you could speak to that.

Secondly, if I could just push you a little bit further on Williams & Glyn. I know it's a difficult topic, but it feels like there's some quite important assumptions being made within your 2020 targets about the restructuring potential. How much of the revenue base of Williams & Glyn should we assume is going to stay? Should we assume something like 50 percent, two-thirds?

And on the cost side, I understand you're optimistic that you can take out a lot of that cost base, so should we be looking for a number beginning with a GBP100 million or GBP200 million there? It would be really helpful if you could put some figures around it. Thanks.

Ross McEwan: On Williams & Glyn, I think we've given you as much guidance as we feel like we are able to, at this point. The overall cost guidance is within the GBP6.4 billion that we've given.

We've told you that we expect to keep almost all of the retail franchise at Williams & Glyn under that proposal, and some of the commercial franchise, but that's going to part of an ongoing discussion, as part of finalization of that proposal.

On UK PBB margin, I don't think that we said that we expected margins to go down in the way that you describe them. We said that given that the SVR book has now stabilized -- a lot of that margin pressure that you've been seeing over the last couple of years has been because of a change in mix within the retail book, together with a run off of the consumer book that's been going because of our stance on credit cards. Those two trends have stabilized substantially now, so we don't think that we'll see the type of spread compression.

And we've talked about an increase in income in PBB this year. So you should assume that within that there is some margin compression, and good volume growth.

Howard Davies: I think we need to wrap up now, because we said we would try to wrap up at about quarter to, because we know some people have got somewhere else to go.

Thank you very much for coming. Thank you for some interesting questions. Thanks to Ewen, in particular, for answering most of them. And we'll see you next year. END