



Annual Results 2016 Fixed Income Investor Call
Moderator: Ewen Stevenson
24th February 2017

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.

Operator: Good afternoon ladies and gentlemen.

This afternoon's conference will be hosted by Ewen Stevenson, Chief Financial Officer. Please go ahead Ewen?

Ewen Stevenson: Thanks (Steve) and thanks all for joining this afternoon or this morning, wherever you are in the world. It's Ewen here; I'm joined by Robert Begbie our new Treasurer. For those of you who have not met Robert yet, he's been Deputy Treasurer here for the last two years and a very long-standing member of our Treasury team. I'm also joined by Matt Richardson who no doubt most of you know, Head of Fixed Income Investor Relations team.

We've put some slides onto the – our Investor Relations website which Robert and I are now planning to step you through. I'll provide a quick overview of our full-year results that were out earlier today then focus on our key credit messages; Robert will provide an overview of our balance sheet along with our issuance plans; and then we're happy to take your questions.

Turning to Slide 3 of that presentation you'll all have seen our results this morning, look it's clearly never pleasant to have to announce a full-year loss of the magnitude of this magnitude of GBP 7 billion but it does reflect a further GBP 10 billion of one-off costs in 2016, that include the final Dividend Access Share payment to HM Treasury; further conduct and restructuring costs; and additional Capital Resolution disposal costs.

But underlying our poor headline results is a lot of progress last year, progress with both our core bank and progress with 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.

For our three core businesses 2016 was another good year of progress, adjusted income growth of 4 percent underpinned by strong deposit and lending volume growth in the U.K. together with robust customer flows in NatWest Markets.

Combined adjusting operating profits were GBP 4.2 billion that's up 4 percent on 2015 and that's despite a tougher rate environment. And an adjusted return on equity of 11.1 percent, the second year running we've received adjusted returns above 11 percent.

Against all of our announced financial targets we've delivered again, this underpins our confidence in the achievability of our future targets.

So, turning to look at those targets on Slide 4 as you may have heard we confirmed this morning that while recognising the increased macro and regulatory uncertainty that exist at the moment we're sticking to our medium-term targets a 12-plus percent return on equity and a sub-50 percent cost to income ratio.

We're targeting achieving these in the 2020 financial year - that's a year later than previously signaled.

Over the last three years, and excluding Williams and Glyn, we've reduced operating cost by over GBP 3 billion. And over the next four years we've got increasingly robust plans to reduce it by a further GBP 2 billion; and that includes a commitment to reduce cost by GBP 750 million this year.

By the end of 2018 we are also targeting to reduce gross RWAs across our three core businesses by at least GBP 20 billion, or 11 percent of their combined RWAs at the end of 2016. This will underpin by further balance sheet resilience for us and improve balance sheet optimisation.

On the next slide, we have an increasingly confident set of credit messages based around four key themes.

Firstly, given our business mix spanning Retail through to Wholesale, we've got a well-diversified income stream, we're not overly reliant on any single customer or product segment.

Secondly, piercing the noise that drives our bottom line losses, our combined three core businesses are already generating attractive returns and have been consistently doing so over the last eight quarters.

Thirdly, we're well progressed on our legacy cleanup our bad bank capital resolution shrunk it's RWAs by a further 30 percent in 2016 and post a further targeted reduction during this year we intend to wind up capital resolution at the end of the year. This in turn will help complete our journey back to a resilient balance sheet.

And fourthly, we continue to de-risk our loan exposures. Over the last three years we've materially reduced the percentage of our legacy non-performing assets, our percentage of Risk Elements in Lending are down by more than two-thirds over that period, and several of our higher-risk lending sectors like shipping, metals, and mining, oil and gas, have all been materially reduced.

And looking forward with our three core businesses our risk appetite limits are positioned for the more uncertain economic outlook.

On Slide 6 we've broken out the 2016 income across seven different segments. You can see from this that what differentiates our credit story relative to U.K. peers is our spread of income spanning Personal, Private, Business, Commercial and Wholesale Banking, no single segment driving more than 40 percent of our income, with Wholesale Banking only 13 percent.

From this diversified income stream we can see good opportunities to grow further in sectors offering attractive risk-adjusted returns with continued significant operating leverage as we deliver further on our cost program.

On the next slide, if you look at our three core businesses we've been generating attractive and stable returns for each of the last two years.

In 2015, GBP 4.1 billion of adjusted operating profits and an 11 percent adjusted return on equity.

In 2016, GBP 4.2 billion of adjusted operating profits up 4 percent on 2015 and an 11 percent adjusted return on equity.

This is the bank we're restructuring ourselves back to, stable and consistent profit generation, not overly reliant on a single customer or product segment.

On Slide 8 while we've made a lot of good progress in 2016 in resolving legacy issues, we recognise that we've got to deliver again this year. On restructuring costs, we expect to incur a further GBP 2 billion over the next three years of which around GBP 1 billion of this is expected to be incurred in 2017.

For Capital Resolution, we expect this to be the final year of peak disposal costs. Of the GBP 2 billion of expected disposal costs we've previously identified, we've incurred GBP 1.2 billion to date and expect to expend the great bulk of the remainder during 2017.

On Williams & Glyn, the GBP 750 million provision we've taken is our best estimate today of meeting the cost of the proposal that we outlined last week, but not the cost of re-integrating and rationalising the remainder of Williams & Glyn.

So, if the proposal is accepted by the European Commission we would expect to see some incremental restructuring provisioning at that point.

On the timing of Williams & Glyn from here, if the proposal is accepted by the European Commission, HM Treasury will need to renegotiate a new – renegotiate and sign a new State Aid agreement, and realistically that will not happen until Q4 of this year at the earliest.

On conduct costs, we've consistently talked of five significant legacy issues that need to be resolved, namely: U.S. RMBS; the 2008 Rights Issue shareholder litigation; the FCA review into our treatment of our distressed SME customers; PPI; and FX.

As reflected in the substantial conduct cost taken in last year's financial results, we've made good progress against these in 2016.

I was not planning to cover in my remarks any of IFRS 9 structural reform and Brexit planning and Robert will cover off our proposed capital reorganisation to create additional distributable reserves but we're happy to pick up on any of those topics in Q&A.

So, while 2016 saw substantial one-off costs and we expect 2017 to see further elevated one-off costs, we can now more confidently foresee that these are coming to an end. This in turn will drive substantially improved balance sheet resilience, translating into what we would expect to be progressively improving stress test results.

On the next slide over the last three years, despite absorbing significant one-off costs including a further GBP 10 billion of 2016, our Core Tier 1 ratio has built up by 480 basis points from a weak 8.6 percent to 13.4 percent at Q4 2016, 40 basis points above our 13 percent target.

Over the same three-year period our leverage ratio increased from 3.4 percent to 5.1 percent, including raising GBP 4 billion equivalent of AT1s since Q3 of 2015.

With the further run down in Capital Resolution some GBP 34.5 billion of RWAs for Q4 2016 and the additional GBP 20 billion of gross RWA optimisation we announced today in the core bank, we've significant further grossed Core Tier 1 release as these RWAs are taken off our balance sheet.

And together with the ongoing core earnings generation we expect material additional CET1 buffers to be generated over the next few years to absorb any further one-off costs as we complete our restructuring.

Finally, for me on Slide 10, alongside all of the one-off legacy clean up we've been doing, less noticeably is the substantial change in the profile of our Risk Elements in Lending over the last three years. This has been a key plank of

improving our balance sheet resilience. At the end of 2003 Risk Elements in Lending represented 9.4 percent of gross loans, or some GBP 39.4 billion.

At the end of 2016 this has been reduced to 3.1 percent – 3.1 percent of gross loans down two-thirds, or some GBP 10.3 remaining and if you back out two remaining legacy non-performing portfolios and capital resolution and Ulster Bank Republic of Ireland our underlying core Risk Elements in Lending as a percentage of gross loans is now just 1.5 percent.

Looking forward our recent growth in Credit has been predominantly in the secured sectors and within our risk appetite limits.

So, with that I'll now hand back over to Robert.

Robert Begbie: Thanks, Ewen.

Good afternoon all.

A few key messages to begin with.

Ewen has highlighted the strategic progress we've made as a bank and our focus on driving efficiency and my agenda in Treasury is no different.

The good news is that we build from a solid base of funding and liquidity metrics, along with a much-improved capital position.

This, combined with the issuance we completed last year, simplifies our needs in 2017. We target GBP 3 to 5 billion of Senior HoldCo debt, with no need for further AT1 or Tier 2 this year.

In addition, Ewen has already highlighted the targeted balance sheet growth we are achieving at our PPB and CPB franchises, and to support this growth we target a progressive return to other forms of funding.

So, turning first to an overview of the balance sheet on Slide 13, we have maintained a solid set of key balance sheet metrics over the year.

The loan to deposit ratio rose from 89 to 91 percent, primarily reflecting our lending growth.

While LCR declined from 136 percent to 123 percent this in part reflected the strategic progress we've made during the year, most notably the cash payment of GBP 4.2 billion contribution to the pension scheme.

Ewen already touched on the major movements in our capital position during the year so let's turn to look at the regulatory requirement changes on Slide 14.

We were pleased to confirm a reduction in our Pillar 2A requirement in December which reduced in total from 5 to 3.8 percent this reflects the progress we have made in restructuring, most notably the contribution to our pension scheme.

However, I would note Pillar 2 remains subject to change; we continue to run stress risk and we continue to monitor future regulatory buffer requirements.

So, while this reduction is good news for investors as it reduces our MDA floor we have not changed our target CET1 ratio, maintaining this at 13 percent.

Turning to look at MDA in more detail on Slide 15.

A chart you will recognise from previous presentations, this outlines how regulatory buffers continue to phase-in.

It's worth noting our G-SIB requirement reduced to 1 percent from 1.5 percent at the start of this year. We are often asked if we expect this to solve to zero, while we believe our end state suggests it would, final discretion is in the hands of the regulators.

Regulatory discretion is a point which extends more broadly to our final MDA requirements. For example, we anticipate the Counter Cyclical buffer will be reintroduced and final calibration will remain sensitive to Pillar 2A.

Irrespective we continue to believe that delivery of our strategic plan should deliver an improved credit profile, and the timing of this should coincide with the higher MDA hurdle rate.

Turning to Slide 16 and our ability to service coupons. 2016 saw a reduction in the distributable reserves of our holding company reflecting the impact of distributions: repaying the Dividend Access Share; equity preference share redemptions; and a reduction in the carrying value of our subsidiaries. That leaves us with GBP 8 billion as at Full-Year 2016.

However, to put this in context annual 'new style' AT1 coupons are GBP 290 million; and outstanding legacy equity denominated prefs are just below GBP 5 billion.

Nonetheless we have a plan to increase our distributable reserves. As announced at Q3 we intend to reorganise the reserves of our group holding company over the course of 2017 through a legal process described as a 'capital reduction.' This will reclassify the non-distributable reserves in the share premium and capital redemption reserve accounts, crediting GBP 30 billion to P&L reserve which is ultimately distributable.

This process requires 75 percent of shareholders voting in favor at our next AGM, then subsequent court approval which we would hope to receive over the course of the summer.

Now let's look at our issuance plans on Slide 17.

As I noted at the outset the strategic progress we have made makes our issuance plans relatively straightforward. We have GBP 4 billion of AT1 already in issue which we believe broadly meets our immediate need, and we have no need for Tier 2 in 2017 so our issuance focus will primarily be on building our MREL stack which I will discuss in more detail next.

We also intend to be more active in the funding markets with issuance designed to support the targeted growth we're seeing in our CPB and a PPB franchises.

So, expect to see us be a progressive Covered Bond issuer and to consider the securitisation markets while also participating in the TFS scheme.

Turning to Slide 18.

We received greater clarity on final MREL requirements during the second half of last year and we have attempted to show the implications for us in this slide.

This simplistically applies future MREL requirements against our current regulatory ratios while assuming a 200 billion RWA denominator. Needless to say, from the outset both regulatory requirements and RWAs are subject to change.

Under this illustration, we would require approximately GBP 23 billion of MREL over and above our CRR capital requirements by 2022, this would require GBP 3 to 5 billion HoldCo Senior issuance per annum. This issuance will be offset in part as OpCo Senior continues to roll off.

Consistent with previous disclosures we have shown the MREL value of our existing non-CRR compliant instruments in the stack on the right.

This covers HoldCo Senior and Legacy Tier 1 and 2 debt. However this should not be taken as a statement of future approach for these instruments and there is no change in our policy of managing our stack for value, balancing, amongst other things: regulatory value; comparative cost, while keeping an eye on the Rating Agency value.

So finally, on Slide 19, a reminder on our future structure.

No new news here, we continue to sell to a broad ring-fence with HoldCo the issuing entity of bail-in debt, while OpCos will be used for tactical funding where required.

The real news as we're getting on with it and we continue to target broader structural compliance in 2018, ahead of full implementation in 2019.

We transferred 11 legal entities at the start of the year and created a holding company, NatWest Holdings Limited for the ringfence bank and we have removed RBS assets from our covered bond tool in preparation for shifting the program over to the NatWest entity in 2018.

And with that let's hand back to (Steve) to open up for any questions you have.

Operator: Thank you very much.

Ladies and gentlemen if you would like to ask a question please press the "star" followed by the "#" key – I'm sorry followed by the "1" digit on your telephone keypad.

We will pause for a moment to give everyone an opportunity to signal for questions.

Thank you.

The first question we have today comes from Samir Adatia from Citi. Please go ahead.

Samir Adatia: Hi, good afternoon, thanks for the call, three questions from us.

Firstly, why would you be looking at issuing tactical OpCo given your liquidity position – sorry tactical Senior unsecured?

Secondly, beyond U.S. RMBS, is there any other matters in 2017 that would – that would lead to one-off charges?

And finally, do you expect significant change in your operational risk rates once the U.S. RMBS settles?

Robert Begbie: Shall I take this last one?

Ewen Stevenson: Yes.

Robert Begbie: OK, I mean outside of our MREL requirements, as I touched on, I think we view – certainly returning to the securitisation markets as a good way to build either a diverse set of funding options for us on a go-forward basis.

You know, Ewen's touched on the good targeted growth we've seen in the retail bank in the corporate SME space and it's quite natural to see I think secured markets as a vehicle if we're able to minimise the funding cost of funding that, alongside our use of the TFS.

Outside of that, really any other unsecured issuance will really be partly to prepare for ring-fencing as we make sure we've got the right levels of funding in each of the entities.

You know, we have – we have to split off NatWest Markets as a standalone non-ring-fenced bank and managing that process around the funding of that entity as we move into that period is really what's behind that, rather than any fundamental need to issue.

I think the other part of this is that you know, people look at LDR as being the only – or not the only but certainly a predominant metric which it is, in terms of our funding position but you have also look – got to look at the relative liquidity value of your funding sources as well and both TFS and secured funding offer you know, liquidity cost benefit ways of funding our book.

Ewen Stevenson: Then on -- is U.S. RMBS, the only outstanding litigation and conduct issue that we have? Clearly not. You can see in our litigation and regulatory review disclosures in the annual report, there's quite an extensive list of issues, so "No," is the short answer.

And secondly, although I went through the list previously of what our five major issues have been that we've consistently talked about so that gives you some guidance, yes, what other issues are that we actively are working through.

And then on Op risk charge, I don't think settlement per se of U.S. RMBS changes our view on Op risk RWA requirements.

Robert Begbie: Yes, I think the other part of that, and Ewen touch in it this morning, is clearly Basel IV and what happens and you know, how that ends up landing and by when, in terms of the operational risk piece but we've no more information than the rest of the market in that – in that respect.

Samir Adatia: Thank you.

Operator: Thank you very much.

The next question today comes from the line of Greg Case from Morgan Stanley. Please go ahead.

Greg Case: Hey guys, afternoon. Yes, thanks again for the call; just a few from me.

So firstly, just on issuance, I appreciate your sense of using the guidance from the PRA documentation at the moment for MREL, but is there anything more concrete in terms of specific guidance the PRA are giving you yet or are we still waiting there? And also just as a function of that and the more medium-, longer-term is your level of you know, AT1 and Tier 2 as a percentage of RWAs that you want to be running out, is that kind of the bare minimum Pillar 1 and Pillar 2 requirements?

And then also just on the distributable reserves changes, all around that, all make sense to me just a query on the 'up to' language, so should we assume that you're going to move as much as you possibly can into distributable reserves or is there a number that you're targeting there?

Thank you.

Robert Begbie: Thanks Greg.

OK let me cover number one and then we can – we can look at the distributable reserves.

We haven't – and I assume neither have other banks had specific feedback on MREL requirements yet. My understanding is we are expecting it certainly at some point shortly, and in the first half of the year.

So, we've – we've based it on, clearly as others have in terms of the guidance that was given in the second half of the year which we found very helpful and very constructive in terms of the way the Bank of England had approached the build of the MREL requirements.

In terms of future requirements for the AT1 and Tier 2, I mean there is a lot of moving parts on that, notwithstanding size of our balance sheet and future shape so I'm not kind of going to give any future guidance in terms of where we think you know, AT1 will be but you know, we're certainly comfortable where we are for the – for the immediate term.

Distributable reserves Ewen?

Ewen Stevenson: Yes, look, I mean the – in terms of distributable reserves I think yes, aspiration, I mean – as – I wouldn't read too much into that language.

We are seeking to do significantly all or all of what we can do in relation to creating additional reserves.

On the AT1 and Tier 2 requirements I think in terms of targeting AT1 to roundabout 2 percent of our cap – RWAs, Robert?

Robert Begbie: Yes.

Greg Case: OK, thanks guys, I appreciate that.

Matthew Richardson: Right, next up we've got a question from the Web and it's from Robert Montague.

The question is around the write-down in our investments in subsidiaries, so what investments did we write down and how much of that - how did you take into consideration U.S. RMBS and would we anticipate further write-downs if litigation costs were higher?

Ewen Stevenson: Yes, look so what do we write down?

We do a sort of 'value in use' calculation for all of the principal operating subsidiaries that are in - and we also take estimations of future conduct costs and restructuring costs so we already have a central estimate in that calculation for future U.S. RMBS settlement costs, so a settlement per se should not trigger an adjustment in our value in use calculations.

Matthew Richardson: Great, I'll hand back to the operator, if we've got more from the lines?

Operator: Thank you very much.

The next question comes from Corinne Cunningham from Autonomous. Please go ahead?

Corinne Cunningham: Thank you very much.

Good afternoon everyone, couple of questions.

First one just on the capital reorganisation, does that have any implications for your ability to shuffle capital around the Group in a post ring-fencing world or is that really a bit of a red herring on my part?

And...

Ewen Stevenson: Yes, and that one...

Corinne Cunningham: ... sorry.

Ewen Stevenson: ... No. It has no impact.

Corinne Cunningham: OK, thank you.

And the second one was - you said you'll be loss-making in '17, would you use that as an opportunity to remove any of this, for example, some of the dollar prefs, where to buy those back you would have FX hits; would this be an opportunity to clean up some of the capital stack there or is it more – going back to what you were saying earlier, it depends what your capital position looks like at the time and whether you've got capacity to do it?

Robert Begbie: Yes, I mean – I'll take that one Corinne.

You know, we have an ongoing way of looking at this and I think we've kind of gone through that, both in this presentation and historically.

You know, we are aware of the FX movements, especially in the equity related securities, we are – we're conscious of that in terms of, both looking at it, but also it is within our plans as well in terms of what we look at.

So, I don't think it changes you know, any of the way that we'll look at whether the to call securities or not and whether we would look to call in 2017 or not but it is a trade-off of you know, cost versus and there's a number of different lenses we – we'll look through to get to that position.

Corinne Cunningham: Thank you.

Operator: Thank you very much.

Once again as a reminder it's "star" then "1" if you'd like to ask a question.

The next question comes from the line of Robert Smalley from UBS. Please go ahead.

Robert Smalley: Hi and thanks for doing the call, greatly appreciated, a number of quick questions.

One, in terms of issuing more covered bonds and secured debt, do you have any guidelines or given any thought to guidelines around encumbrance and where you want to be with that? That's the first question.

Second, and thank you for the detail on future issuance. It looks like you're more or less replacing maturities for the next couple of years out of the OpCo into the HoldCo. At what point do we finally see the upgrade from the rating agencies and have you talked to them about that?

Also on the distributable reserves, just want to know if there's any difference in the timeline or anything that's – that's come about around that plan, if there's anything different?

And then finally and it's kind of a 'blue-sky question' but have you thought about your G-SIB designation and does it make sense to try and move to no longer be a globally systemic institution given your size and given your scope?

Ewen Stevenson: Yes, Robert, it's Ewen, and maybe I'll handle the last one first.

Look, we don't have any burning aspirations to be a G-SIB but I think for the time being given what our businesses were quite high up in the Bucket 1 designation so I think it's unlikely that we will drop out of being a G-SIB anytime soon if – even if we don't aspire to be one.

Robert Begbie: Maybe just walk backwards with the questions then, distributing reserves, I mean I think I kind of outlined the timeline part of that is our own internal process that needs to go through the AGM which is in May and then through the court process that I think we've outlined before this is – this is not something that hasn't been done before, there's a number of different financial institutions, Standard Life, Clydesdale, Bank of Scotland have all gone through this process.

Now, you know, clearly it is a court process and we need to go through it but we don't expect any undue delay as a result of that and you know, we're still targeting the summer period to see the conclusion of that.

Again, working backwards, rate agencies – I mean look, we have a daily dialogue with the rating agencies – with our Rating Agency team. Ewen and I meet them regularly, I think they've been fairly consistent in their feedback in that you know, they recognise the clean-up, they recognise dealing with the legacy positions, I think you'll have seen possibly the notes based on the Williams and Glyn announcement last week which I think was again viewed as positive in terms of that journey.

But you know, they really want to see, one, us get to the end of that journey and two, which is related to that, return to being a profitable bank.

And I think Ewen's laid out that journey earlier on today as Ewen and Ross and I think at that point you know, we certainly expect, we have no sorts of discussions but I think it's difficult to see before that whilst we haven't got to that point, rating agencies you know, making any significant moves.

Just the last one just in terms of our secured, covered bond piece, I mean our encumbrance ratio is pretty low at the moment, obviously we would keep an eye on that as we build that up but I don't, we're not talking about mass issuance here, we're talking about progressive return to the markets.

You know, one, we've been out in the markets for – or this market for a number of years so we need to build back our presence and our investor outreach, which we'll be looking to do over the course of the coming months and you know, there are as I've said access to other forms of funding both our MREL but also you know, we are participating and we will continue to participate in the TFS scheme.

Matthew Richardson: And Robert, this is hopefully a useful tool, we've included within our annual report, page a hundred and eighty-four, when you get to it, some information on the "Roll-off profile" of our various funding tools alongside the Tier 2 profile as well.

Robert Smalley: That's great, thanks very much.

Robert Begbie: Thanks Robert.

Ewen Stevenson: Thank you.

Matthew Richardson: Right, next up we've got two questions off the Web.

First of all, "How do we expect the Pillar 2A requirements to evolve from here?"

And then secondly, "How dependent are your plans for NV on resolution of your stake in the Saudi Arabian bank?"

You want me to take the first one and you take the second one?

Robert Begbie: OK, yes, I mean, look you know, we can't and we don't make you know, any future outlook statements around Pillar 2A. It's fundamentally down to the regulator. You know, we focus on delivering the strategy and we believe that will represent us at a better credit than we are today.

We talked about the primary driver of the reduction being the contribution to the pension fund, we're pleased to have got that out of the way and sort of seen that feed through into P2A numbers.

You know, it's subject to change annually through obviously the ICAP process and as we've constantly said we're not proposing change to the 13 percent Core Tier 1 target so I think I'll leave it there and pass over to you.

Ewen Stevenson: Yes, so on Alawwal Bank has – Saudi Hollandi Bank has now been renamed in recent months.

We continue to work towards seeking to exit our stake there. I don't think it will have – I think we're equally working on ways of continuing on with our plans to de-bank RBS NV with or without selling that stake so it should not have a significant impact on our ability to de-bank the NV.

Matthew Richardson: Great.

(Steve) anymore on the line?

Operator: Thank you.

There's one more on the line but as a reminder if you'd like to ask a question over the phone please press "star" then "1" on your telephone keypad.

We have a follow-up question here from Greg Case from Morgan Stanley. Please go ahead.

Greg Case: Hey guys, sorry, just me again, just a couple more if you don't mind?

So just on the – one of the first questions, just around the non ring-fenced bank and did I understand that you may be looking to do some unsecured from the non ring-fenced bank or at least the OpCo in the near future?

And also, just connected to that, is there a timeline we can kind of think about when we might see some proposed ratings for the non ring-fenced bank? That would be I think pretty useful.

And then also just on the – I see you guys are looking to do additional equity issuance again this year to cover the Tier 1 payments. I assume that wouldn't change if you were to take Legacy Tier 1's out? I think it's probably across the whole piece of the Tier 1 capital structure, but if you could just confirm that those two aren't linked that would be great as well?

Thank you.

Ewen Stevenson: Yes, on the last one Greg I think you should assume that until we return to making equity distributions we will continue to – with the program of equity issuance that we've been doing as part immunisation for capital security coupons, so we've been issuing GBP 300 million of equity a year and will continue doing that for the foreseeable future.

Robert Begbie: I think on the other two, yes, Greg I think – probably just to be clear on the – on the unsecured so if you think about that at the moment you know, the non ring-fenced bank does not exist as an issuing entity so any issuance we do out of the operating companies will be out of RBS PLC, NatWest Bank PLC, those existing entities that are already there.

We're maybe overplaying this, I mean this is just really in terms of if you like operating cash as we – as we move to a ring-fenced bank structure so there's no change really in that respect.

I think in terms of the agencies themselves again you know, similar to the – to the previous question on rating agencies, I mean we have a regular dialogue with them, their own thinking on ICB and how they're going to treat ring-fenced bank, non ring-fenced bank ratings, it continues to evolve, we're – we're part of that discussion with them and we're working through that.

And again, you know, we'll – we'll work with them and in due course look at what those ratings will emerge.

Greg Case: OK, thank you.

So, is it fair to assume that we won't see you know, like public benchmark-type trades from the OpCos or is that something we should be thinking about this year?

Robert Begbie: Yes, there's no plans to do any public benchmark-type trades. They – it would really just be as I say more private placement-type operational funding.

Greg Case: OK, got you. Thank you.

Operator: Thank you very much.

The next question we have comes from the line of Tom Jenkins from Jefferies. Please go ahead.

Ewen Stevenson: Hi Tom.

Tom Jefferies: Hello there, thanks everybody.

Just a quick one following up on the NV question that was sent in from your anonymous emailer.

I just want to figure you know, if you're talking about other ways of getting rid of the stake in Alawwal, which I'm guessing would either be sold back to the Group, or putting into an SPV or some sort of similar structure, assuming that – first assuming that happen say within the next year or two, are you then able to look at collapsing the remaining NV structure over say a period of further two or three years or how long would that take in order to get access to the sort of excess trapped capital there?

And in that vein, have you given any thoughts that you can share on how you would plan to collapse the liability structure within NV post a removal of the Alawwal and a – and a hand back of the license?

Thank you.

Ewen Stevenson: Yes, on the last first, we've obviously given a thought but haven't talked about it publicly.

And in terms of the Alawwal stake I don't think you should assume it's going to take several years after exiting that stake or otherwise restructuring it for us to be able to deal with the NV – that can happen relatively quickly I think.

Tom Jefferies: Got you.

Matt Richardson: Needless to say, as well from the timing of any license hand-back, et cetera, around the NV entity is subject to the conversations we have with those regulators as well.

Tom Jefferies: OK, super. Thanks very much.

Operator: Thank you.

There are no more questions in the queue, Ewen.

I'll hand back to you for closing comments.

Ewen Stevenson: OK, thanks (Steve) and thanks everyone for joining the call today.

What we want you to take away from today's call is a confident message on our credit story.

We are rapidly changing, you know, the headline loss in 2016 is a clear sign that we're rapidly moving away from a bank that's been heavily encumbered by legacy issues to a bank that's got a very well diversified set of income streams, built around three core businesses, predominantly in the U.K. and Ireland producing already stable and attractive returns over the last eight quarters and a prudent approach towards the risk we're seeking to take.

So, thanks for your time today.

If you've got follow-up questions, please contact Matt and the rest of our Fixed Income Investor Relations team.

Thanks for your time.

Thanks (Steve) for operating the call.

END