



**H1 Results 2017**  
**Moderator: Howard Davies**  
**4<sup>th</sup> August 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 H1 Results announcement published on 4<sup>th</sup> August 2017.

OPERATOR: This is Conference #59333436

Howard Davies: Good morning. Welcome. Please, I have the important task but the only task given to the Chairman of this bank is to remind people to switch off their mobiles.

So I think you could do that. Ross and Ewen will shortly talk you through the results in the first half. And on those, I will limit my own comments, the observation that they are, in a word, good.

The board is pleased with the progress management are making to return this bank to sustainable profitability. There are difficult decisions ahead, particularly on costs, but the direction is clear, and progress is promising.

Before the management team talk you through the details of the results, I'll just say a few words about the economic and political context in which they are set. The economy continues to grow, albeit below trend.

We think and we see direct evidence of caution on the parts of businesses about the future, and we see some hesitancy in investment plans. That is, I think, consistent with what we see in the surveys of business confidence.

The political context is uncertain, especially in relation to Brexit. Since our business is largely domestic, we're affected much less than many other banks. But like others, we prepared contingency plans to maintain our Western European business-based corporate lending and our Markets business.

Our central option is to use our existing banking licenses in Amsterdam to provide continuity of service from NatWest Markets to our EU customers. And we're in active discussions with the regulators in The Netherlands, the De Nederlandsche bank, on the detailed planning needed.

Turning to our legacy issues. We began 2017 with 4 main problems to resolve. And on three of them, we have made very significant progress. The 2008 rights issue litigation and the RMBS litigation with the Federal Housing Finance Agency have been settled.

And last week, the competition directors of the European Commission announced that it had agreed in principle a revised scheme to satisfy the remaining State Aid conditions imposed in 2009, the project formerly known as Williams & Glyn.

The new scheme involving a capability fund for challenger banks and incentivized transfers to them but some of us business customers is practical and achievable. And like the FHFA settlement, it has required only a small additional provision in the second quarter.

Unfortunately, I have nothing to add on the last of our four issues involving the U.S. Department of Justice and our RMBS sales in the years to 2007. We continue to hope to resolve that this year, if at all possible.

But overall, the board believes that so far in 2017, we've made very material progress in resolving these legacy issues, which have hung over the bank for too long. And it's pleasing that our focus today is, therefore, on the performance of the core bank.

And I now hand over to Ross and Ewen, who will discuss that -- our financial performance and the progress we're making in delivering a better bank for customers. Ross?

Ross McEwan: Thanks very much, Howard. Good morning, and welcome into our first half results presentation. As Howard has mentioned, our first half progress means that today, we can spend a lot less time talking about the bank that we were and, obviously, more time talking about the bank that we are fast becoming.

I'll start with an overview of progress against our plan, and then I'll outline how we have continued at pace to build a simpler, safer and even more customer-focused bank.

As we said at our full-year results presentation in February, we have grown income, we've reduced costs and improved returns for our shareholders. We see the first 6 months of this year as proof of the investment case for this bank. Ewen will provide the detailed financials behind this shortly.

For the first half, we delivered an attributable profit of GBP 939 million, with an adjusted return on tangible equity of 11.5 percent, a strong performance despite the uncertain economic outlook.

We remain on track to hit all of our financial targets and continue to target a bottom line profit next year, subject to final approval of the alternative remedies package for Williams & Glyn that Howard talked about, and achieving a resolution of the Department of Justice investigation into our legacy RMBS activity.

We don't have any further update on DOJ today, but we would like to resolve this matter in 2017, if possible. We have continued to support the U.K. economy in the first six months of the year as we grew lending in the markets that we like and within our risk appetite.

For example, our average LTV on the group's mortgage lending is still 58 percent and has been at this level for the last 4 years. The strategy is supporting sustainable income growth in our core bank.

We've taken out a further GBP 494 million of costs out of the business in the first half and are on track to hit our full year target of GBP 750 million. We're

doing this through cost efficiencies as well as the ongoing digital transformation of our business.

And we are working our capital harder and lower return businesses and focusing capital in our target markets. In short, we're doing what we said we would, we're growing income, we're reducing costs and generating improved returns for our shareholders.

We've also made good progress in the first six months against our strategic priorities. On customer experience, we are very pleased to report that the Commercial Banking franchise remains a clear market leader in terms of customer advocacy. Our NatWest Personal score is stable at plus 13.

And our Private banking division, Coutts, has improved across all metrics, with a great 12 point increase in Net Promoter Score for the year-on-year. I can say that we still have significant amounts of work to do to improve our customer experience across some of our other businesses and our brands.

However, there are signs that in our target market segments, the changes we're making are starting to pay off. We've grown our net lending in PBB and CPB by 4.1 percent on an annualized basis, and that's ahead of our full year target of 3 percent.

This growth is within our risk appetite, concentrated on our target markets and is generating positive returns for shareholders. We've already achieved close to 2/3 of our cost target for this year.

Our common equity tier one capital ratio stands at 14.8 percent. That's ahead of our 13 percent target and up 140 basis points on full year 2016.

We've achieved this through a combination of obviously making bottom line profit, that helps, running down in our noncore division, which will remain on

track to close at the end of this year and a focus on working our capital more intensely.

We continue to target improved colleague engagement since last year's scores have improved in nearly all areas. Most pleasing is seeing the significant increase in pride and the business and our brands. And this is, at the same time, has continued heavy restructuring of our businesses, which does, of course, affect all of our colleagues.

Our longer-term targets remain consistent and support the strong investment case for this bank. By 2020, we expect to be delivering a return on total equity of more than 12-plus percent on an unadjusted basis, on a cost to income ratio of sub 50 percent and a robust capital position of 13 percent common equity tier one. Our customer and colleague engagement targets are stretching but are also key to us delivering sustainable financial returns.

Our balance sheet reflects the diversified lending profile of the bank with a good mix of exposure across personal, corporates and markets. And we've de-risked the balance sheet, with risk elements in lending representing 2.8 percent of gross customer loans.

That's down from 9.4 percent at the end of full year 2013. Our strategy centers on growing in those markets where we see an opportunity for sustainable risk-adjusted returns.

In mortgages, for instance, our flow share for the first half was 12 percent, supporting growth in our stock share of 9.1 percent. That's up from 8.8 percent at the full year end last year.

In the challenging U.K. rate environment, we continue to see margin pressure in this business. However, this was more than offset by strong customer volumes and a focus on serving customers more efficiently and reducing our

costs. Our strategy in Commercial Banking is centered on focusing our capital where returns are the greatest.

And we have continued to exit lower return exposures. Finally our Markets business has continued to support customers through a period of uncertain market conditions. We've achieved balance sheet growth while improving our risk metrics.

And our retail SME and corporate lending, the probability of default rates have fallen since full year 2016. Recent market attention is focusing on the rapid growth in unsecured lending.

We consumer credit growth by -- growing by 10 percent in the last year, outstripping wage growth. Regulators are rightly asking for more details from banks around how we can ensure customers can pay down their debt.

Personal unsecured lending represents only 4 percent of our balance sheet, and this is down 1 percent over the last 12 months in U.K. PBB. We feel our approach to putting the customers' interest first has ensured that our lending growth is responsible, sustainable and is generating positive long-term returns for our shareholders.

Our digital channel usage continued to grow in the first half, with 1/3 of our digitally active customers now using both mobile and online platforms to interact with us. 5 million customers now regularly use our award-winning mobile app.

And in June, an average of 58 customers per second logged into their mobile app, and they sent close to 10 million payments in the month. That's a 13 percent increase on December 2016 volumes.

As customer use these channels more, we will support them by continuing to develop our mobile and online capabilities. Currently, we meet about 71 percent of our personal customer service interest digitally. We're targeting to get this close to 90 percent by 2020.

Our mobile Get Cash functionality allows customers to withdraw cash from a cash machine without the need of a debit card.

No other U.K. bank offers this service, and our customers tell us they like it, with volumes up over 4x the level since in December 2016. Customers now use the Get Cash service over 200,000 times a month.

Innovation -- innovative solutions like this have continued to make our mobile app Net Promoter Scores sort of positive 50 and market leader.

Customers are changing the way they bank with us and technology is becoming even more important. In Personal & Business Banking, our virtual chat box AI assist answers a range of most common questions from our customers, both online and through our mobile app.

We expect this technology to help with around 1.3 million customer queries a month by the end of this year. In Commercial & Private Banking, our bank line platform is independently rated as market-leading with digital customer experience.

Currently, 90 percent of our active customer base uses the platform, with 400,000 payments processed daily. We continue to roll out our new and improved bank live platform to further enhance customer experience.

NatWest Markets continues to focus on customers. The business has led major capital raising transactions in the U.K., Europe and the U.S. for both corporate customers and financial institutions.



NatWest Market continues to simplify process and that it has invest in improving the customer experience. Our Agile Markets platform, for example, provides customers with financial markets detail, analysis and post-trade functionality.

Both Ewen and I have indicated previously that driving positive jaws while also delivering innovations which serve our customers is crucial to achieving our financial and customer goals.

U.K. PBB's performance in the first half provides a good example of this, with operating jaws of 12 percent. One example of how we are achieving this is our mortgage sales process.

Customers can now upload all of their required documentation for their mortgage application digitally without needing to visit a branch. Our customers can complete and sign their mortgage offer in a single digital appointment.

Improvements such as this have reduced the average time taken to obtain a mortgage by half to around 10 days. With further process improvements plan, we will go further in reducing this time frame. We also improved the mortgage renewal process.

While in the past, the mortgage renewal would've required an appointment at a branch or a phone call, Royal Bank and NatWest Markets customers can now renew online in a matter of minutes. This is proving very popular, with over 1/3 of all renewals this year being completed online.

We've recently rolled out a new process of gathering and responding to the feedback from our customers across most of our PBB franchise. It's called closed loop feedback.

Within 24 hours of an interaction taking place, customers can now provide specific actionable feedback directed to teams that served our customers, allowing them to listen, learn and act on what our customers are telling us, with complaints volumes down 12 percent in the first 6 months of the year.

We continue to see the benefits of listening to our customers and fixing the process issues they are having.

Each of these interactions show how our innovation is driving customer volumes and reducing costs, which is delivering income growth and positive shareholder returns.

As we focus on becoming more efficient and responsive to customers, we must also become simpler. We've removed 23 products in our commercial business. Across the bank, we've closed 81 subsidiary companies.

We've eliminated close to 3,000 desk spaces, and we've retired 700 systems and applications. We've achieved all of this in the 6 months while delivering bottom line profitability.

Our drive to become a simpler bank continues. We're currently working to simplify the key channels through which customers interact with us, looking at how we can streamline products and service delivery.

For example, when a customer requires a replacement debit card, our colleagues have to navigate three quite different systems to get a new card to the customer. In the future, we will use our integrated system, making it easier to serve our customers at a lower cost point.

With the majority of our legacy issues behind us, we now have a clearer investment case for this bank. We're a leading U.K. Retail & Commercial Bank with a very focused Markets division.

We have strong brands, leading market positions and improving customer service. We're growing in attractive markets and within our risk appetite. We've built a good track record on reducing costs and risk. And at the same time, we're improving returns and refocusing capital in our core bank.

I'll now hand over to Ewen, who will go into further detail around the investment case for this bank. Thank you.

Ewen Stevenson: Thanks, Ross, and good morning all. I'm encouraged by these results, second quarter in a row of bottom line profits, attributable profit of GBP 680 million in the quarter, statutory return on equity in Q2 of 8 percent, and we're on track to meet our 2017 and 2020 financial targets.

In the core bank, good continued momentum relative to H1 2016. I think we delivered strong operating performance improvement. Income was up almost 9 percent. If you strip out NatWest Markets, income growth was up 4 percent across PBB and CPB. Costs were down more than 4 percent; jaws of 13 percent.

And our cost to income ratio reduced from 62 percent to 54 percent. Adjusted return on equity was up 3 percentage points to 14.1 percent, and adjusted operating profits were up 29 percent.

On our legacy cleanup, we're getting there. As Ross says, since the start of the year, we've resolved the 2008 rights issue litigation. We resolved FHFA. We're well progressed with the solution for Williams & Glyn.

We're comfortably on track to wind up our bad bank Capital Resolution by the end of the year. And we're back to being investment grade rated by all 3 credit rating agencies, which has helped drive much lower funding spreads for us this year.

And on core capital, we achieved a very strong core capital build in the first half. Our core capital ratio was up 140 points to 14.8 percent. And our fully diluted TNAV was up 4p to 298p.

That's further underpinned by today's disclosure on IFRS 9, with the day one impact for us expected to be modestly core tier one capital accretive.

But as we look out over the next six to 12 months, I think we recognize that it is a more uncertain macro environment. And given that more subdued outlook, we believe that we're being appropriately cautious in our approach to risk appetite.

In personal banking, we're deliberately prioritizing secured mortgage lending. Mortgages increased from 49 percent -- from 47 percent of portfolio up to 49 percent in the first six months. And we're consciously trading off some of them in order to continue to build market share in mortgages.

In Commercial Banking, we're being cautious on segments like commercial real estate. And we're also re-pricing or exiting lower return and corporate relationships.

On income, the core bank grew adjusted income by almost 9 percent in H1. Across PBB and CPB, we had combined income growth of 3.8 percent. NatWest Markets had a much stronger H1. Adjusted income was up 44 percent.

We're happy not only with the income growth we're achieving but also that the business model that we are producing is also producing for us a much more predictable set of income flows.

In the core bank in H1, almost 80 percent of our adjusted income was for PBB and CPB, which has very low quarter-on-quarter income volatility. Over time, we believe that this business mix should drive a much lower cost of capital being attached to our cash flows.

On volumes, customer loans across PBB and CPB grew by 4.1 percent in H1, and customer deposits were up by 4.9 percent. NIM was down 11 basis points in the quarter. It was weaker than trend, but we still maintain net interest income through a combination of volume growth and an extra day's interest this quarter.

In particular, the majority of the income decline in Q2 was driven by a conscious buildup in liquidity, both managing for expected contact costs, principally FHFA, and accelerating MREL and other wholesale funding into H1.

But as you can see in our U.K. PBB NIM this quarter, conditions in the U.K. mortgage market have become more competitive. Our front book margin NIM is around 40 basis points lower than the back book, so we do expect further NIM compression over the remainder of 2017.

We committed to reduce operating costs by GBP 750 million this year. We're on track to do that, almost GBP 500 million out in H1.

I would observe, though, that cost reduction is not linear, so we're comfortable with the GBP 750 million guidance at this point. We also said to expect going forward that more of the cost savings should begin to come out of the core bank.

In H1, around GBP 150 million or about 30 percent of the cost savings came out of the core bank. And I think as we travel into the second half, we've said that we expect for the full year around half of the cost savings, and that would imply for you an acceleration in cost savings coming out of this core bank into the second half.

As a result of what we've achieved, the adjusted core income ratio across our three businesses in H1 fell from 61.6 percent in H1 2016 to 54.3 percent this half. One of our other targets was to reduce -- was to make the capital in the core bank work more productively.

We committed to reduce gross RWAs in the core bank by GBP 20 billion by the end of 2018. We've reduce them by just under GBP 9 billion in the first half, so we're comfortably on track at this point to meet that Q4 2018 target. In total, RWAs were down by GBP 13 billion in H1 to GBP 215 billion, including a reduction of more than GBP 6 billion in Q2.

On the back of the H1 RWA reduction, together with the attributable profits we've made, our core tier one ratio improved by 140 basis points in H1, including 70 basis points in Q2. With our core tier one ratio at 14.8 percent at the end of the first quarter, we're obviously comfortably in excess of our 13 percent target.

Turning to the individual franchises. UK Personal & Business Banking continues to perform very well. Adjusted operating profits were up 19 percent on H1 2016, and the adjusted return on equity was 32 percent.

For Ulster Bank, the repositioning of allocated capital remains a clear focus for us. Over the last year, in euro terms, we reduced both the risk elements on lending and the tracker mortgage portfolios by 23 percent. And on the back of that, overall RWAs declined by 18 percent.

Commercial Banking continues to position itself for higher returns. We've taken some very decisive action to start shifting capital away from low ROE customer relationships through either re-pricing or exiting them. In H1, we've reduced gross RWAs in Commercial Banking by GBP 4.2 billion, and the adjusted return on equity improved to 10.1 percent.

On Private Banking, Ross and I have consistently said that we expect this business to earn materially higher returns than we've been achieving in recent years, so we're pleased to see that turnaround now beginning to come through. Adjusted operating profits were up 32 percent on H1 2016, and the adjusted return on equity improved from 7.6 percent to 9.3 percent.

RBS International had another steady 6 months, while adjusted operating profits were down 6 percent on H1 2016. This largely reflected increased regulatory costs in relation to us setting up RBS International as a non-ringfenced bank.

Overall on credit quality, impairments remain very low in Q2, an annualized 12 basis points in the core bank and just 8 basis points for the bank overall.

But we do recognize that the outlook for credit has been more uncertain, and that's despite, as we heard from the Bank of England yesterday, a consensus macro view of low growth and low unemployment. So we're seeking to be continuing to be cautious on the portfolio choices we're making in lending.

Turning to NatWest Markets. It had a much better first half than first half 2016, and that's even if you adjust out the benefits of favorable currency movements. Adjusted income was up 44 percent, reflecting a much stronger performance by both the rates and the financing franchises.

And this performance was delivered with a GBP 3.5 billion reduction in RWAs. With the NatWest Markets adjusted income at GBP 980 million in

H1, I'd be very cautious in extrapolating this for the full year, with both August and December typically quieter months for us.

Away from the core franchises, Ross touched on the progress we've made on Williams & Glyn earlier. Financially, it had a good H1. It's best quarter for some time in Q2. Adjusted operating profits were up 19 percent on H1 2016.

That principally reflected lower operating costs and continuing benign impairments. From a reporting perspective we expect to stop reporting Williams & Glyn as a separate segment later this year, but we'll give you plenty of disclosure ahead of that to allow you to do your pro formas.

On IFRS 9, we provided you in our interim report some analysis on day 1 impact. To be clear on what this is, it's our estimate on the day 1 impact as of 1st of July. It can and is likely to change by the time we get to 1st January 2018.

What you can see in today's announcement is really two impacts: firstly, an uplift in pretax provisions of around GBP 0.5 billion, that's about 13 percent on top of our existing balance sheet provisions; and a GBP 1 billion positive adjustment for uncertain loans that will be reclassified as mark-to-market as a result of IFRS 9. As a result, at this point, we expect the day 1 impact to be modestly accretive for us in core tier one terms.

Turning to a few legacy issues. Firstly, on Capital Resolution, you will have seen a few months ago a confirmation that Alawwal Bank is in discussions with the Saudi merger partner.

Those discussions remain ongoing. Away from Saudi Arabia, for the residual RWAs in Capital Resolution, we said we'd reduced these to between GBP 15 billion to GBP 20 billion of RWAs by the end of the year.



At end H1, we've actually made better progress than we planned. RWAs are already down to GBP 19 billion, so we now expect to be in the lower end of that GBP 15 billion to GBP 20 billion range by the end of the year.

On disposal losses in Capital Resolution, we've taken GBP 103 million only in H1, GBP 25 million net of impairment write-backs. We do expect H2 losses to be substantially higher but in line with the previous guidance we've given you.

You'll see an increase in H1 in our Prudential valuation in core Tier 1. That's largely due to about a GBP 400 million of expected future losses within the markets book in Capital Resolution and means that those losses have effectively been front-end loaded into our core tier 1 ratio in H1.

We still expect to wind up Capital Resolution by the end of the year. And as such, Q3 is likely to be the last quarter of separate reporting. Again, we will provide you with disclosure on due course on the impact of -- on NatWest Markets and Commercial Banking as a result of assuming Capital Resolution legacy assets calls.

In H1, we had GBP 396 million of conduct costs. This includes two previously announced settlement provisions: firstly, the GBP 151 million or \$196 million of additional RMBS provisions that we took for the recent FHFA settlement; and the additional GBP 25 million we took in relation to settling that 2008 rights issue litigation.

So in conclusion, I view these as an encouraging set of results for the core bank. Income is up, costs are down, we're achieving that with less capital. Adjusted operating profit in the core bank are up 29 percent on H1 2016.

Adjusted return on equity is up from 10.9 percent to 14.1 percent. For our legacy issues, we are genuinely getting there now. Material progress on litigation, Williams & Glyn and Capital Resolution.

And for the bank overall, an attributable profit of GBP 680 million in Q2, GBP 939 million in H1. We're on track to deliver all of our 2017 and 2020 financial targets. Thanks. And with that, I will hand over to Howard to host some Q&A.

Howard Davies: Yes. Thanks, Ewen. Thanks, Ross Well, we're over to you. Yes, first eager hand.

Tom Rayner: It's Tom Rayner from Exane. I'd like to ask the first two margin questions, please. Firstly, if 8 basis points of the margin decline in the second quarter was down to a sort of temporary pre-buildup of liquidity, should we not expect some of that to reverse out as you deploy that liquidity?

And my second question, just looking at sort of guidance sort of the 4 or 5 basis points of margin pressure per quarter going forward, can you say how much of that reflects mixed -- sort of anticipated changes in mix rather than just pure competitive pressure in each product line, please?

Ewen Stevenson: Yes, so on the buildup of liquidity, I think we are going to continue to maintain a relatively high LCR ratio for the remainder of the year. So I don't think you're going to see any significant benefit from a reversal of that during the next couple of quarters.

On the -- if you disaggregate, we think there's about 4 to 5 basis points of ongoing NIM pressure that we can see, and disaggregating that, about 2 basis points you should assume just comes in this rate environment from a continued roll-off of the structural hedge.

And about 2 to 3 basis points is driven primarily by competitive pressures that we see in the mortgage market, which really reflects two things: firstly, front book pricing continued to be materially below back book pricing, about a 40

basis point differential; and secondly, this ongoing mix change that we're doing of prioritizing effectively lower return -- lower returning mortgages in return for trading off NIM in other parts of the portfolio.

But what you get in return, I think, is a commitment from us that we're going to continue to try and build market share and mortgages. As you saw in Q2, a lot of the NIM pressure was offset by volume growth, and there was also the benefit of an extra day's interest in Q2 as well.

Howard Davies: Yes, next to your left.

Raul Sinha: It's Raul Sinha from JPMorgan. Can I have 2 as well? Maybe the first one, on the TFS, perhaps for Ewen. Ewen, can you help us understand what the impact of the TFS is in terms of the NII line?

I think as far as I understand, your drawdown of GBP 14 billion is the highest amongst the UK banks. And even Lloyd's was GBP 9 billion. As that comes in, does that start to drop your cost of funds faster than where it otherwise would have been?

And clearly, you're obviously, running quite strong in terms of loan growth. Should we think about the TFS having a net positive impact on your NII? The second one is on just the loan growth numbers as well.

Obviously, you are running ahead of your 3 percent target. Maybe for Ross, what you think about the second half? Are you going to start to pay back a little bit?

Ewen Stevenson: Look, on the TFS, I don't think there's any real material benefit in terms of funding cost. I mean, if you look at where deposit is funding now post the Q4 repricing we did, I think it doesn't have any material -- actually, I would argue

it to sort of net negative for us because, ultimately, what it's done is enable others to be more competitive in the mortgage market.

So while it's provided some funding benefit for us, I think we've seen the benefits to others resulting in a more competitive mortgage market this year. I would point out, though, yes, we have drawn down more than most, but equally, we didn't take advantage of other funding schemes, so our overall funding benefit out of these schemes is much lower than some.

Ross McEwan: I think you are going to see a good strong competition in the mortgage market, which will over time bring the margin down. We're going to be sensible about how we plan it.

And I know that in other banks saying they are going to be out there competing very, very heavily. I think this is much as -- it's much about distribution as it is anything else. They can put an offer into the marketplace, but if you don't have distribution to back it up, it's somewhat useless.

We will be cautionary about it. You saw us move our pricing as you try to push the pricing up in the second -- earlier part of our second quarter. This has since come down again, so we've been trying to actually be on market as opposed to be one pulling it down.

But I think we will -- our aim is to continue to grow faster than market but they grow faster, we're slower than probably has been in the past, and you see that already coming through this year.

You are seeing a much more stronger balance towards mortgages. Allison and the commercial space has got some assets that she has still wanted to take off the books. That's why we said a net 3 percent growth across PBB and CPB.

I think you'll see that book sort of grow, but not anywhere near the pace we see at personal business bank, and that's for a very good reason, and we've got some asset we want to take off.

Raul Sinha: Can I just follow up? Sorry, Ross. On unsecured particularly, once you do know what capital treatment, if any, would be perspective, would you reconsider the approach here adopted to unsecured?

Ross McEwan: Yes, unsecured, I'd go back to we've got a lot of scars in this organization around unsecured lending. So we've got to put our position in context with that. But we do want to do unsecured lending.

We've done it very -- quite strongly in personal lending space, where we've been on market growth, and I think we'll continue there. It's only been the credit card piece that we've been a little bit concerned about, and it's from the customer behavioral pieces about how we treat customers, it's the piece that has always worried me.

Les and the team have been working through some options there. We're not ready to go back into that market. I think you got to be careful when you go, and there's been 10 percent growth in that market last year, but I think it's pretty high. So we've been -- we are cautionary, and we're just dealing with our customers because we know them, we've got all the data.

Howard Davies: Can you move it along to the next one? Yes, thanks.

Rohith Chandra-Rajan: It is Rohith Chandra-Rajan from Barclays. I've got three, please, if that's OK. One is just following up on the mortgage pricing question.

So some of your peers are sort of suggesting that as the TFS starts to -- well, as we talk close to the TFS close, that, that might lead some improvement in mortgage pricing.

I wonder whether that's a view that you concur with or whether you actually think it's more about large banks with big distribution capability, still liking the returns available in the mortgage markets.

And then secondly, just on the -- again, on the net interest income, just sort of margin versus volume, particularly in relation to the liquidities. Is it right to assume that the drag on the margin and liquidity is offset by higher average interest earning assets, so it doesn't actually have any net interest income impact?

And then the third question is just a point of clarification. Central items revenue picked up GBP 350 million in the quarter, of which about GBP 200 million was IFRS volatility. Just wondering if you could shed any light about what the other GBP 150 or so million was.

Ross McEwan: To mortgage pricing, I'll start there, and you can go on to the others, Ewen. I mean, I've always maintained that once the big banks get fully capitalized again and get stability, that there would be competition coming back to this marketplace, and that's what you're seeing.

So you're seeing ourselves wanting to grow in the mortgage market, we have been quite weak, but that's been a 5-year strategy load for us.

You are certainly seeing Lloyd's with a very strong position, Barclays, HSBC signaling. So you're seeing the bigger banks actually wanting to be in that market because we see it is a good proposition for customers.

So I think you're going to see margin contraction continuing, but it's got to be done profitably. And the day we see it not being done profitably, we won't be there. It's just got to be done profitably.

And remembering that the uptick for us will come and risk weighting at the end of 2019 and up to 2020. We're already pricing as though that's there. We're also priced knowing that in payments s in very low level today.

You've got to normalize that before you actually say this is a sensible thing to be doing. So we have been building distribution, we're a price taker, not a price maker in that marketplace, and we will continue to be strong in the distribution front and deliver great service.

I've talked about some of the initiatives that we're doing that will make it so much easier for customers to do business with us. That's quite important to customers. It's not just around price.

But I think it is going to be continued contraction in this marketplace. We are focusing on it and not focusing so much on the unsecured. That means – our NIM contraction will look larger than others, but again, we're using less capital to do so, which gives us a reasonably good return

Ewen Stevenson: Yes, on net interest income, so if you back out the extra day interest in Q2, net interest income would have been down about GBP 20 million rather than being up GBP 4 million.

The -- I think as we go into Q3 and Q4, if you look at that NIM compression that I talked about, I think we will be able to offset that with volume growth. What we saw in Q2, what Ross was alluding to, when we pushed pricing up, flow share dropped from about 13 percent in Q1 to about 11 percent in Q2.

So we've now pushed pricing down a bit, and I think as a result, flow shares should pick up and mortgages. I would remind you when we talked about that GBP 20 billion of gross RWA reduction we talked about losing GBP 250 million to GBP 300 million of income, so at some point, that will progressively start to roll through the numbers as well.

But overall, I think that as we've done consistently in recent quarters, despite NIM compression, we've continue to sort of build net interest income through volume growth.

Ross McEwan: It also means we do have to keep the focus on our cost-reduction program. We've given you the numbers there. What it does make, all of it, it does help you in maintaining the jaws on the business, so there's a very strong focus continuing this business on cost reduction. We got to get ourselves back into shape.

Ewen Stevenson: On the question on central items, there's one or two things but nothing significant, and I think we sort of continue to guide to the fact that, that should be 0 over time.

Howard Davies: Can you move it along to your right? Thanks.

Robert Noble: It's Robert Noble from RBC. Just looking at your net promoter scores, there's been wide divergences between brands and businesses. So just looking RBS is doing very well -- sorry, NatWest is doing very well, and Royal Bank of Scotland is not so well.

Business, not doing so well; Commercial, doing very well. I'm just wondering what are you doing that's making customers happy in NatWest and Commercial Banking? And what are you doing to make them sad in the other ones?

Ross McEwan: Well, should we have the happy bit from Alison? Alison? The mic is just behind you.



Alison Rose: So on the happy bit, in Commercial, we're very focused on very -- focusing on meeting our customer needs. So we've had a whole program of investing in training in our bankers in their capability and targeting them really on needs to meet their customers. So we're deepening our understanding of our customers and delivering better service.

Lots of simplification and innovation going in, so we've redesigned our whole lending delivery, which is starting to roll out, so better service, quicker decisions, fast yes, fast no, money in their account very quickly.

But that means very sustainable lending and increasing our content and knowledge to our customers. So it simply that's so doing a better job with those customers deepening their needs, real sector-led content, which we're delivering to our commercial clients, with local representation across the markets, and meeting it end to end. So simplification, better quality bankers, better need met, better products and better delivery.

Howard Davies: It's actually schizophrenic as part of him is happy and part of him is sad.

Ewen Stevenson: So I'll answer the question a little bit more broadly. If you look at the very positive jaws that you have, part of that is the result of a huge change that is going on in terms of distribution.

We're taking out 250 branches this year, and that's in the back of doing something similar the previous year and the year before that. At the same time, we're building up our digital capability. And that change is not always easy for customers.

And so in business banking, in particular, where we're moving to a more direct model, what you're seeing is the branch network comes down and people have to adjust more to a direct model, not everybody is enthusiastic about that.

Now the good news is the direct capability that we have is very strong. If you look at our mobile app, it's the best rated in the Apple Store by retail customers. And it's -- there is the separate rating for business.

But if you look at the research that we have, it is positive. So we think that it's -- the answer to the question is it's a period of adjustment, but we think that it's the right thing, and we're confident that it will improve.

Ross McEwan: And I just pick up on that a couple of other points. Les does get hit with a lot of brand drag, I mean because where you see NatWest, you see the Net Promoter Scores being at the higher level.

And 85 percent of Les' business sits underneath the NatWest Personal side, which is running at a positive 13. It's actually quite high levels for us. On the business side, that business was running a return on equity of something like 7 percent to 8 percent about 3 years ago, which you would've seen unsatisfactory.

I certainly did. That business is now getting well over the return on the cost of capital, which we're pleased with. We've changed the model. And you are having -- we're having to get customers used with quite a different model and how it was operating.

In the commercial business, we have the opportunity of having one-on-one relationship through a relationship manager, and Les' business, it's a one on thousands.

So you can't get to the more than one and massive change going on in that business with the way we are having to respond to how customers are changing, neither Les is not at all enjoying it. There's a lot of brain drag on the Royal Bank even though we position it very strongly.

Howard Davies: Can you move it to the -- yes, behind you. Thanks.

Martin Leitgeb: Martin Leitgeb from Goldman. I have three questions, please, and the first is to follow-up on the mortgage comments made earlier.

And I'm just trying to -- if my understanding here is right, essentially, what RBS is trying to do is to maintain at roughly 12 percent, 13 percent flow share going forward, and essentially, pricing at the moment is still such, that your front book returns allow you to maintain that for the time being.

And then the second point of the question is the earlier comment on the margin compression to continue in that space, is that purely the timing effect of the mortgages churning or the average duration, which is 2, 2.5 years?

Or is that because you also expect a front book pricing still to continue to fall going forward? The second question is on capital, and this is just to come back to the discussion on ring-fenced bank, non-ringfenced bank, if you could share what you think the core tier one levels might be between those two entities going forward post ring-fencing next year.

And the third question, just to touch on the strong performance of NatWest Markets. One gets the sense, at least from the numbers, this seems to be running much better than initially thought. Is this a fair assessment, or a couple of items within that which might have driven that strong performance in the first half?

Ross McEwan: I'll pick up some of those, and you can pick up the ones, Ewen, I choose not to answer. First off -- well, it's the way it should be, shouldn't it? First off, on mortgages, our objective is to grow faster than the growth in the market.

We haven't seen ourselves at 12 percent, 13 percent or any percentage growth just to be growing a little bit quicker than market and that is because of distribution capacity that we have built over time when we just happen to have a big client base that we never really concentrated on.

So there's no 12 percent, 13 percent. The fact the we had been doing 12 percent I think signifies that we've got good distribution in that area. But we're happy to be growing faster than the marketplace.

And that is around distribution. It's not around pricing. As they've said, we've -- if you look at the average pricing points, we did try to make a move in the marketplace to eak some more margin out. It didn't work. We're back to where we are. We're just following the market. It is what it is.

On the compression itself, it is -- if you take competition in the market, it's going to be front book that actually does get knocked around a bit more, and that is certainly we would see a bit of a -- we've lift with about 12 percent of our book being on back book, particularly around SVR, so there's not a lot that's moving around there. Les, probably, is it 1 percent movement? Probably wouldn't even be that out of the book.

Les Matheson: That's stable.

Ross McEwan: Pretty stable at around that 11 percent, 12 percent, so it's really around front book margin. On NatWest Markets, I'll get Chris to make some comments about the business.

But can I just take you back three years ago when we were probably sitting here and we made the determination that we were going to bring this from being GBP 150 billion of risk-weighted assets down to GBP 35 billion of risk-weighted assets and being a very focused business on 3 things.

That's what we're doing, and that's where I think the success comes as when you focus a business, you get the results because of it rather than spreading ourselves across, what, 28 product sets that you start with to three things we're really good at. That's why we're getting some really good results, and I'll leave Chris to say and make some comments on how we see it.

Chris Marks: Yes, thanks, Ross. And actually, the story isn't much similar to Alison explained with. I think the really powerful step for us is that we've now been doing it for 2.5 years, and we got the consistency of what we are offering, what our -- and we've got the proof of the execution.

So we came out with obviously a fairly big reshape of the business back in 2015. What we've seen since then is actually some interesting market conditions.

And what we've done is shape our business, that allows us to support our customers through those difficult market conditions. And it continually tests the business but also builds goodwill, and it allows us to get closer and closer to our customers.

So similar to Alison, we made the business much more efficient, we've improved all of our customer journeys, we're continuing to invest and transform the business so that our front end technology and the applications that they use are more and more effective and more and more relevant.

We move doing -- migrating more of our customers onto our e-channels so that, actually, that enables us to be quicker to respond and enables us to put more flow through our systems, and it reduces risk and enables us to manage our risk better.

The dynamic that we've seen in the businesses is really just based upon the kind of clarity -- as Ross said, the clarity of the product set and getting closer -

- much closer to our customers and understanding what they need in all these difficult market conditions and giving true relevant advice.

There's no sort of magic to it. It's simply being better at what we do and be very clear about what they do, so they come to us as one of their key banking partners rather than somewhere down the pack.

Ross McEwan: Thanks, Chris. The other thing too, we set out GBP 150 billion to GBP 35 billion. Over the last year, Chris and team are working through how do we get that to GBP 30 billion risk-weighted asset.

So it's just a fine tuning of that business that they are operating through. I'll just remind you too that this business we are expensing all of the investment into this business, and we'll continue to do so over the next three years. So you're seeing cost-reduction drop out at about GBP 50 million a year until the big investment stops, and it drops quite quickly into 2020.

So remember, that's our specific way we are operating this business. So don't expect the cost reductions of this business to be linear. There will be drops of about GBP 50 million a year until we stop the investment and expensing it all. Is there anything you need to correct, Ewen?

Ewen Stevenson: No, just a couple of points. Just on Williams & Glyn, when we re consolidated that back, it has about 1 percent of mortgage market share and about 1 percent of flow share.

The flow share, we think, is not particularly overlapping. For example, we gave Williams & Glyn three brokers that we didn't use a lot, and we basically applied our same broker distribution model to those brokers, and they've done a very, very good job, and they're taking about a 1 percent flow share. So on the point on capital, it is a really good question.

Martin, I think our intention is to come back in Q3 and talk about -- a bit more about ring-fencing and the impact of capital across the group.

But broadly, remember that we've got two non-ringfenced banks: NatWest Markets, where, for leverage reasons, we may run a slightly higher capital ratio than the 13 percent group ratio; for RBSI, potentially a bit lower than the 13 percent.

You then get into questions of how much double leverage you can have at holdco and a bunch of other question, so it's a good but not straightforward question we'll talk to that in Q3.

Howard Davies: We need a bit of row diversity here, so we move in the second row. Chris, behind you, a woman to your back. Yes, that'll do. Thanks.

Claire Kane: It's Claire Kane from Credit Suisse. So I have three, but the first two are just really clarification points. So on the NIM compression in the front book, back book, could you perhaps talk about then respect to U.K. PBB NIM because you had a very sharp quarter on quarter drop much more than you're indicating for the group overall? What is the front book NIM on that business?

And should we expect that 40 bps from the back book compression to come through based on stable front book rates today overall at the group level? So that's the first question.

The second one is on the PVA adjustments you made. So I think you said GBP 500 million. So should we expect that to unwind as you book the GBP 700 million losses in the second half, so it's more or less CET1-neutral? And then third point, just on Williams & Glyn, as you fold that back in, could you give us some indication of what those restructuring costs will be?

Ross McEwan: Sounds like three good ones for you, actually.

Ewen Stevenson: So on your NIM question, it's obviously that's where more than most parts of our business we're seeing compression because of the mortgage phenomenon we talked about.

So not quite. I mean, the 40 basis points between front book and back book I think should fully apply to U.K. PBB. The PVA question, that is actually GBP 400 million.

So you should expect -- we've -- we think that we have about an incremental GBP 700 million of Capital Resolution losses in the second half, that GBP 400 million that we've taken and the PVA adjustment is effectively front-end loading GBP 400 million of the GBP 700 million.

And then on Williams & Glyn, I don't think we're yet able to talk about that sort of reintegration plan and won't to so until we got sort of final approval out the European Commission.

So that will be incremental cost of consolidating in. But one thing I would say is, if you think about it in M&A terms, it's a sort of classic end market merger over time.

But yes, all the systems, all the products, all the processes are the same as ours, so if you map the branch network across our branch network in the U.K., you'll see very close proximity of many of the branches as well. So there should be significant cost opportunity there in due course.

Howard Davies: Yes, next to you. That's it, fine.



Michael Helsby: It's Michael Helsby from Bank of America Merrill Lynch. Two questions, actually. First one, on costs, Ewen, you mentioned that the cost progress would not be linear.

But the first half cost number is that we kind of double it and at the levy. You clearly running below your -- what you're targeting for the year, so I'm just wondering what are the bits popping in, in the back half to offset the -- actually, the actual cost savings that you still flag in for the second half?

And then, obviously, there's been a lot of questions on margin. The front book, back book, it does feel like that's more than a second half phenomenon, so the pressure that you're seeing in the margin, in that area particularly, will extend beyond the second half so just wondering if I could invite you to give some comment on the outlook for the margin for next year as well.

Ross McEwan: No to both of those. First off, I'll deal with the one on costs because I got my Chairman here. I don't want him doubling up on us having to double what we've done in the first part of the year, that will not happen.

We -- we've done GBP 494 million out of GBP 750 million. I hold you onto the guidance of the GBP 750 million, please. In the front end, remembering we had cap rates coming off, so big costs coming out of Capital Resolution, which make up some of that front end.

We won't give -- and there is much of that in the second half of the year low. There will be some reduction, but it's becoming more and more into the core bank that we're having to -- where we're taking the costs out.

So those one-off, the operations that we had, we're bringing down and becoming less and less and it's starting to swing the other way. And that's why I guide you to stay -- keep your guidance back onto the GBP 750 million of cost even though we are doing I think a very good job on the front end.

Ewen Stevenson: Yes there were also some one-off benefits in that GBP 500 million reduction in the first half. And the reverse in the second half. So -- but we've been at this for 3.5 years, so assume that we understand how to do cost forecasting. So when we guide you not to double, please don't.

Ross McEwan: Yes please don't. And don't tell my Chairman.

Ewen Stevenson: And NIM for 2018, we're not going to forecast. But I mean, look at some point, interest rates will go back up. And as you know, we've got a deposit book that is geared probably more than most of the banks to arising in positive yield environment. So we look forward to that in due course.

Howard Davies: To your -- yes, to your left, and then I'll come to you.

Joe Dickerson: It's Joe Dickerson from Jefferies. Quick question on the liquidity book. I mean, it was GBP 160 billion at the end of Q1. It's now GBP 178 billion.

I guess, did you really need that kind of incremental liquidity in light of the FHFA charge because that seems to be what you referenced. And then following on from the last bit of the answer to Mike's question, I haven't got to the page yet, but could you disclose what your rates?

Presumably, the rate sensitivity, the rising rates must have gone up I would've thought in the second quarter. And on the same liquidity point, if the TFS was going to be negative for you, why did you draw down GBP 14 billion of it?

And then the second area of questioning would be on the repurposing the Dutch banking license. Does that create any hurdles to streamlining the capital structure around RBS?

Ross McEwan: Ewen, I think there's one (inaudible).

Ewen Stevenson: Yes, so on the repurposing, no, shouldn't do. I didn't say that TFS was negative for us. I said it was net negative. I mean, it's broadly in line with the other existing funding costs.

Where it's negative is it's because it's enabled more competition in the mortgage market. On the liquidity book, FHFA is not the only conduct costs that we're facing at some point. So...

Joseph Dickerson: On rate sensitivity?

Ewen Stevenson: Rate sensitivity is in the back. Yes, you're right. What's the page for reference? It is in the appendix, but we have become more rate sensitive, obviously, because if we've re-priced the deposit base down, we can't re-price that further in negative rates, and we are more rate sensitive on a rising rate environment. But the disclosures are...

Howard Davies: Thanks. In front of you, yes. Thanks. Then I'll come to you, sorry.

David Lock: It's David Lock from Deutsche Bank. I've got two, please. First one is on the DOJ, and I appreciate there's no update. There's no one picking up the phone. It's going to be frustrating for you all.

But clearly, you are taking at least some liquidity provision for it. I was wondering, if we are sitting in the same place in five months' time, six months' time, do you feel you are going to be able to take at least a small provision before that conversation really starts in 2018, if it does end up being 2018? Just trying to get a sense of the flexibility around what you can do in this financial year. And I've got a second one on margin.

Ewen Stevenson: Yes, so it's an accounting question. We would need to be engaged in some form of discussion that allowed us to take a different view on the appropriateness of additional provisions.

We would hope to be able to be in discussion and be able to have that fact set by the end of the year. But we constantly revisit it. But at the moment, we've got no basis to revisit that provision.

David Lock: Just the second one is a broader question really on how you're approaching mortgages in particular because it strikes me that you've always had a lot of mortgage growth in recent years.

You've been particularly focus on the first time buyer segment, which means that I would think that a large portion of your mortgage book actually has got a lot of first-time buyers and a lot of borrowers who, frankly, have never seen a rate rise.

And I'm just wondering how you think about that in terms of a risk, both behaviorally, in terms of when they come to redeem, but also, obviously, if rates do go up, how those customers will actually behave.

Ross McEwan: First off, we don't price them today when do the assessment on the current rate they are on. So if they are going on to a 2.5 percent or 3 percent, their price is I think, it's 6.75 percent or 7 percent on their ability to pay.

And we've maintained that right throughout the cycle. On the percentage of your first time buyers, we did participate in the government scheme where the guarantee was put in place.

We have assist that since that's come off, we had, I think, doing a little bit less, but we have stayed in that market but has been quite clear about what we're looking for on first-time buyers.

Les, you might like to make some comments just around that as the percentage of book and the approach we take particularly around incomes.

Les Matheson: Yes I mean, actually, we've been slightly underweight in terms of first-time buyers over the last two or three years. We've -- we had more like about 18 percent of our book there.

Over the last -- over this part of the year, what we've seen is buy-to-let coming down a lot, obviously, as you will have seen, and the market for first-time buyers has increased somewhat, and we're thinking about our share of that. But the bulk of our mortgage is in either remortgaging or in new purchase rather than first-time buyers.

Howard Davies: Thanks. We go right there, yes. Just two back -- two rows back. Directly behind you. Thanks.

James Invine: It's James Invine here from SocGen. Two, please. The first is on your 30 basis points from IFRS 9. Can you just confirm please that you don't expect any offsetting increase in Pillar 2A on that.

And then the second is on London mortgages. So last year, I think you grew the London mortgage book 15 percent but this time, you seem to have dropped the disclosures, which I was wondering if you could tell us the number, please.

Ross McEwan: Sure. I think our exposure to London mortgage, about 18 percent of total book.

Les Matheson: Yes, that's true in terms of forward flow as well.

Ross McEwan: Yes, it hasn't changed dramatically. It's been around that 18 percent of our total book. So...

Les Matheson: Which is less than the market average in terms of London, so we're slightly disproportionate. We have a lower share in London, which you might expect from a bank that has predominantly been Scotland, North of England, Midlands. So we are underweight in London, and we continue to be underweight in terms of our forward flow.

Ewen Stevenson: Yes. On the IFRS 9 benefit, it shouldn't have a (inaudible) impact on us. I mean, just in terms of the portfolio, with a GBP 1 billion mark-to-market gain, that there was another U.K. bank that has had a similar portfolio with the embedded derivative attached.

But they restructured that a while ago and took the capital benefit. We always knew that we were going to get an IFRS 9 benefit. It would've involved us crystallizing some fairly material losses in order to restructure those loans, so we've just been waiting for IFRS 9 to OK.

Howard Davies: Thank you. Can I see any more names? Yes? Two in front. Thanks.

Chris Cant: It's Chris Cant from Autonomous. If I could just follow up a response to the earlier question in terms of the NatWest Markets investment being put through the P&L, when I look back at your historical investment in intangible assets, it's been pretty limited on a net base. In the last few years, you've written off quite a lot of the old investment in GBM systems.

And obviously, you built quite a large excess capital position. I'm just wondering whether that is going to be a headwind to that at all from renewed investment in intangible assets, over the next few years, should we be expecting a sort of a pickup in investment?

When I think about your Net Promoter Scores being quite static at best, slightly down quarter-over-quarter in terms of retail, do you need to be investing in better systems in retail banking?

Ross McEwan: Yes, just on NWM we don't see any change to that, so we're expensing today all of the investment that business last to this year, it's about GBP 210 million I think Chris. Next year, we're looking at about GBP 200 million. And the year after, I think it drops down a wee bit. I think it's about GBP 160 million - - GBP 150 million to GBP 160 million.

And then thereafter, we think the normal spend for that business is probably going to be more around GBP 50 million to GBP 60 million.

So you can see the drop off from where we see the expenses, if you're expensing them completely today, you know in three years time, you're going to have a lot less. But we don't see a buildup in intangibles. You've got something to add?

Ewen Stevenson: No, just in terms of investment spend, we've been spending -- well, sort of come back quite strongly, what you said. But we've been spending over GBP 1 billion a year on investment spend for several years now.

And actually, the cost of digital distribution is actually quite low in terms of those investments. But I go back to what Les said earlier. If you look at mobile bank, the NPS on mobile for us is in the 50s.

It's actually got the highest Net Promoter Score of any of our channels. It grew about 20 percent in the first half. It's the only retail channel that's actually seeing growth now. Online itself was even in decline.

So you've seen effectively 20 percent compound growth going through digital and 20 percent reduction going through in the branch network. So there's a

very deliberate and substantive investment program going into digitally transforming the bank at the moment.

Chris Cant: I suppose the implication then is that you've been expensing most of that investment as well rather than capitalizing it.

Ross McEwan: Yes, a larger portion of it has been. And you saw in the numbers I gave you, we're taking out 700 systems and applications in the first six months of this year.

We are reworking the stack of technology for this bank and making sure it's appropriate for this business going forward and making it simple at the same point of time. And we will continue to do that over the next two, three years.

Ewen Stevenson: Yes and linking that back to the cost program, one of the reasons we're so confident and continued the delivery against the GBP 6.4 billion all-in cost target for 2020 is the more that we get into the cost program, the more that we can see really quite significant opportunity and process reengineering and automation.

Howard Davies: We don't have any questions in the Ether, so are there any others before we wind up? Thank you. Do you need to say anything else in conclusion?

Ross McEwan: No, I just think we're pleased with the results. We know we've got a lot of work still to do on this bank. It's a good first six months. We have tidied up three of the major legacy issues.

Yes, we're still going to get a final approval on the Williams & Glyn, but that's a big issue for this bank. We do look forward to tidying up the DOJ as the last very big one, but it's more now than we can focus on the go forward bank as opposed to the bank that we once were. So thank you very much for joining us and...



Howard Davies: Thanks for coming. See you next time. Bye.

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