



Annual Results 2015
Moderator: Ross McEwan
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FORWARD-LOOKING STATEMENTS

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Howard Davies: Well, good morning, ladies and gentlemen, and welcome to our full-year results for 2015. Before we get started can I remind you please to switch off your mobile phones. Thank you.

I took over as Chairman in September of last year, so for most of the year under review Philip Hampton was in the Chair, so I'd to begin by thanking him for his service to the Company from 2009 to last year.

This latest set of results represents another year of progress for RBS. We've accelerated the rundown of non-strategic assets; we exited Citizens successfully. There are also signs that the underlying strength of the core businesses are beginning to show, with encouraging mortgage and business-lending growth.

I'm also pleased that we are able today to announce an intention to pay the final dividend on the Dividend Access Share during the first half of this year, subject to final Board and PRA approval. And that's an important step in our progress towards being able to return capital to shareholders.

We know that we still have considerable obstacles to overcome. Two of the most challenging are a resolution to our litigation issues in the US on RMBS, related to RMBS activity from 2005 to 2007. And also the need to divest Williams & Glyn by the end of 2017 to meet our mandated deadline from the European Commission.

We're very aware that concluding a settlement to the RMBS activity is a key factor in creating a clearer investment case for the Bank. Although we've already put aside material provisions, it's not possible, at this point to forecast when these cases will be resolved, or at what cost.

What I can say is, the Board is committed to resolving the issue as quickly as possible. We want management time to be focused on improving the core bank. On Williams & Glyn, our target remains full divestment by the end of 2017 by either a trade sale, or an IPO, consistent with the EC obligations.

Looking to the future, Ross has set out a clear, straightforward strategy to which the Board is fully committed. The aim is to create a simple bank,

focused on doing fewer things, and doing them well, built around a low risk UK and Irish retail and commercial bank.

We want a strong bank in capital terms, with a long-term target of at least 13 percent of core Tier 1 capital; and a fair bank that meets customers' needs, with the target to be seen as the best bank in the UK for customer service, trust, and advocacy by 2020.

Now, before I took on this position as Chairman, I satisfied myself that this strategy was one that I can whole-heartedly support, and that I believed to be realistic and achievable.

We still have a lot of work to do, but these results show further progress in returning the Bank to full health, and, in time, to full private ownership. I'm also convinced that the decisions the Bank made two years ago, to sell down assets and refocus its investment bank to bolster its capital position, will serve us well, particularly in current market conditions.

The next few months will be challenging for all banks. Global markets have been, and continue to be, nervous and volatile. The EU referendum adds further idiosyncratic uncertainty in the UK and Ireland. But we believe our capital strength means we're well prepared to manage ourselves through what could be a difficult period.

I'll now hand you over to Ross and Ewen, who will give you more detail; after which, I will Chair the Qs and the As. Thank you. Ross.

Ross McEwan: Thank you, Howard. At our 2014 full-year results, I said that the progress we'd made on our plan would allow us to go further and faster in 2015. And we've done what we said we would do.

Today, I'll take you through our progress, and outline our 2016 goals. Then, Ewen will walk you through the details, the financials, in much more detail.

The pace of progress in 2015 has resulted in a set of financials that are a lot noisier than any of us would like, but three things do stand out. The first is we've made strong progress in selling and running down assets that don't

support our strategy, and including the accelerated sale of Citizens in the United States and the sale of the international private banking operation.

Secondly, we've given a much clearer picture of the risks we face by provisioning more for conduct and litigation issues, writing down the goodwill in private banking, and addressing a large part of our pension risk. I know that none of these are pleasant for shareholders, but they are essential for moving RBS forward.

And thirdly, we've got great brands in NatWest, the Royal Bank of Scotland, Ulster, and Coutts, and they're helping us to grow the business in the markets we like, which are, namely, UK mortgages and the commercial markets.

The results of our progress in 2015 is a stronger and simpler bank, and, I hope, for you as investors, it's a clearer investment case.

We remain focused on improving our strongest businesses, and clearing the path for future capital distributions, which are, of course, subject to PRA and our own Board approval.

We are clearly in phase 2 of our plan. This year, the second year of this phase, we're aiming to complete the bulk of our heavy restructuring work.

We have been clear that the timing of many of the conduct and litigation issues are not in our gift, but we are working to resolve these issues wherever and whenever we can on terms that are acceptable to us.

We remain committed to full divestment of Williams & Glyn by the end of 2017, although we know now that, due to the incredibly complex nature of separating a bank from within a bank, the separation of the business will run beyond Q1 of next year.

I've said before, and I will say it again, that this is a very, very complex process. We can expect more challenges and risks to emerge as the work progresses, which is why we're being more cautious on the specifics of the timetable. But as I said, our commitment to fully divest remains unmoved.

Overall, by the end of the year we should be carrying a more normal set of demands on the business, and on the balance sheet. So 2016 primes us to move in to phase 3 of our plan as a much stronger, much simpler bank that is preparing for ring-fencing compliance, with good market positions; improving operating performance; and the heavy restructuring behind us.

The business has come a long way in a short period of time, perhaps more than any other bank in the sector. We said we'd boost our capital, and we have. Our common equity Tier 1 ratio is currently 15.5 percent.

We said we'd simplify the Bank, and we have, slashing the number of registered companies; reducing our property portfolio; rationalising our product offering; and cutting the banking platforms. These are just some of the steps we've taken to become a much more resilient and cheaper-to-run organization.

We said we'd refocus and grow in our home market, and we have. 90 percent of our income now comes from the UK and Ireland, and that's what we told you we'd do.

We said we'd run hard at removing costs, and we have. We've taken out more than GBP2 billion in two years, with more to come. Ewen will give you more detail on our plan to take costs out of this business.

Here is our scorecard of goals that we set ourselves in 2015. Our strength and sustainability improved further with the run-down of RCR substantially complete and Citizens sold. Both one year ahead of schedule.

We met the targets that we set for net promoter score in six of the nine categories, and I'll say a bit more about that shortly.

I mentioned simplifying the Bank, and the cost savings we've delivered. We started the year with an GBP800 million target, and then raised that to GBP900 in Q3. In the end, we took out GBP983 million from this business. It's good, but I've got to say that we have still a lot more to do.

We targeted lending growth in UK personal and business banking and commercial at or above nominal UK GDP, and beat that by 4.8 percent uplift.

And lastly, but, I think, just as importantly, on employee engagement we saw a big uplift this year and closed the gap substantially to the global financial service norm. I was actually delighted with that result.

We're getting behind our great brands. And we should never forget the great brands that this Bank has: NatWest, the Royal Bank of Scotland, Ulster Bank, and Coutts are just some of them, but they're the big ones.

We're making targeted investments, aimed at winning more business from our customers. These brands have been undersold during the crisis, and we're now resetting each one to deliver deeper, more targeted customer engagement.

I know from experience that good customer service and increased advocacy is delivered by engaged colleagues. Actions like our banking skills program and the wide range of leadership training are helping us to improve this engagement.

And I'm happy to see evidence of the service time improvements in both our business bank and our commercial bank for our customers. And, as Alison would know, there's still a lot to do here.

Our highest-profile product launch in the last year was the NatWest Reward current account. In my view, it is actually the best product in the market now, purely because of its simplicity. This is where customers get 3 percent back on their household bills. It couldn't be much simpler than that. A high quality current account is essential to building deeper customer engagement.

And, as you know, one of the things that marks us out as a Bank is our fairness agenda; and we've been incredibly strong on this, and we will continue to be so. We have continued to push on in areas such as ending teaser rates, and we've done so this year in home insurance.

Our mobile banking app is market leading. It's good for engagement, but it's also an efficient sales channel for us as well. And that's why we've improved

the NatWest app this year to offer loans and savings products at the touch of a button.

We're also the first to introduce touch ID, with over 1.5 million logons to date.

All the points I've mentioned were examples of the many investments we're making to become number one for customer satisfaction, service, trust, and advocacy.

By winning the loyalty and advocacy of our customers and serving them efficiently, we can build more sustainable, higher quality returns for our shareholders.

The proof of our efforts lies in the volume and the quality of the business we are doing with customers. In UK PBB, mortgage lending balances are up, and we're winning market share. And note, we've done this not through price. We've done it not through price, but increasing our distribution, capabilities, and much better service levels that we've been offering.

We've also supported just over one-fifth of all start-ups during 2015. It's vitally important that we get in early with the next generation of business customers, win their trust, and build valuable relationships. And in the spirit of this, we now had nine entrepreneurial hubs across the UK, helping entrepreneurs and small businesses access free space, mentoring, and financial support. And we've got a further four hubs due to be opened in the next 12 months.

We are the biggest support of business in Britain. And it's pleasing to see good growth in our support for the larger businesses as well, with lending balances in our commercial bank up GBP1.4 billion year on year. I think it's the first time we've seen net growth in this business for a long time.

And our larger business customers will increasingly feel the benefits of our scale and capabilities that we are hardwiring with our revised CIB business, hardwired again to our commercial banking customers, giving them a better quality service. This approach is already paying off.

The UK and Ireland are our home markets. They're great places to do business, and our focus here is paying off. The economics of these areas are relatively good. The health is good, and we hold good positions across the board in each of these areas. We're lending more to businesses and households, and we have almost all of our earnings generated here. And our capital is increasingly employed here, where we can generate good returns.

I committed to sharing our progress on net promotor scores with you, back in 2014. At the time, I said to you I will give you the numbers, whether they're good or bad, so you can see how we're progressing.

NatWest personal and business banking net promotor scores are the highest they have been since 2010. And can I say, with the latest stats that I've seen, they have continued to grow higher to the best levels ever in this year.

And our business banking scores in general are up across all brands. This demonstrates, I think, good progress. But it's clearly not good enough. We can, and we will, do better. I'm a firm believer that as our customer service improves and the new products bed in we'll be reporting greater success in our net promotor scores in times to come.

We said last year we had three categories of business. We were quite clear about them, the first one is invest to grow, the second one is to reposition for returns, and the last one is close or dispose. The last category, the close or dispose, is well progressed. From here on in, we'll be talking about the first and second categories of our business.

The UK personal and business banking is targeting market share growth in mortgages. We have a good mortgage proposition to offer customers. Increasing our support here will help customer engagement; give us a platform so that we can do; provide more services to these customers.

In commercial banking we will continue to move capital towards businesses that deliver higher-quality returns, and cement our position as the biggest supporter of UK businesses.

In addition to this, the invest-to-grow group is RBS International, something you won't have seen, because it was buried amongst our Coutts business; and it's our Jersey-based banking business, which we've broken out and will report separately from here on in. It will also be outside the ring-fence. This business has a new CEO, and a new strategy to grow and improve for customers.

The second group of businesses makes up our reposition-for-returns businesses. We have strong brands here, and we can win in these markets, but we need to take action on poor-performing and poor operating performers.

Ulster Bank, Republic of Ireland, is a good business that carries a legacy of poor capital allocation and high costs. Gerry Mallon will be joining us later this year from Danske Bank as the new CEO, and we've given him the mandate to tackle these issues and restore the brand.

Private banking is another business we like. We've appointed Peter Flavel from JPMorgan as the CEO, and he'll be coming in on board in March of this year. And I'm confident that over the next two to three years this will be a much better focused business, and its return on equity will also improve.

It's great to have senior executives and senior appointments with such good track records choosing to join us at this time.

Lastly, CIB, it's undergoing a multi-year transformation. We always knew that in this market the income will come off first, and the costs, which will take a lot longer time to come out, and that's certainly the case. But you can see from the numbers, the costs are coming out of this business.

It has a very clear plan to offer the wholesale services we excel at providing, and we'll provide them efficiently. I'm glad we started this process much earlier than many others.

No business here is exempt from our focus on costs. We do not give free passes for challenging headwinds in this Bank; and you saw that when the bank levy went up, we just said we'll take another GBP50 million out. We want positive jaws in all of our businesses.

So the turnaround plan is clear. This is year 2 of phase 2. Phase 3 comes in 2017, and ultimately delivers a sector-leading, lower-risk UK bank with solid returns from great businesses.

At the beginning of 2014, we laid out a very clear strategy for this Bank: that by 2019 we expect RBS to be three franchises with great brands and market-leading positions.

We said we'd have a UK and Ireland focused retail and commercial Bank with international capability, restructured for ring-fencing; we said we'd be running a cost-to-income ratio below 50 percent; we said we'd generate return on equity above 12 percent; and we'd be making attractive capital distributions to our shareholders. That's what we said, and our view is that nothing has changed in our strategy or our view of our capability to achieve this.

Let me finish by returning to the triangle we have used previously. All we've done is update the five new goals for 2016, will -- that will take us one step closer to our long-term targets.

In 2016, we aim to maintain a common equity Tier 1 ratio of 13 percent. We want to close the gap to number one for net promoter score in every primary UK brand. We want to take out another GBP800 million of costs. We want to achieve a net 4 percent growth in PBB and CPB customer loans.

And with our employees, we want to raise engagement to within 2 points of the global financial service norm. In fact, in this measure, we've also increased our long-term target to being in the upper quartile. It's that important.

In summary, two years in to our plan, we can start to see a very solid core Bank taking shape. We are stronger. Our capital ratio is up 690 basis points in two years to 15.5 percent, and our core businesses are delivering an adjusted return on equity of 11 percent.

We are simpler. Our systems are now less complicated and more robust. We've cut operating costs by over GBP2 billion in the last two years.

And we're better for customers. Service times are improving. We are bringing better products to market so we can deepen our relationship with our customers. And the Bank is leading on the fairness agenda on issues like teaser rates.

We're growing our core businesses. We're equipping our front line with better training, so that they can meet more of our customers' needs.

And, as I said, our lending to UK households and businesses was up 4.8 percent in 2015.

There will always be headwinds we cannot control; but where we can, we've done what we said we would do.

Next year, 2017, we will move in to phase 3 of our plan for the real focus on our main customer-facing brands, NatWest, Royal Bank of Scotland, Ulster Bank, and Coutts, to drive improved performance in these franchises.

And with that, let me hand over to Ewen, who'll take you through the financial results in more detail.

Ewen Stevenson: Thanks, Ross. My second full-year results, and despite this being my second annual attributable loss, I can see that we're making real progress with our plan.

For 2016, I think we need to do just two things well, firstly, progress further towards our sustainably great customer Bank; and secondly, continue to address our residual hurdles to be able to return to capital distributions.

For full-year 2015, we made an attributable loss of GBP2 billion. Backing out a number of one-offs, our adjusted operating profit was GBP4.4 billion.

Our income was GBP12.9 billion, down GBP2.2 billion, or 15 percent, on 2014. GBP1.3 billion of this reduction was due to capital resolution for CIB. Excluding transfers to commercial banking, revenues were down around GBP300 million, which was in line with our planned repositioning of the business.

And for UK PBB, despite the mortgage volume growth, income declined by 4 percent. This was largely due to the ongoing shift from standard variable rate to fixed-rate mortgages, as well as the impact in the reduction and interchange fees. A clear target for us this year is to stabilize revenues across PBB and CPB, while seeing only modest income erosion in CIB.

On costs, ex-restructuring and conduct costs, operating costs were GBP9.4 billion, down 10 percent on 2014. This exceeded our 2015 target for operating costs reduction.

Restructuring costs were GBP2.9 billion, leaving just over GBP2 billion to go of the GBP5 billion restructuring program out to 2019. As part of this, we do expect to incur further significant restructuring charges over the next two to three quarters, as we continue to move fast with our restructuring.

Conduct costs were GBP3.6 billion last year, with the major items being additional provisions for FX, US RMBS, and PPI. And as we continue to caution, we do expect further substantial conduct costs to come.

On impairments, we had another year of material releases, a net GBP727 million, with RCR and Ulster Bank ROI again the key contributors to these write-backs.

Away from these businesses, one of the benefits of this interest-rate environment is very low impairments in our core loan books. Across UK PBB and commercial, net impairments were just 3 basis points last year. And we expect impairments in the core loan books to continue to remain at low levels in to 2016. However, we do recognize that larger single-name event risk has increased, given the more uncertain macro environment.

Our adjusted ROE was 11 percent, which I think demonstrates the strength of the core underlying franchises. One of the things I've been very focused on since I've arrived is increasing the percentage of capital that we have invested in businesses that are earning at or above the cost of capital. When I started, there was only around 25 percent of our capital meeting this simple hurdle.

We've made good progress, but we're still up to only GBP105 billion of RWAs, or about 43 percent of our capital achieving this goal. But that 43 percent is doing very well across UK PBB, RBS International, and commercial banking. They're all top-one, top-two franchises with sustainable returns above the cost of equity.

As we've talked about in the past, within commercial banking we've still got a portfolio of around GBP9 billion of RWAs that we're continuing to clean up, either re-pricing to improve returns, or seeking to wind down or exit. And as we do, those help accelerate reported returns in commercial banking.

Turning to our other businesses, we've got about one-quarter of our capital invested across CIB, Ulster Bank ROI, and private banking. These each need to achieve much better returns.

For Ulster Bank ROI, its reported returns continue to be flattered by impairment releases. We've got a very clear mandate for Gerry, when he arrives in May, to strip costs out, to grow revenues.

We're also continuing to address the track and mortgage book. Our track and mortgage book RWAs reduced by a further GBP1.5 billion in 2015; that's down 16 percent. But with GBP7.8 billion still remaining, this portfolio will continue to drag down returns in our Irish franchise for a number of years.

On CIB, we discussed our strategic plans at the seminar, last November. I think it's important to note, we've already materially repositioned CIB. Two years ago, we had RWAs in the business of GBP147 billion; at the end of 2015, RWAs were down to GBP33 billion.

We're targeting further progress for the business this year, including additional cost savings, as part of CIB's path back to cost-of-equity returns.

And with private banking, our private banking business has got some great brands in Coutts and Adam and Co, and each with strong customer bases. But we've been too focused in the past on growing our international private bank, at the neglect of the domestic business. Returns in private banking should be materially higher than the 4.9 percent that we achieved last year.

And on our legacy assets pools and businesses, we've still got around GBP68 billion, or just under 30 percent, of our RWAs invested in these. We've made really good progress in reducing these in 2015, but we've got more to do.

Our balance sheet continues to shrink back to our identified core. Our funded assets were down 21 percent last year; leverage exposure down 25 percent; RWAs down 32 percent.

Our liquidity and funding metrics remain strong, which underpins our confidence and our ability to continue to grow in our core franchises.

TNAV per share declined 6 percent during the year to 352p. But I think it's important to note that we absorbed the costs of over GBP10 billion of restructuring conduct and pension liabilities during last year.

As Ross said, we're targeting positive jaws across our core businesses. With the revenue outlook that I just outlined, the only near-term lever we have to produce jaws this year is to reduce costs. We think we're building a decent track record on this.

We've lowered operating costs by more than GBP2 billion over the last two years; and, as we've committed to today, we're planning to reduce operating costs by a further GBP800 million this year. That's 9 percent lower than 2015, following on from a 10 percent reduction we achieved last year.

And with our already-announced plans to reduce further costs and capital resolution in CIB, we continue to make firm progress towards our 50 percent cost-to-income target.

As our balance sheet shrinks, our balance sheet resilience is improving materially. And on this, I think we've delivered impressive absolute and relative progress over the last two years.

Our core Tier 1 ratio was up 690 basis points to 15.5 percent; an 80 percent increase. On AT1, we raised GBP2 billion last August. And once markets stabilize, we plan to raise another GBP2 billion during the current year.

Our leverage ratio was up 220 basis points to 5.6 percent, which is a 65 percent increase. Our risk elements in lending are down by GBP27 billion to GBP12.2 billion.

And as a percentage of gross loans, risk elements in lending are now down to 3.9 percent, compared to 9.4 percent at the end of 2013.

We also took advantage of more benign market conditions last year to significantly de-risk high risk exposures. For example, we reduced oil and gas exposure by 65 percent, and we've reduced our emerging market exposure by 61 percent during the year. But given market conditions, we do remain vigilant across all of these higher-risk exposures.

Our legacy RWAs are also shrinking rapidly. Overall for the Bank, we reduced RWAs by some GBP113 billion last year. And our identified legacy RWAs were down by GBP110 billion.

As part of this, with Citizen's from a 70 percent ownership position at the start of the year, we fully exited by the way of three further sell downs. We shrunk RCR to less than 15 percent of initial funded assets, completing the task a year early. We'll now be reporting RCR on a combined basis with capital resolution.

Together with CIB's legacy assets, capital resolution in total reduced RWAs by some GBP46 billion last year. And we're targeting to reduce the remaining capital resolution RWAs down to GBP30 billion by the end of this year.

We also completed the first closing of private banking international, and we expect to complete that sale in the next few months.

Turning to our path to return to capital distributions, as Ross and I have consistently said, there are a number of hurdles we need to clear. We're very focused on getting through this list. Some are clearly within our control, some less so.

I would also repeat what Ross and I have been consistently saying to you: as soon as we can return excess capital, we will. If any of these hurdles delay our

ability for us to return capital, it will still be excess capital. It will be still sitting on our balance sheet, available and waiting to be returned to shareholders, as soon as we're able to do it.

You can also see, from today's announcement and previous actions taken, that we're preparing for a return to capital distributions. The B shares were collapsed in to ordinaries in Q4 of last year.

On the dividend access share, our intention is to now seek PRA approval to make the final GBP1.2 billion payment to extinguish the DAS.

We need to exit out of Williams & Glyn. Ross commented earlier on where we stand with the separation process. In appendix 1 of our Company announcement today, we've shown you some additional disclosure on Williams & Glyn. I would hope that this gives you a better view on the earnings and returns for Williams & Glyn as a standalone Bank.

We need to resolve our legacy conduct and litigation issues, particularly around US RMBS-related exposures. And we need sustainable profitability.

As I talked about earlier, we've got healthy core adjusted operating profits. We need, though, to stem the drag from ongoing conduct, restructuring and disposable losses, and our target is to see much of that drag expensed this year.

Also, a clear to-do for us is to have a good Bank of England stress test result at the end of this year, including passing our ICG hurdle.

Providing better certainty on our capital requirements for pension was an important part of this, and we've done that now. Settling much of our legacy conduct issues will be an important part of this.

And we were working hard in 2015 to reduce the stress sensitivity of our balance sheet, and we think we made good progress on this.

So, on our US RMBS exposures, we recognize that providing certainty on this is absolutely critical to our equity story, and also critical to us to returning to capital distributions.

In Q4, we took an additional \$2.2 billion of litigation provisions, which brings our total US RMBS litigation provision to some \$5.6 billion.

To repeat, we have no provisions for potential fines from the ongoing regulatory investigations by either the US DoJ, or various state attorneys general.

And we continue to repeat that settlement costs in relation to our overall RMBS exposure, on top of the new higher existing provisions, could be substantial.

As of today, we're not in any substantive discussions with any of the major counterparties involved. And we would caution that we don't control the timeline for the resolution of the various US RMBS exposures.

In summary, nothing has changed with our long-term plan. We continue to build towards a strong core bank, number one for customer service trust, and advocacy; a 12 percent plus return on equity; a cost-to-income ratio at or below 50 percent; and attractive capital distributions. We think we delivered against this in 2015.

We already have a strong, sustainably profitable core bank. Our six businesses made adjusted operating profits last year of GBP4.1 billion; an ROE of 11.2 percent. And this is despite three of the six businesses acting as material drags on returns. Our legacy assets are declining rapidly from 48 percent of RWAs at the start of the year to 27 percent by the end of the year.

Our balance sheet is much more resilient. We're sitting today with a core Tier 1 ratio 250 basis points higher than our 13 percent target; our risk elements in lending have shrunk materially; and we've made excellent progress in reducing higher risk exposures.

Ross and I are impatient, though. We want to begin to stabilize revenues in 2016 across our core franchises, and then return to income growth from 2017, onwards.

We need to continue to cut costs; another GBP800 million we're committing to this year. We need to finish the job on legacy assets. We need to continue to address our various past conduct issues, particularly US RMBS.

But to conclude on capital distributions, Ross and I understand these are a critical underpinning to our equity story. We want to return any excess capital to shareholders, and we remain firmly committed to doing so, as soon as we're able to do this.

With that, I'll hand back to Howard to host some Q&A.

Howard Davies: Thank you very much, Ewen. So we'll now go to Q&A. We'll, no doubt, have some from the web, but we ought to begin with those who have come along in person.

It would be helpful for me if you could identify yourselves. Because although from my previous job I know most of the insurance analysts, I know the banking analysts less well. And, of course, I know you regard yourselves as a cut above the insurance folk!

Raul Sinha: Good morning. Raul Sinha from JPMorgan Cazenove. Can I have three, please? Just the first one on Williams & Glyn, if you can give us a little bit more detail on what's changed in the last maybe one or two months that has caused you to obviously rethink the timetable on capital returns.

And the next two; just on the PBB and commercial top-line, please. These are two businesses that are growing, that you obviously want to invest to grow. They're growing their balance sheet quite materially year on year, as well as quarter on quarter, but the revenues keep falling. Even when I adjust for the headwinds on a year-on-year basis, when I look quarter on quarter I think commercial revenues are flat and PBB earnings are minus 4 percent.

So if you could give us some indication of at what point in 2016 you expect them to stabilize, or what are the requirements for them to stabilize, that would be really great. Thank you.

Howard Davies: OK, we will allow three, given the size of your balance sheet. So, Ewen?

Ewen Stevenson: Sure. Why don't I start on the back end of those questions, and I might hand over to Ross on Williams & Glyn. But on PBB and CPB, I think we have given pretty clear guidance that we expect it to stabilize this year. What are the offsetting elements on that? I think it's continued good volume growth.

We are going to continue to see, I think, continued margin pressure. A lot of that margin pressure, frankly, is coming from ongoing mix change in the mortgage book, which we saw last year. Mortgages -- the standard variable rate book was down to 17 percent by the end of the year; we think that's going to continue to drift down as a percentage of total book by the end of the year.

And we've still got to about another GBP40 million to GBP50 million hit from interchange fees to come through.

But if you do the maths, I think we were trying to signal, pretty clearly, that we expect income to stabilize through a combination of volume growth, margin pressure, and some loss on non-interest income. And then, what I said earlier, we do expect that to then start translating in to top-line growth in 2017, onwards.

Raul Sinha: When does the interchange roll off, please, Ewen?

Ewen Stevenson: When does it finish?

Raul Sinha: Yes, in terms of the drag?

Ewen Stevenson: Well, there's about another two quarters, I think.

Ross McEwan: There's about GBP40 million to GBP50 million of additional interchange that comes off in the next year. I think it was GBP70 million last year and I think

there's another GBP40 million to GBP50 million, Les is nodding at me, in the first half of 2016, and then it's out.

Ewen Stevenson: Do you want to do Williams & Glyn?

Ross McEwan: Yes, Williams & Glyn, I've always said this is probably the most complex thing of taking a bank from inside a bank, and we are finding that.

Just to give you a level of the complexity of this thing, there's something like 50,000 to 60,000 project pieces associated with getting this out. So if anyone's got any other ideas about getting banks out of banks, send them our way. There are 700 systems, there's 190 product sets coming out. And this is retail, right through to commercial. So it's highly complex, and that's what we're working with.

That's not to say that progress hasn't been made, because I think a lot of progress has been made in extracting it.

To date, we've had the first level, I think, it was about 400-odd of our main systems that have come out and gone to testing; and then, we've got about 103 I think it is, Simon, of our mid-range systems that have gone now in to testing. And each one of those shows you how close you're getting to getting it out. The next major stage in point for us is getting them from testing in to production, which will be later on in 2016.

But each time we do a piece we learn more. And some of that timeframe has slipped, and that's what we're signaling quite clearly here.

Raul Sinha: How does the complexity of separation of Williams & Glyn form your opinion on ring-fencing? I guess they're obviously quite different, but are you deriving any comfort from the work that you're already putting into Williams & Glyn that would inform what you do on ring-fencing? Or is that totally different?

Ross McEwan: No, a really good point. Our view at this point is we're planning for ring-fencing. It is much less complex than Williams & Glyn itself. But what we

have is we're dealing with the same people, having to do the same pieces of work, so that's why one follows on to the other.

And you're remembering too that our plan, we're taking Williams & Glyn out of the RBS systems stack. And that will also be a stack that we have to deal with for ICB. So the work we're doing at the moment on behalf of the Board is all of the programming of both of those pieces of work.

Raul Sinha: Thanks, Ross.

Jonathan Pierce: Thank you very much. This is Jonathan Pierce from Exane. I've got two questions. The first is a broader question on Group targets in 2019. If we just look at the core businesses at the moment; GBP11.4 billion of revenue, GBP7.4 billion of costs. In moving to a 50 percent cost-to-income ratio, sounds like it's going to be very little in the way of income in 2016, costs reduction.

By the time we get through to 2019, how do you see the shape of that? Previously, you've talked about maybe GBP13 billion of revenue, GBP6.5 costs, is that still your thinking?

Ewen Stevenson: Jonathan, as I said earlier, nothing's changed in terms of our 50 percent cost-to-income. We really need to get down low in to the individual businesses because each of them have got quite different dynamics.

For CIB, at the investor seminar a few months ago we talked about getting down to a cost structure of about GBP700 million or GBP800 million, which I think most of the cost-to-income ratio improvement in CIB is, frankly, going to come out of costs rather than revenue over the next few years.

You go in to Ulster Bank and private banking, both of them are sitting with cost-to-income ratios today around 80 percent. There's clearly a costs problem in both of them. We think with private we should also be able to grow revenues.

And then, the more that you get into the three businesses, commercial, RBS international, and personal banking, there will be some cost take out. But I think we're really assuming that we will be able to drive significant cost-to-income ratio improvement in commercial and UK PBB through volume and revenue growth over the next few years, once we're through the sort of trough and stabilization of revenues this year.

But if you do the maths, you can get to similar numbers to what you've just talked about.

Jonathan Pierce: OK. And just to clarify in terms of the cost reduction this year, how much of the GBP800 million is coming from the core businesses?

Ewen Stevenson: Look I mean mix the majority of it is still coming from really running down capital resolution. But there is a decent minority part of that that comes from the core businesses.

Jonathan Pierce: OK. And then the second one on capital, the GBP36 billion of RWA reduction you flagged this year, including the Citizens stump, how confident are you of taking that out this year within previous loss estimates?

And is there going to be any significant offset elsewhere in the Group in terms of RWA increases? Or will the mix shift toward mortgages offset the volume growth do you think?

Ewen Stevenson: Yes, firstly, with CIB capital resolution, I think we're pretty confident in putting out those types of numbers, that we can achieve them.

I think it's important to recognize that some of it is just coming down from running down the GTS platform, and running down various line portfolios and the markets business. And not all of that involves having to sell things in order to achieve those numbers.

The other thing with our capital ratios where they are frankly, if we got bids on the shipping business that we didn't like we can always hold it to maturity now. But we're pretty confident with the overall guidance of GBP30 billion.

In terms of the GBP1.5 billion of disposal losses that we've talked about in the past, we've spent just under GBP400 million of that so far through 2015. I think we continue to guide that GBP1.5 billion as a decent estimate of what it will take to exit.

David Lock: Hi, this is David Lock from Deutsche Bank. A couple on the Ulster Bank business, please. Firstly, when I look at the risk weighting of that business it's come down, I think, from 120 percent last year to about 116 percent. It's still about double the risk weighting of any other Irish bank that I can see. I was wondering how you expect that to roll off. Is there going to be a cliff effect when model changes come through? Or is this just a 1 percent per quarter reduction over time?

And the second one on that business, other Irish banks are starting to grow their balance sheets in Ireland, and are getting income growth from that. I was wondering if you could update us on your ambitions in Ulster Bank, given where that economy is growing at the moment. Thank you.

Ewen Stevenson: Yes, sure. I think it's, as you do your RWA comparisons, we have to abide by PRA requirements, rather than Central Bank of Ireland requirements; and there are quite significant differences, therefore, between a UK-regulated Irish bank and an Irish-regulated Irish bank in terms of RWA modeling.

I think it'll continue to drip down, but don't assume that there's a big cliff effect there at some point that brings us in line with the Irish banks.

When you look at the book in Ireland, you have to, firstly, back out the tracker mortgage book, and then there's about another GBP4 billion or so of NPLs in Ireland. So only about 40 percent, 45 percent of the book is a core loan book that we're seeking to grow.

I think it had decent growth last year. Mortgage volume was up about 50-odd-percent (over) the previous year, and commercial lending was up about 65 percent. So it is growing, but it's important to see that growth in the context of

the 40 percent, 45 percent. And you've still got other parts with the tracker mortgage book, et cetera, coming off quite sharply.

David Lock: And just as a follow up, as the NPLs roll off in Ulster Bank we shouldn't expect that to flow through to the risk rating materially?

Ewen Stevenson: Yes, it will have some benefit. We are seeing substantially less capital being held against legacy, because you've got a combination of HPI improvements, together with a falling book, and this is having a compounding effect on capital. But it will have some benefit, but I don't think it's going to be transformational for the Bank overall.

David Lock: Thank you.

Michael Helsby: Thank you. It's Michael Helsby from Bank of America Merrill Lynch. I've got a couple of questions, actually. First, on commercial, it's quite striking in a flat market that the two market leaders, being yourselves and Lloyds, are actually the ones growing their loan book. I was just wondering if you could maybe talk to what you're doing differently versus the market.

And if you could also, against that backdrop, because I'm conscious that some of the smaller banks are growing quite quickly, just talk about the competitive environment, and maybe the margin outlook in commercial.

And then, the second question would be in the retail business. Two strands to this. Firstly, on unsecured, Ross, you've been very vocal, historically, about not wanting to chase unsecured business, because it just doesn't make any sense at these prices. But I do know that you've cut your prices, certainly on the screen, vary materially, so I'd be keen to get an update on that.

And then just on the current account, the Reward, I've got one myself, it's great. It does strike me, though, that it's quite expensive, so what's the annual cost of that in 2016? Is it cost effective? I appreciate it's probably stemmed some lost customers, but just give us an update on that. Thank you.

Howard Davies: I think we need to go to the cheap seats in the front here. Alison, could you deal with the commercial one; and then, Les.

Alison Rose: On the commercial side, what are we doing differently? We're focusing on our strategy, which is around our customers. We're training our bankers. We have a full training program for our bankers; up-tiering, upgrading what they're doing, and focusing on a needs-led approach. So, we're basically doing a better job with our existing customers.

We have market-leading products. If you look at our Lombard brand, our invoice financing business they're market leaders.

We're increasingly addressing the needs of our customers to ensure we're dealing with that, and that's driving the growth that you're seeing in our commercial business of new lending of around GBP3.2 billion. So we're seeing good momentum, good improvement in our performance from that perspective.

On the margin outlook, like all of the other banks, the market is incredibly competitive. We're seeing margin compression. We're making sure that we're doing the right business with our customers. It's about building sustainable growth.

If you look at the RWA intensity across our book, we're making sure we are writing good quality business, but we will continue to compete effectively across the market.

Howard Davies: Thank you. Les?

Les Matheson: Thank you. Well, I'm happy to hear that you're a satisfied Reward customer. For everybody else, if you don't have a Reward account, do take a hard look.

To answer the question specifically, how do we actually make money from that sort of account, the first thing is, because it's all to do with how you use the account, people tend to actually hold more money in their current account

so that they can pay all their bills, so, the average amount of money that you have in the current account is greater. So, that's the first thing.

Obviously, it's not fantastic in a low-interest rate environment, but maybe that will change in time. So, the first thing is you actually have more funds in the current account. Maybe that's the case with you; maybe it's not. Have a look.

Second thing is what happens is as people start to use the account and they like it, and they use the mobile and they find that it's easier to use the account, they actually take out another account. I don't know, in your case. Have you taken out any other accounts with us?

Well, have a look and you will find that -- what we find is, on average, the number of accounts that people have goes up.

I think, as you mentioned, the attrition rate of people who have Reward is a lot lower, so a lot better, so people become more loyal.

The other thing that we're finding is, perhaps like you, we tend to get more mass-affluent customers who are using the Reward account. Unlike many of our competitors, there aren't any tricks, so you can -- depending on how big your household bills are you still get 3 percent. So, we tend to get a better quality of customer.

So, for all those reasons I won't go into the exact amount that it's going to cost us this year, but what I would say is it's certainly helping to reduce the attrition.

The other thing, if you think about it, in current accounts, ultimately, what we want is we want to get to a place where everybody pays a little bit.

Shouldn't be a -- I know in the UK that's a slightly unusual concept, to pay for your current account, but we now have hundreds of thousands of people, including you, who are now paying every month for their current account. And why you're doing that is because you're getting good value. So, enthusiastic about that.

Your first question in terms of unsecured, you're right, we have reduced our rate, particularly on loans. But we are still significantly above the market, if you look at where the market's actually dropped even lower. The cost of funds that we have, have allowed us to do that. So the return that we're making is still greater than 15 percent ROE.

Howard Davies: Thank you. I'm going to take one from the web now. Gary Greenwood, Shore Capital. What still needs to be done before you can separate Williams & Glyn? And what has caused the additional delay? We've sort of partly covered that.

Ross McEwan: In this, Simon's got more to...

Howard Davies: Well, Simon, do you want to say -- Simon McNamara?

Simon McNamara: I can say a little bit, if you like.

Howard Davies: Yes. Thank you.

Simon McNamara: Yes, as Ross said earlier, a big program with a lot of moving parts. There are about 70,000 milestones that make up this project. A number of them are behind us. We've already stood up the mainframe environment, and we've started this test environment that Ross mentioned, as well.

What's ahead of us is the establishment of the full production environment, and that's the work that's currently underway. So that's setting up, essentially, the destination in a full sense. That's what we'll be doing over the next few months, looking to complete by the end of the summer.

And then post that, if you can imagine taking 2 million customers from our business today over a weekend and having them fully functional and operating on a Monday morning in a new bank, there's a lot of testing and proving.

So we'll spend a significant amount of time making sure that as we migrate those customers from the existing systems to the destination systems that we

do that, that they fully function on the Monday morning; that the 190 products that they have with us are fully functional through that transition.

So that's essentially it -- it's standing up for production environment fully, and then the testing and proving, and then the cutover.

Howard Davies: Thank you. The Board is very focused on this. We have a deadline, but, of course, also we have to do this safely. We can't possibly envisage a situation in which 2 million customers get lost in translation.

Manus Costello: Hi, this is Manus Costello from Autonomous. Can I just follow up on Jonathan's question, please, about the cost-to-income ratio guidance, because I wonder what your rate assumptions are now embedded within that?

We heard from Lloyds yesterday that they've pushed out their rate assumptions. I wonder if you've done the same, because it would implicitly seem that you have a potentially higher yield curve when you set that target than it is now.

Ewen Stevenson: Yes, we've obviously reconfirmed the target today, in today's rate environment. So we're obviously cognizant, Manus, of the fact the rate environment has moved. And in terms of our modeling, we use consensus, so.

Manus Costello: So we should assume that you're just assuming more volume then to offset it?

Ross McEwan: And we have to take more cost out of this organization. We've shown our ability to do that. We have to tough it up, and do it even further, given the rate environment going forward. Never an easy task.

As you get a simpler business, you start to see in to that business and, well, we find things out all the time in this organization. But it's a tough task. But that's what we've said we're going to do, and we've shown that we will do that to date. We have to do it again this year, but it gets tougher.

Manus Costello: Thank you.

Martin Leitgeb: Hi, this is Martin Leitgeb from Goldman. Two questions, please. The first one on your PBB growth target. You are targeting 4 percent net loan growth in 2016. If I compare that to what you achieved, particularly on the domestic mortgage side, I'm just trying to square that up with how should we think of mortgage growth from here over the next 12 months, 24 months.

You mentioned you kept pricing, so you haven't flexed that yet. Should we assume that continues from here? Or could we assume that, given the infrastructures now in place, you could accelerate it potentially, or keep it at the same level?

And the second question would be on your corporate loan book. Just given the slowdown in macro we see in different parts of the world, where would you see the biggest risk for RBS here, going forward, in terms of credit cost?

Thank you.

Howard Davies: Thanks. Well, once again, Les first, and then Alison.

Les Matheson: If I take the mortgage growth, I think what you should just expect is more of the same. We'll be aiming to grow our volume at roughly the same rate that you've seen us able to grow it last year, and you shouldn't expect us to change our stance on pricing.

We're going to be doing that through the way in which we're selling the product through making sure that we're delivering good service; we're not going to be reducing our pricing in any way.

Howard Davies: Alison, on credit?

Alison Rose: Yes, in terms of how we're managing the book across the corporate side, we have a pretty active sector-risk framework and portfolio framework. You saw last year we reduced our balance sheet by GBP2.2 billion, so we actively managed the risk cycle in the different elements of our book.

In terms of our RWA intensity, you can see that's broadly consistent. So we're just actively managing that. You saw we've reduced oil and gas exposure quite significantly, and those are elements we'll continue to do.

In terms of what we have in our plan, I'm pretty comfortable we're actually managing the credit risk across the book.

Martin Leitgeb: If I may follow up, are there any elements within the corporate book where you see a deterioration of trends, whether that's NPL ratio, credit cards, whether that's shipping, or whether there's anything

Alison Rose: No, I don't have any concerns in terms of how we're managing at the moment.

Ewen Stevenson: Yes, shipping sits away from Alison's business, Martin, but it would be one area that we are watching.

I think the other thing important to remember in terms of the 4 percent across PBB and CPB, it is a net number. I talked about earlier Alison's got GBP9 billion of commercial RWAs that she's seeking to run off, so the gross growth that we're anticipating is higher than the 4 percent.

Andrew Coombs: Thank you. This is Andrew Coombs from Citigroup. Two questions as well, please. The first is just a follow up on the GBP0.8 billion cost reduction. We know that GBP0.2 billion of that comes from the international private bank as that drops out. But of the GBP0.8 billion, you've previously clarified that the majority of that relates to the legacy operations, so presumably the bulk of it is capital resolution.

Ewen Stevenson: No. We've currently got a cost structure in capital resolution of about GBP1.5 billion last year. And as part of that seminar we had in November last year, at some point that GBP1.5 billion has to go to zero.

Andrew Coombs: OK. I'm just trying to get a feel. If the majority of it does relate to the legacy items to capital resolution and there's less of that cost take ups coming from the core business, you're guiding to stable revenues from PBB and CPB, and

some further revenue erosion from CIB, and yet positive jaws for the overall core bank.

So just trying to drill down to which of the divisions you think is going to deliver the positive jaws...

Ewen Stevenson: We're not going to take you down to that level of specificity. But you can assume that we did the maths to assume that when we made a statement about positive jaws that we had done the maths to figure out that, that statement was correct.

Andrew Coombs: OK. And then just drilling down to PBB in a bit more detail, you just talked about the 4 percent net loan growth. Obviously, there's some off-selling pressures from interest margins.

But just doing the math and plugging in 4 percent it would look like you're assuming less of a margin pressure this year versus last year. And yet, when we look at Q4 the margin pressure was accelerating rather than decelerating. Why should that trend change going in to next year? Is it purely because you're expecting less SVR churn? What's the major delta?

Ewen Stevenson: Firstly, I think the Q3 versus Q4 comparison was unflattering because there were some one-offs that benefited Q3. So it didn't accelerate in the way you suggest in Q4.

And I think, as I said, the standard variable rate book is now down to about 17 percent. We do think that, that -- we've talked about previously that plateauing at around 10 percent; I think that's still our best guidance at this point. So we do think that you'll see less pressure this year relative to last year from that (switching).

Ross McEwan: The SVR book is down to 15 percent now. And we're going to have to look at the other side of the balance sheet around the liabilities, the pricing, to actually make sure we don't lose a lot more margin. But I see there will be a trending off in the margin, as we've said.

Chintan Joshi: Chintan Joshi from Nomura Two questions, please. One on -- you touched upon this a little bit, you've got GBP1.9 billion cost in the non-core division, most of it is in capital resolution. Can you give us some color on how much of this is allocated costs, or indirect cost; and also, more importantly, the confidence in running that out, or the risks of not being able to run that out?

Ross McEwan: They're all sitting in front of you. And they have to take their share, because a fair bit of it is on an allocated basis. We are running a functional model, and everybody has their targets this year that they have to go after to support, particularly CIB's business. Because Chris runs a front-end business supported by services and functions, and the services and functions need to take the cost out on behalf of Chris. And that's what we're targeting.

Ewen Stevenson: And then, Mark Bailie and his team have got it pretty well mapped out. And we are trying to get out of 25 countries. Some of those countries we're selling, the teams go.

Mizuho last year, when they bought the portfolio, took 300 people off us. Some of it -- and even though that is a functionalized cost, it is cost that's sitting within a country and as you sell the country the cost goes. Some of it does involve, as Ross said, all of us who are in services and functions, sitting there and working through what share of that cost we need to take out of our teams.

Howard Davies: Mark, can I ask you to comment on that?

Ross McEwan: Can Mark Bailie just make a few comments? He's running the capital resolution.

Mark Bailie: In terms of the conversation we went back to the CIB Investor Day last November, it's broadly one-third, one-third, one-third direct people; one-third people in region; and one third allocated.

Most of those people now, of the GBP1.5 billion, relate to GTS, which is in the full-scale wind down now. All clients have their termination dates this

year. As that client activity comes off, it's mapped to line-by-line headcount numbers in every country, and it will flow out as the client activity goes. We're entirely comfortable the cost base is coming out.

Chintan Joshi: And one on litigation, please. In your annual report you talk about GBP43 billion of issuances under litigation. What is the outstanding amount that is under litigation other than the issuance amount that was issued between 2005 and 2007?

And I just want to confirm that this excludes the FHFA of GBP32 billion, but includes the NCUA of GBP3.25 billion.

Ewen Stevenson: No, the GBP43 billion includes NCUA, includes FHFA, in that number. So the bulk of that, GBP32 billion odd is FHFA.

Chintan Joshi: OK. So then we have the outstanding information on the FHFA and the NCUA. The balance, how much is outstanding? I can take it up later, if you...

Ewen Stevenson: Yes, in terms of the outstanding principal balance, it's about GBP7 billion-ish.

Chintan Joshi: GBP7 billion?

Ewen Stevenson: Yes. Across about 16-odd different pieces of litigation.

Chintan Joshi: And we touched upon this with the pre-announcement call, but I don't want to take...

Ewen Stevenson: What are you trying to figure out?

Chintan Joshi: The loss rate, simply. We don't want to look at the NCUA settlement you did late last year, because that's a pretty high loss rate for reasons you explained. But I'm just trying to get a sense of how much of that GBP7 billion is at risk from...

Ewen Stevenson: Well, some of it is at risk. But it's very, very, hard, without getting in to the individual cases, to begin to give you a reasonable basis for estimating what the loss rates are.

Chintan Joshi: OK. Thank you.

Tom Rayner: Thank you. This is Tom Rayner from Exane BNP Paribas.

Could I just ask you a question about how you view the regulatory environment currently? Because this is the fourth UK bank meeting I've sat in this week, and we've heard various things, one sort of message is that the Bank of England is generally happy with the level of capital in the system and, therefore, we shouldn't really worry about Basel IV RWA inflation.

Same, I think, was said for a potential countercyclical buffer. There will be offsets to these things; one bank even said IFRS 9 is not a material issue. And a couple of these banks fairly generous payout ratios, I would say, with equity Tier 1 ratio significantly below where you are.

I notice your Pillar 2A has gone up again, and this is possibly one area regulators might look at to find some offset to some of these capital pressures. I just wondered if you could give us your thoughts, is that possible or likely? Are some of your peers being perhaps too optimistic, or are you guys perhaps being too pessimistic with some of your comments? A comment, please?
Thank you.

Howard Davies: I'll ask Ewen to comment on the specifics of Pillar 2A. But I think the way you describe the other banks' views of the overall environment, it seems to be about right to me.

We hear from the Bank of England that they would like to stabilize the regime, they're not thinking major changes now, and they are broadly comfortable with the amount of capital in the system.

And as you will know, we were not required to make any capital actions following our stress test this year. So I think your broad description of where banks see the regulators as being sounds to be one I recognize. But on the specifics of the Pillar 2A?

Ewen Stevenson: Yes, I'd echo what Howard said, we obviously don't suffer from having a too high a payout ratio at the moment. But the -- we were encouraged by what -- where Lloyds seemed to get to yesterday in terms of their discussions with the PRA, as it relates to a potential future outcome for us.

On Pillar 2A, remember that we've just done an accelerated, or just about to do an accelerated, GBP4.2 billion payment in to our pension plan. That should come through in terms of a Pillar 2A deduct from January 1, 2017.

I think the 13 percent -- I think all of that, in terms of Basel IV, we get exactly the same messaging, which is the PRA will be pragmatic about it for the sector as a whole.

When we look at our business (plans), we're not overly invested in wholesale banking, we're not overly invested in mortgages, so if there is an overall impact we think we'll be in the middle of the fairway. But the PRA is definitely indicating that they will moderate their buffer requirements, depending on what happens with the RWA rules.

So, the 13 percent target, I think we're very comfortable with. In fact, we could imagine post the CIB restructuring, there comes a point in time where we might be able to lower that number, too.

Tom Rayner: OK, could I just quick follow up then? Because if I look at your slide where you had your tick box, all the things you have to achieve before you can start paying, and let's skip forward to that point in time, whenever that might be, middle of 2017.

Are you going to look at it maybe the way that Lloyds did, which is you might start an ordinary and then look at any difference between where you are in the 13 percent as the potential for a special?

How are the Board -- or is it too early for the Board to be really discussing that at this stage?

Howard Davies: I can answer you factually, it is too early for the Board to discuss. We have not had that discussion, because we want to get the other side of the RMBS settlement, in particular, before I think it's appropriate or realistic for us to have that debate. But clearly, the different options are on the table.

Ewen Stevenson: But Ross and I -- I think, have been relatively open in the past about the fact that we would start, we think, out with a relatively modest dividend payment, growing over a period of time; and seek to maximize our buyback capacity to the extent that HMT wished us to participate in buybacks from their existing stake. We think that helps reduce some of the overhang, given their privatization program.

But as Howard said, it's a relatively nascent thought process at the moment.

Peter Toeman: Peter Toeman from HSBC. Could you venture what the Pillar 2A buffer might look like in 2017 now that you've picked a pension deficit?

Should I assume that the GBP4.2 billion is going to come off the GBP6 billion that's in the Pillar 2 buffer?

Ewen Stevenson: No, because it depends on how the trustee invests the GBP4.2 billion. The more that they invested in equities, the lower the benefit. And we would quite like them to invest in a manner consistent with producing higher investment returns and reducing the deficit through investment return.

So you can't just do simple math, but something in the order of probably about half that number, half of the GBP4.2 billion. It's premature to discuss, because we don't know how the trustee is going to invest the funds at this point.

Joe Dickerson: Hi, it's Joe Dickerson from Jefferies. I just have one question. Why does Williams & Glyn get added to the milestones for capital return now, it only

has GBP10 billion of risk-weighted assets? If you could discuss that, that would be great. Thank you.

Ross McEwan: A very good question. I think it was just one of those things that we have to deliver, on as part of the commitments that I think the PRA were very interested in us removing, as part of normalizing the Bank was why it ended up there.

Ewen Stevenson: And it's also the last of our state-aided requirements, going back to the recapitalization. So, as the timetable has drifted back, it has become an issue that we think we need to solve.

Howard Davies: Yes, I think you're right, that it doesn't specifically link to available capital. I think it's more that the regulators want us to achieve these various things and then they'll talk to us about distribution.

Anybody else? And there's nobody else from the web, not on this, am I right? In which case, thank you very much, all, for coming. Nice to see HSBC is here and not down the line from Hong Kong, so well done. Thank you. Great. Thank you all.

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