



SELL SIDE ROUND TABLE BRIEFING
Friday 2nd November 2018
8:00 GMT

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FORWARD-LOOKING STATEMENTS

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Operator: This is Conference # 6485258

Katie Murray: So good morning, everybody, we have a few people joining us on the phone this morning, so we might hear a beep as they come onto the line. So who said you can't move roles out of London, eh?

But anyway look, thank you very much for making the time to come in. I think I was trying to just kind of say a few words and then we can get into kind of questions. But, you know overall, we are pleased with the results. I think we view it as a good performance in what is a highly competitive market and in an uncertain economic outlook, we would say that it maybe looks a bit more certain from yesterday, but we'll wait to see that, aim for that and drive on some agreement before we all finally agree on that.

So Q3 had a profit of 448 million, 14 percent up on Q3 in 2017 and obviously very strong capital positions which we, I'm sure, will get into in some detail today. You know, that was after kind after kind of taking the 10 bps for the dividend. We're growing lending in our target markets and sectors. We do recognize that it obviously is a competitive performance and I think you see that coming through in our NIM and I dare say we'll spend some time talking about that this morning as well, but we are on track to meet the 2018 guidance in terms of the cost side which is important.

We did take the extra provision due to market uncertainty which we are -- we are very comfortable with. But I think the thing that I spent a lot of time talking to investors in the press on Friday about was actually to remind people that it was 100 million and actually overall, we're at 16 bps year to date in terms of provisions, so it's still, you know, it's a number that's almost in the rounding. And we have very strong capital liquidity as you know, so we're very comfortable where we stand as we kind of face into the next few months.

And for us importantly, we continue to see the continuing movement from the physical to the digital and just we know that the cost benefit of that, that brings us, to us in terms of the digital sales being up. But importantly, it's not just the cost benefit, but we see much more improved customer satisfaction as we go through those channels rather than some of our more traditional lines. I guess that's all I'm going to say as kind of opening. I'm happy just to kind of go into Q&A and we can take it from there.

And today, who would like to kick off?

Ian Gordon: Correct me if I'm wrong, but you haven't updated your interest rate assumptions which underpin your plan and your target given that your interest rate, modeled interest rate assumption are below consensus and I don't want to give too much credence to what the Bank of England says, but below the Bank of England guidance as well, what is the catalyst for potentially reviewing those and the implied targets?

Katie Murray: So I mean, we will review those as part of our business planning cycle which is we're going through at the moment and certain when we do our IFRS 9 disclosures at the end of the year, we'll update you as to where we are. I mean, what we see at the moment in terms of consensus is not particularly, there's lots of variance around about it, but the core of consensus is mainly moving around timing.

So I think in our own view, we were thinking that interest rates have moved late 2019 to the next increase. I think from the last couple of days, it was probably coming to slightly earlier which obviously is beneficial to us, but we will kind of update them formally as part of the business plan to put us there and then we do our IFRS 9 disclosures, you'll be able to see them at that stage.

Ian Gordon: OK, thank you and then just sort of follow-up on timing, and maybe clearly you've talked about your 100 million (inaudible) charge already, if when you do get Mays so called deal, how quickly does that reverse? Does that reverse of full year, assuming you've got the deal?

Katie Murray: I think it would be too simplistic to look on it at that, it's not, well, some of us will be more familiar with the whole world of general provisions, it's unfortunate that it's a 100 number because it makes it suggest that it is, you know that we run a number of scenarios and they've got different probability weights in terms of where they are. This was just another scenario. So we will continue to run it and to run this suite of scenarios. And then as we look at those numbers, it will unwind as well as other movements in the book.

I mean what we see in reality within the numbers, in the impairments is there are write backs and write-ons every -- all the time and that 100 will -- it's just now a part of that story. It's spread across the whole business. So I would say you'll never see the 100 unwind as 100. You'll see it as the book kind of work its way through, it comes through, but it comes through. But certainly if we get a deal that was suggested and we all go into the garden of all things being rosy, we'd expect some natural unwinding but I couldn't give you any guidance as to timing on that.

Ian Gordon: OK, thank you.

Male: Can I ask a quick just on the margin where obviously there is a lot of focus concerning to the downward trend, one of the division that it rose was on the commercial private bank, I think it was up 5 basis

points or something like that quarter on quarter. And I think there was sort of reference in the commentary along the lines of you're making progress with pricing. And I'm just sort of wondering what the drivers were to sort of take it up whether it's largely, literally a repricing, whether it's interest rates going up and whether that's a trend that might actually be ...

Katie Murray: Yes. I mean I think in the number you did see a quarter improvement, we would expect that to kind of reverse a little bit in the next quarter. There was a little bit of one off benefit in there as well. But in saying that, we are seeing that we're making improvements in pricing. So as we continue to kind of test where the right places to price, we're comfortable on where they are and what kind of pricing will we see coming through that book. So it benefiting from them a little bit more kind of focused on the pricing side of things.

You know within that book that we've spent quite a lot of time in the last couple of years taking out some of our lower performing books of business. We're more or less at the end of that activity. And so that I think is what you'll also start to see coming through in that space as well.

And I think we have the CPB seminar at the end of the month, so it will be a good time. We'll give you a bit more guidance as well in terms of what actually is happening in the book at that stage also. It will be a nice opportunity and a bit more detail on the corporate book.

Male: To ask about current account, so anyway the bank is sort of excessively liquid. It's got too much cash around, but one of your peers, Lloyds have reported much stronger growth than RBS in current account this year. So to what degree is that, you're relaxed about that because the bank's over liquid, to what degree is that a customer-facing thing or to what degree is that, you know, that a different bank, they're not really the same current account you go after, nil paid highest quality cash flow coming into the operating

accounts, it might be something else. So you think your performance is more in line with the market?

Katie Murray: Yes. I mean if we look at current account and the level of switching, what we see is it's still low in terms of actual numbers. But it is a conversation that we are having internally, but how do we continue to attract the right current accounts? How best to do that whether it's through the continuation of the reward program or whether there's a different kind of basis that we should be looking to work on that. So it is something that we are talking about.

I think no bank can ever be relaxed about their current account position, but it is to kind of seek to get the right kind of quality. So it is getting quite a lot of focus at the moment I would say, and increasingly so. But what we don't want to add is more account for the sake of larger numbers.

I think what we're also interested and we're spending a lot of time looking at is actually what's the impact. And at the moment it's still very minimal of not so much of the current account switches, but people creating a much more of a discretionary account. So actually their salary might arrive with us, but then the money goes elsewhere. And actually that is something that as we look at, we're probably more interested and paying attention to.

And they're still again at this stage tiny numbers, but if you start to see that as a behavior over a multi-year period, then that would be more interesting.

Male: Can I ask you about the -- I guess what (Ed) said, oh yes.

Katie Murray: We introduced already, I was worrying.

Male: Can I ask you about this – I know you called them one off sort of, whatever you call them, but I guess both the strategic cost, you know, your restructuring cost and if I look at the cost of you running off the investment bank or the bad bit of the investment bank if you like.

Katie Murray: Disposal losses, yes.

Male: Yes. I mean both of those are running, I mean not just like a little bit below, just like a completely orders of magnitude different to where we might have expected. And I guess as time goes on, the difference between the target and what you spent is getting bigger and bigger, so we seem to be building up either a huge cost or there's actually going to be a huge cost that doesn't come through and yet you don't seem to have virtually any visibility at all about when these costs may or may not exist. It's only just two and a half, still it's going to happen.

So can you give us just some idea of both for the strategic cost, but also for the, I guess, for the investment bank?

Katie Murray: Yes. I'll give you -- I'll give you some idea, but I probably wouldn't answer the question as nicely as you would like, but let me try to help you. So in terms of the strategic losses, I mean we guided to 2 billion and we're at 1744. I might argue about the order of magnitude in terms of difference is -- and look, it is a difference, but it's something that these numbers are quite volatile as they land.

And what I would say is that we're not kind of re-changing that guidance at this stage. And I think if we underspend but manage to reshape the portfolio in terms of the strategic cost, actually that's actually in terms of the loss, for the disposal losses, that's actually I think a good outcome if we get to where we wanted to get to in terms of their shape.

And it's a big number, 250-odd million, but I'm not worried about the fact that they're not coming through, but at the same time, we know we've got some more bits that we want to finish off in the last part of this year, so let's just keep the guidance where we are and see what kind of numbers and what marks we actually make on them.

If we look at the strategic cost, we've always guided to 2.5 billion over a couple of years, so we're at sort of 649 year to date. But what we

find traditionally is we often get more in Q4. I think the Q4 kind of focuses the mind. So if you look at the quarter, we talked that Q4 would be a bit richer, but I would say when we're talking at Q4, you'd probably still be saying to me that you're still understanding it's not going to be 50-50 in terms of that space.

But certainly as I look at the activity that's coming through in 2020, we're still – sorry, in 2019, we're still very comfortable in that guidance. And it's important to know that there're some big chunks in that number. So this building, we're in the process of moving out. I was reviewing the office layout yesterday for 250 and Ross and I moving to open plan, which will be interesting, though I did point out to the secretary it was not the same open plan as the finance department normally has to exist in, so that we actually have space round about us.

But anyway, that's all -- so that's really what's coming. So you'll see a 200 million charge and it will come through on that alone next year. And there's a few of them if you look at some of the data centers and some of the other property exits, there's some big chunky numbers that are coming through in that space, so.

Male: Does it worry you, I mean if you are a cost within the Royal bank group that becomes under strategic, as of now, I guess you can spend whatever you like because you're way under budget. And yet in two years time, you're telling us it's going to get to zero.

Katie Murray: No, I think we're ...

Male: So it's sort of like the sublime to the ridiculous.

Katie Murray: No, no, I think let's look at what we're saying is that in 2020, we said that over conduct and strategic losses are kind of 500 million number, so I would expect that, you know, you can split that in any way you kind of like, but it's certainly not going to go to zero.



And I think it's important to remember that within our core numbers, we have about a billion pounds of investment a year in terms of actually how we're changing this business. So actually the strategic costs are about let's get out of this building, let's close the data centers. We've talked previously about our IT systems that were -- there's kind of seven IT systems that we're ripping out in terms of that template. So really things that are changing the shape of the business.

But if you're a business today that's developing and organizing yourself, you're going to be paying for that as part of the on-going cost of just the development of the business which is our kind of a billion run rate that we're doing throughout the year.

So we're kind of comfortable where we are on that bit. I mean I think the reality is that all businesses will continue to invest. I would hope that we're kind of -- we're more or less done on rightsizing. And if you've moved out of your big property chunks, then actually 300 million is a lot in any kind of one year as you sort of think well actually of that 500, what does it feel like as we move forward from there?

Male: And so just to point, the billion a year, is that all P&L or is that ...?

Katie Murray: There's a little bit of capitalized up in there, but not ...

Male: 20-80 or?

Katie Murray: Yes, it's about that, so.

Matt Waymark: It's slightly more than a billion, or over a billion.

Katie Murray: Yes.

Matt Waymark: We're going to get to the exact number for everybody.

Male: No, no sure.

Katie Murray: And next year might be slightly under a billion, so it's around a billion.

Male: So some of your peers play a few games on the capitalization, say?

Katie Murray: Yes, and that will -- that will come back. We're very conscious and I think in some places, while we would rather NatWest Markets had a different return profile at the moment, it's not unhelpful to us that all of the investment we're making in there goes straight to the P&L, because it means that in three or four years time, we don't have the depreciation drag and that kind of comes through. So we're kind of comfortable on that.

David Lock: Can I just ask on retention strategy within the mortgage book? So if you wind back through the course of this year, Q1 was a bit -- I think it was Q1 or Q4 was a bit disappointing because the loan book fell because you had more redemptions in your writing.

Katie Murray: Yes.

David Lock: And then of course, we've had more margin pressure over the course of the year. I just wondered how much of that competitive pressure that you're talking about and seeing is you think because of a problem perhaps with the way you're trying to retain customers that you've grown over the last two or three years. And I think on the call Ross or you mentioned that you thought you'd fixed that now. So is that something that we can hopefully see come through presumably Q1 next year a better retention really feeding the numbers?

Katie Murray: So I think what we are seeing in terms of the retention, we are up in the kind of high 60s now on the retention piece. And we'd like to kind of get that to probably a few points higher, but we're not aiming for the 80 to 90 percent retention.

And the reason for that is that for us to retain at that price would mean we would be going further and further in terms of margin pressure. So we don't -- we're kind of heading to more or less the level that we want to be at in terms of the retention piece.

I think what you also see at this point within the book is that we had quite a lot of maturities, this year sort of was the opportunity to have the movement on retention. So what we've seen in the book over -- particularly over this last year is a much greater move to kind of five-year piece I think in terms of we're about 52 percent five year and we're up Q3 at about 70 percent of our book is being written on a five-year basis. So you're getting locked in in terms of actually people sticking with the piece. It's obviously you avoid the cost of renew in terms of actually a every of years.

So we do see some kind of level of stabilization on the retention piece. But I would say that we're not aiming to be at the 80, 90 percent, because of what that looks like in terms of our returns in the margin.

David Lock: And if we were to kind of look forward into next year, the pipeline of redemptions, because you presumably know what -- you've written a lot of two or three year fixed business in the last two or three years. So how far through the redemption profile, I was just trying to think about that because obviously if you're writing more five year, then actually this is a temporary issue that will go away once you actually get a far more stable book.

Katie Murray: Yes, I'm probably -- I'm concerned about it if we will talk about, more about in four or five years' time, but as all that kind of matures and what's happening there. So I think what I would say as we look at the -- I would say 2018 has probably been a bigger year for retention than 2019 would be, so we would expect to see some kind of stabilizing of that naturally. And then if you couple that with what we've done to make sure that we've improved our retention stats and the work we've done to make it much easier for people just to actually do automatically on their mobile or things like that.

So we can see a lot of different levers kind of helping us into next year, but it is structurally I think a better year than 2018 was.

David Lock: Thank you.

Andrew Coombs: Sorry, can I just clarify, I just want to clarify one point, the rates that you offer to re-mortgage customers that already reside with you, is it the same rate as to what you offer new customers? Or there is a delta in those few rates?

Katie Murray: So my understanding is it's the same rate and if my colleague if any want to ...

Matt Waymark: Obviously it costs you money like proxies and things like that for new customers, so the customer rate would be slightly higher for a retained customer, but not hugely different, compared to our peers, the low end of that delta between new to bank and retention.

Katie Murray: So once you just adjusted for the proxies, it's basically the same, would that be fair?

Andrew Coombs: So when you're thinking about your loan growth and how that translates into the margins, the only thing the retention rate matters for is the fact that it's rolling off I think, the new front back rate is going to be exactly the same way whether you retain that customer or whether it's a brand new customer.

Matt Waymark: Yes, whether or not you keep the customer effectively. So it's whether or not you get the net growth in the loan volume.

Katie Murray: And this cost of retention and it's far easier to retain than it is to seek a new.

Andrew Coombs: But that's an OpEx issue more so than ...

Matt Waymark: You can take Prop fees through NII

Andrew Coombs: OK. And then I actually had a follow on, a pretty separate question. NatWest Markets, you see the legacy losses there,

substantially lower than they have been this quarter than in prior quarters, is it a case of we're past the worst though on display or losses and does that give you more confidence in the 1.4 to 1.6 billion?

Katie Murray: So the 1.4 to 1.6 is guided in terms of their core income, so that's unimpacted by that. I think we're at 1744 of the 2 billion, so I think we can obviously say that we have taken -- we have certainly taken the lion's share of that and we're consciously not updating that guidance. I think so we're kind of through the book on that, so we're certainly -- we feel that we are past taking more of that, but the 1.4 to 1.6 is very much around the core.

Andrew Coombs: Right, thanks.

Male: Can I ask you about PPI?

Katie Murray: Sure.

Male: I mean it seems that you're now providing more than your current run rate through to next August, and I'm just trying to think why that might be. Are you expecting something that perhaps the rest of us aren't seeing or some early warning signs or?

Katie Murray: So we are comfortable, echoing again sort of the mood or something, we are comfortable that we are providing at the rate that we're just seeing just now. What we did see was a big spike in August, 2018 and everybody I think saw that. And we get a lot of our lead information from actually Google searches, so actually not so much what's happening to us, but what's happening in general, and there was this big spike kind of going through.

We've made assumptions on what our forecast rates would be for each of the months from now until that it closes. And some of those assumptions, I think we've not maintained the spike of August, but it would be higher than our history. And what I would say is that at the moment, we get from the PPI team, I kind of get an email mid month

and end of month of where we are and we're more or less we are in line with where our numbers are in terms of that piece.

And I think that we will see it running I think at a slightly higher rate than we have historically seen as it kind of closes out, but I think that's what you're seeing coming through. And it's something we look at quite formally every quarter in terms of what do we see and what's kind of happening. And we were very conscious -- we didn't want to put a number in that said, well that covers every eventuality so it really is running very much on expectations or numbers of claims.

Male: Just more about August is what's sort of ...

Katie Murray: Well August was I think a surprise everybody. I think it was really much bigger and it literally was in the last days of August that you saw this huge kind of peak up in the kind of Google searches, but what we have seen is that if we were to take the last three months and put them against this earlier part of the year on a normal kind of run rate, we see peaks that basically whenever there's an advertising campaign, you see it kind of pushing up.

Different campaigns are more effective than others I think in terms of having impact on that. And we're probably seeing a little bit more people coming direct to us rather than going via the claim managers.

Male: Yes.

Robert Noble: Can I ask , just on the back sort two-year that shift into five-year, hypothetically, is it, would you rather have a book, I know there's a huge number of assumptions behind this, would you rather have a book that rolls everything in two years or is it more profitable to have a book that rolls everything five years, at current spreads, assume 100 percent retention, no new flows, something along those lines. Is it better to be shifting to five?

Katie Murray: I think you come back to spreads, don't you? So we're comfortable just now, I think it kind of gives comfort in terms of the competitive

market. If you see interest rates going up and pricing going up, then obviously you've locked yourself in at a slightly lower rate, but you will also be getting the benefit on the deposit margin, so it's important not just to look at the spread on the mortgage but also to actually look at what's happening elsewhere.

But at the moment, we're kind of comfortable with a move into this five-year bit, it's almost an impossible -- I mean it's a difficult question. Currently, we're comfortable, if you saw interest rates go up significantly and other prices are going up, you've clearly -- you've clearly locked in, you know, at that kind of price. But you'll get the benefit on your deposit side, they kind of offset that.

Male: I'll just follow up on that, it doesn't look like five year spreads in the market are a little bit lower than two years.

Katie Murray: Yes.

Male: So is that an effect of market signaling that you think margins might come down on mortgages? And you're rather lock in at a lower spread for longer at this point? And just a second sort of broader question, I appreciate this question's probably slightly hamstrung by the sort of commercial presentation that's coming up, but your largest slug of RWA is obviously is the commercial bank.

And as I look at the first nine months of this year and plug in the kind of more normal and impairment charge, it still looks like it's kind of a mid to high single digit return on equity business. And it just strikes me that you do need to get the revenues up in that business, quite a lot. That comes back to the earlier question.

I mean how much more can you do in terms of repricing within that or are there some other ways of driving the revenues higher without increasing capital requirements?

Katie Murray: So I think if we, let's tackle the second question first and we will talk about it more in the end of the month. But as we look at that business, what we have done is to take a lot of RWAs off, so we're kind of more or less -- there will be a little bit more that will come through in the last quarter because obviously there are some things that are in train, but it's more or less done.

And as we look at the underlying loan growth that's happening in there, we can see that there's growth in the areas that we are comfortable to grow in. So that gives us comfort. We also know that we're able to test in terms on the pricing and to be able to push that a little bit more.

But at the same time, what we would observe for the commercial market in general is that there has been lesser activity and people are holding back. I think once we get to the point of some just greater normality within the market and understanding what's happening in Brexit, I think you will see some natural market growth which we will obviously participate in along with others.

And as you look in general in our growth assumptions irrespective of the kind of what may or may not (happen), so they're still sitting at kind of 1.5, so we again would anticipate to participate as part of that growth within that space. So we've stopped sinking, comfort on growth, we're seeing growth in some of the underlying book which is helpful, and then I think there will come a point where people that have been holding back will stop holding back on that piece.

Male: With the mortgage book, could you kind of front book back that margin? Is that something you can give us for the commercial book as well?

Katie Murray: So it's harder because obviously the commercial deals are priced much more individually and is within a range. I mean I'm sure we'll talk a bit more about pricing at the end of the month and how we do that.

Male: Yes.

Matt Waymark: The other thing about commercial is obviously structurally as part of ICB. We're transferring some assets from capital resolution into it, legacy assets which is a drag on ROE and we had to transfer the funds business to RBS International which was also a drag on ROE.

So although right now it's showing a mid to high single digit ROE, underlying this business that was there sort of two years ago is probably getting close to capital, because we have had to change the structure of it, it's been dragged back down and now it needs to get back up to what the cost of capital is in its new shape.

Male: So just to clarify, does the bulk of the 100 go in there as well?

Matt Waymark: About half of it.

Katie Murray: Half of it went in, yes.

Chris Cant: Can I just come back from the PPI question, when you're thinking about the months after the deadline, how should we all be thinking about the tendency is to look at things like provision burn rate and how many months of cover you have, but when you actually hit the deadline, presumably there's going to be a number of months where you're still working through whatever backlog builds up in the immediate weeks proceeding.

So how many months do you foresee sort of continuing to pay out claims beyond August? I'm not saying new claims coming in, but how long do you think it actually takes you to finish paying the last claim off?

Katie Murray: Well, I'm not sure in terms of the timeline from when a new claim arrives to the next one in terms of how long that takes. But we would anticipate paying it for a number of months. It takes time, but we would also anticipate that it would be fully provided.

So as claims arrive, we've got good experience to derive what level of claims that come in actually are real claims rather than people are just kind of saying, oh, I might have paid this once in my life, so let me just test. So I think we know there would be a hundred claims or know kind of historically we've got very good data as to how many of them will be real, so at that point, we can kind of do this first sifting and then it will take, I don't think it takes months and months, but it takes let's say a few months to actually pay the piece out and that will take time.

If we see a huge rush coming through, it will probably take us a little bit longer, but it's not a multi-year kind of journey in terms of payout.

Male: I'm just curious in terms of bench marking your provisioning position versus paid because you tended to look at the conservative end of the spectrum previously. Obviously you just took a top up, so I'm trying to think about your -- your working assumption is, obviously you're talking about claims coming in out to the deadline, but in terms of the months of provision burn ...

Katie Murray: I mean the way that I would describe it is we have tried consistently to provide really what we believe we would pay at that moment. So what I would expect is that depending on what happens on claims and our assumption statement, if we're more or less bang on our assumptions, you might see another smaller number come through Q1, Q2 as things kind of land or if there's a big rush in August that we're not expecting, you might see another small number come through in Q3 next year.

But at the moment, based on what I know today, we've got a good best estimate of where it is, but Ewen in his handover said never say never on PPI cases, so.

Male: On to mortgage as well, if I can also come back around to that topic, you've talked about this 80 bps from going back to differential and I

am conscious that you're talking about having quite a lumpy retention or refinancing profile this year. In terms of looking at it in 2019, you know, you're talking about five-year business now, but my guess if I think back to 2016, you did a lot of buy to let at the beginning of the year which would be coming up for renewal in large volumes I would assume this year.

How does that play into your thinking about the 80 bps back to front differential because obviously you had a lump of I would guess two-year buy to let business which is rolling off and presumably is being replaced by five-year resi business today. How do you think about that front of the back book next year?

Katie Murray: Well I'm going to try to avoid giving you a Q1 forecast for NIM because that will come to bite me in Q1 next year. But I think what we're seeing, at the moment what we're seeing in the market is kind of the best view that we have at this stage. So we will have more retentions. They're structurally lower than they have been. But I probably wouldn't give you any kind of further guidance on this probably front book back book than we have just now. I think it really will depend what is happening in the competitive safety.

I've seen some small price movements upwards elsewhere, but they were really kind of returns of down in other spaces, so I think we will wait and see what kind of happens in the market.

Male: Can I just want to follow up again on the commercial panel, just your answer to (Robin's) questions, but just to clarify to make sure I understand, it's basically your -- you're talking about volume growth which would drive some top line growth with managing costs and the combination of those two will over move returns upwards, is that ...

Katie Murray: That would be fair and I think, yes, absolutely. I mean, I think we're very conscious that it's not a normalized impairment charge and that's something that, I mean, we've guided you to 30 to 40 bps across the

piece and, I mean, obviously commercial is much more impacted by tall trees than our other businesses.

So, we do need to see that, we'd rather not see return at normalized kind of impairment level so that's one of the things that we are as we plan we're mindful of and we plan on a much more kind of normal basis. So, we're not seeing it but it's a combination of volume growth but also of the kind of the cost takeout.

And I think also there's an element of stabilization of all of these different bit moving of businesses that we have seen in the realm of ICB which will help.

Male: And then just looking at the helpful disclosure on income by business, specialist business, I mean, it does move around a bit, so I guess it's kind of transaction-based, it was particularly low in the quarter. Is there anything in particular to flag there?

Katie Murray: I'm not aware of anything in particular, are you ...

Matt Waymark: That's where in Q2 we had a number of one-offs. So, we had 115 million of one-offs in Q2 and then negative 13 in Q3 and the majority of that goes through other and specialized businesses.

Male: No. No. No. Just coming going back to your point on deposit pricing and discretionary funds, damage inflicted by discretionary funds, we've seen in the Marcus, obviously not competing with you on current accounts but Monzo and others, how are you doing more broadly not just in relation to current accounts around the degree to which people are continuing to assume that's you're very positively levered and if base rate rises on a medium term view.

Katie Murray: I think we're comfortable on that piece and that certainly, so the guidance we've given you on our structural hedge is not something that we're changing so we are comfortable. What I think we do see in terms of liquidity is that the velocity of the movement of cash has not

moved dramatically yet, but our certainly view as we look forward is that it would move much more quickly.

And so, that I think is what we're kind of watching. So, nothing to report at this stage within those numbers, I mean, Marcus' is the deposit account of interestingly actually we were quite, when we compare them enough, we're kind of comfortable on that piece, but it's actually as open banking when it takes hold because it will at some stage, what does that mean. That's not just a threat for us, it's also an opportunity so as to make sure that we're taking advantage of those opportunities.

Male: Sure. And then when I look at Ulster Bank, again, looking at the RWA intensity and that book, and work you've been doing with the Irish Central Bank, I can only imagine based on your peer experience as well that it's an extremely long process, but what sort of upside do you think there is again on a medium term view there in terms of model, change approvals particularly as you continue to wind down your NPL book.

Katie Murray: Yes. I think as we look at the RWA intensity, we would expect to see from our conversations and the conversations in the market that we would normalize a bit more on RWA intensity. I think though we will never – we need to always remember that that market is very different from this market and there will always be a much more intense basis.

But when we look to some of our peers, they're sitting at far less than we are. But they are closer at 50 percent intensity; whereas we are still much higher than that. So, I think you'll see the market start to merge to that. It will merge to a very different place from the UK, which I think is something that internally we need to remind people on a lot, that you can't compare the two markets because they are very different.

So, we will see that evolve and I wouldn't like to call it in terms of timing, it's when it will, but we feel it's closer than it was but it's not imminent. I think the important thing there is the challenges and the relationships with the banking and the regulator in Ireland industry-wide, it's a difficult place to be and I think that we need to continue to work our way through those issues. I mean, internally we kind of talk about it feels like where we were about four years ago in terms of resolving some of the regulator challenges.

And we can see both ourselves and our peer group there as well. So, I mean, I think it's going to continue to be quite a hard place to work as we normalize and stabilize that piece and the NPL deposit that you referenced, the NPL which you referenced is important I think in helping that piece, but there's just a lot we have to continue to do with the regulator I think to get them in a comfortable place as an industry. And I know that it's not, I know that it's not just us that are in that position.

Male: Just one final point on that. So you did mention that it's important for you educate I guess is that the market dynamics are very different, especially with losses history and the like, looking back to the Bank of Ireland now is at the interim results stage emphasizing the very high RWA intensity their book versus peers, I've heard some of their language from some of the others in dialogue. And it seems as if there's likely to be some kind of push towards recognition of the fact that the loss histories that you have to use in your models are maybe onerously long and punitive, and especially given recent flows have been in a very different market context, what would you say to that? Would you say there's a prospect of upside there in the medium to longer term, is that something that RBS is looking to fight for too?

Katie Murray: I think we try to work relatively well as an industry there. And I think that, I mean, recognize the comment from Bank of Ireland, I think it's conversations that we'll still continue to have with the regulator because there are some structural differences, I mean, to kind of

recoup your losses is a very, very challenging thing to do in Ireland. But that doesn't necessarily tie to this high level of RWA intensity.

So, I mean, that is slightly idiosyncratic I think in the way that it works, but we're confident we'll get to a more normalized level with the market. I would say the market has a longer way to go to get to anywhere close to where we expect even once within the UK we've had our increase in mortgage floors, we'll still working it incredibly different RWA intensity at that point. I think we will be at about 15 percent and I mean Bank of Ireland is sitting at 50 and we're I think closer to 70-80. So, I mean, it's completely different kind of numbers.

Male: Hi. I know there was a lot of questioning on the NIM but is it fair to think that the NII is not impacted by the liquidity that you're carrying? So, the NII effectively has no significant impact from the liquidity that you hold on the balance sheet and you swap out?

Matt Waymark: So, at the margin we adopt TFS which are quite a few billion and then we've got a lot of money held at central bank.

Katie Murray: Right.

Matt Waymark: At 35 bps, it costs 75 ...

Katie Murray: Bps. Exactly.

Matt Waymark: ... no impact on NII for that extra liquidity, or returns.

Male: Correct. So, when we analyze the NII trend, it appears that there's definite step down in momentum, especially when you look at the product revenues. I don't think we've seen three quarter decline in mortgage revenues for a long time. I know we see the balance sheet keeps going up.

So, I guess the question really is how useful that product disclosure is, is there transfer pricing in that? I see soft rates are moving up, are you doing something on the transfer pricing that is affecting the

product revenues and if not, should you really be flexing the pricing of the business to get a higher NII rather than just grow the balance sheet?

Katie Murray: Yes. I mean, we're not doing anything particularly complicated in the background. The disclosure we're giving you is kind of is clean as we can make it. But I think there's obviously some balance in there on the build of any of the books within the different franchises.

But one of the debates we have internally is that is it better to write business at lower NIM that's still comfortably hurdling or is it better not to write business so that you have the benefit of my NIM is great, greater. Actually, overall my volume is down and I think we've chosen the former rather than the latter, that NIM is an important metric but it's one within the suite.

And actually, what we would end up doing is growing our liquidity even further, which would have different challenges, it would actually ultimately start to impact your NIIs of course. But if we weren't continuing through the lending so as we look at all of our lending, we make sure that it hurdles comfortably on an ROE basis as this business does do. But what it means is the machine has to work faster to make sure that we're adding on the volume to compensate for the NIM that is lower.

So, I think that's the view that we have taken. I think it's the right view. Otherwise it's very – to say that our NIM being much higher but actually our volume being lower would ...

Male: I think that's fair. That's a conscious decision you've made, but I think that's inconsistent with guiding to a flat or higher NIM to the market because and then you can keep in for yourself because I think the business is running towards growing the balance sheet which is obviously going to have a mix impact. But I think it's unfair for the – probably it's up to us for what we expect but ...

Katie Murray: So, I think just to be clear, the guidance we gave you though, they were flat or slightly lower, not flat or slightly higher.

Male: Yes. Yes. Yes. I know. Going back to the NIM we had second quarter.

Katie Murray: I think we took the pain on Friday I think for the guidance of earlier, it was painful. So, yes – no, no, I would agree with you, our guidance to Q2 as well.

Male: And I would say that it probably is not fair to focus on NIM so much then.

Katie Murray: Yes. Yes. I would push that back to all of you as well and encourage you not to focus too much on NIM.

Katie Murray: Yes, exactly. So, I would agree entirely. It's an important metric but it's not the only one that we're trying to balance.

Male: But then we will start looking at the product revenues in a lot more detail.

Katie Murray: Yes.

Male: I think that is a real question if you're operating (inaudible) behind. The other thing is that obviously Lloyds was just saying on the call, they're saying their margin already is just into double digits. At the current pricing if you take into account leverage. And obviously you have the advantage of having a lot of surplus capital sitting on the balance sheet. So, we can't see from the outside what margin or ROE calculation you running.

Katie Murray: I'll probably refer you, we give a you quite helpful picture which (Matt) put it up as part of our ...

Male: Slide 42.

Katie Murray: Yes, exactly, slide 42, the PBB piece, I mean, we are seeing more than just marginal in terms of what we are writing. So, I think that that remains our kind of our guidance.

Matt Waymark: I'd also say we're not leverage constrained particularly because we have Ulster and we have commercial in ring fenced bank.

Katie Murray: Yes.

Matt Waymark: We have relatively high risk intensity businesses.

Male: On a slightly different topic, the Williams & Glyn program, how should we think about the impact of that on the product revenue line?

Katie Murray: I'll let you do that, I know Williams & Glyn is your speciality, whenever we go out for it.

Male: That shows up in PBB.

Matt Waymark: It shows up in PBB. So, the area that it'll show up, there's a separate line for commercial in the product revenue.

Male: Yes.

Matt Waymark: That is effectively the Williams & Glyn non-personal customers. So the personal customers already dropped back into mortgages, deposits, et cetera. They've been re-rated. Within there you've got some mid corps, so they stay within that year end at 190,000 SME customers of which the target is to incentivize away 120,000, so roughly two-thirds.

So, for a full year based on the full year disclosure last year, that would get you to around 200 million of income deterioration.

Male: Yes. And where would that sit?

Matt Waymark: Talking about that commercial line.

Male: OK.

Matt Waymark: We don't expect that to start until February. It's an 18-month process. Unless we hit certain targets, it will probably extend out to 30 months, so one and a half years to two years starting February next year.

Male: How certain are you it's going to go? Once you speak to those customers and kind of waiting them to leave when they get the incentive?

Matt Waymark: There is – so, we've signed up about 60,000 customers, so effectively the way it will work is come February, that's when the banking competition, banking remedies limited independent body sets up. They'll send out the grounds for the capability and innovation fund. Some weeks later, maybe as close as a week later, there'll be a micro site, so the customers who have registered with us to be open to switch will be able to switch on.

So, (inaudible) account numbers so it's then tailored to them and it will a bit like a money supermarket where Clydesdale offer you this and from there offer you that, you click on that and you go through that to switch on to their thing. As you go through that process of switch on, then the independent body gives that bank money, so we've already got 60,000 people signed up to that. We need, we're aiming for 120,000; there is a threshold that we have the hit which we haven't disclosed.

So, we think there is some appetite although as we say, it's been nine years give or take since we were told to extract Williams & Glyn. They thought they were going to Santander. They thought they were being IPO'ed, they thought they were being lots of things, they're still there, so they are very sticky.

So, we'll try as hard as we can to help incentivize these customers away, but we've got a fair amount of people ready to go. But it's a

new experience for us incentivizing people to get to another bank, so I have no idea how it's actually going to work.

Katie Murray: I think it's dependent upon what the incentive would be from the other side.

Male: I might have a couple of questions, first on NIM, sorry. Or not on NIM.

But more on just the amount of liquidity you have. Obviously a lot of discussion is about balancing pricing and volumes. How much have you not deploying out liquidity is also that you don't want to hurt the pricing in the markets that you're in, you've got so much liquidity debt, you would end up affecting pricing. So, how much is keeping some liquidity for Brexit and risk like you talked about, and how much is actually kind of control the pricing in the market on the commercial and the retail side? That's question one.

Question two is one of your peers said to me that on the five-year mortgage, it's easier to get through kind of higher loan to income or worse loan to income customers because the interest rate stress is not quite as difficult as it is in the two-year. Is there anything in that and I know you LTV and you disclose LTVs a lot, but is there an LTV shift kind of is it worsening as you move to the five-year?

Katie Murray: We're not seeing any movement on our risk appetite at all in terms of on the five-year. That's not ...

Male: Is stress different ?

Katie Murray: I don't believe so. And so, that's not something that we've seen at all, we spend a lot outstanding time talking with PBB to ensure that they're not moving differently, I have a view point that we could take a bit more in risk than we do in that space. So, that's something that we will continue to kind of work our way through, so I think our loan to value is still – as we build on the new business, it's still relatively – it's not aggressive certainly.

In terms of the first question around our liquidity, so, we have always said that we're not playing a pricing game. We're not looking to roll liquidity off. We are holding more. We're holding it relatively deliberately, and so it's not something that we would seek to kind of do a race to the bottom.

We're very clear that new business has to hurdle and so, therefore, if we were to say, for example, increase our retention rates to much higher levels, we wouldn't be hurdling at that level on the new business, and we don't really want to get into a price game. We have to be competitive but we're not seeking to lead on price so that's not – we're not looking to deploy our liquidity in that way.

Male: So, the cost of holding that liquidity, just a function of doing business, not any of the drags you talked about.

Katie Murray: I mean, look, I think we're holding a bit of excess liquidity, some of it has obviously been deliberate because of some of the big – it's all been deliberate but some of it has been being we had to pay DOJ, we have to pay pensions and things like that. And we are working towards to do capital return and things, so we are comfortable.

We don't want to accelerate it dramatically over the next number of months, but we do have obviously some liquidity events coming up whether it be some of our debt securities that we will look at in November-December time and thoughts on them and some debates. You know, we've got some TFS, what might we do with that is a conversation that we continue to have.

So, I think we'll continue to kind of work our way through it, but we are relatively deliberately holding a higher level of liquidity.

Male: Thank you.

Katie Murray: OK.

Male: Can I ask a little about capital and just looking up on the back of your MDA looks like it's about 11.1. You're saying you want to hold greater than 13 percent CET1 ratio. I think Ross would say circa 14.

Katie Murray: Yes, he said it a lot on Friday.

Male: Yes.

Katie Murray: Yes.

Male: So, I guess the question of 13, we'll call it 14, is this capital stack actually your binding constraint, 300 basis points over the MDA looks a lot. Should we actually be thinking of more stress testing and let the PRA buffer comes in? Is it say maybe some for stress test?

And the other thing is apart from Brexit coming up that once we've passed the 29th of March, is there anything that stops you just saying we'll do a special dividend, we will just pay down call 250 bps of surplus that we've got 11 at the moment, you have to make sure the government happy with that, just thinking about the process because it's just such a big excess ...

Katie Murray: Let me try and talk through the process and I think you can be assured that this is a conversation that we are having a lot at the moment internally and certainly with the regulator, and as far as feasible with the government, that they themselves are our investor like everybody else and they work very hard to make sure that they're a keen investor so that when they get to the point of doing a sale then they are in the right position.

So, the conversations I think although we've been less involved than many have imagined in terms of our interactions with them, because as we look at it, so let's call ourselves, we hold ourselves to a 13 percent, I think one of the important things to say is that on the 29th of March there will not be a great bubble that happens and then all concerns disappear.

Well, actually wherever we end up, we all need to settle into it as a country and I think we'll still have a period of uncertainty. So, I think Brexit will still be a narrative post the 29th of March and who knows what kind of deal and what equivalence means and things like that. So, I think we would still continue to hold for a period of time. I'm not suggesting years and years, but there would be a period of time.

But certainly, as we look at our excess capital and as we talk to our shareholders, the message from our other investors is that they are very keen that we do the directed buyback first. You know the rules on the directed buyback, it would only be 5 percent of our market cap in any one year so that only gets you to 1.5 billion in the first year, so it doesn't actually accelerate.

And as you think of we know we've got an extra 40 bps coming on next year as well in terms of Alawal but that's not really going to move the dial. Then we'll do our ordinary dividend around 40 percent and you can see we're consensus that's not going to move the dial particularly. So, I think at some point we certainly will have a special conversation in terms of what we might do, but at this point I can't guide to yet say (2.5) billion for next year, I think that would disingenuous.

But we are very keen to be in the position to do a directed buyback and then we will talk about what special might be after that. So, as you look at it I think we have been clear that there is significant capital to return. We're not looking to hold onto it for many, many years, but it will take us more than one and probably more than two to get back to as we kind of work our way through that.

Male: OK. Let's test that.

Katie Murray: Sure.

Male: You know, you do still state that in 2020 you expect to make a 12 percent plus return on equity. And I don't see how you can possibly do that if you're going to be running with 17 percent core tier one.

Katie Murray: I think that we ...

Male: So, it seems to me that there is – either you've got to drop that or you're going to have to be more radical about getting surplus capital back because as you say, you're generating more than you an apparently repay in what I would call a measured way, I mean, the only way you could ever get near that 12 is if you're going to be doing, I mean, two and a half wouldn't get you there. You'd have to be like four or five or some huge number.

So, I mean, it seems to me internally, how do the pressures work, at some point you're going to have to drop one or the other, aren't you?

Katie Murray: So, I think we're comfortable with the guidance around the 12 and I think I've kind of shared with you as much as I can our views on timing in terms of where we will return capital. I think the interesting thing will be for us in the next few years or if the government doesn't choose to do an ABB next year, which I think are not going particularly well this year in general not because of the government but in general the ABB market isn't very strong.

So if they don't do that, our ability to actually participate is our hands are somewhat tied behind our backs. So, at that point do we do more on special? What else do we do to kind of make that piece back. But we are committed to both the target and to returning capital.

Male: 2020 is what, 13 months away, I mean, you'll have to start ...

Katie Murray: Yes. So I don't think 2020 results are in January though so ...

Male: Well, in terms of calculating your return on average tangible equity, you've got to start the year good.

Katie Murray: Yes.

Male: But if you start the year at 17 percent. I've said before my math is a little bit dubious, but even I can work out you're going to either consensus is hopelessly wrong or you're going to have ...

Katie Murray: Yes. So, I'm not going to be able to give you anything more than I've just given you here so you could ...

Male: The full year then you perhaps try and clarify for us the sort of incremental return of capital message with your 12 percent target for 2020, because unless my math – or show how the math works because unless my math is completely wrong, the two are completely inconsistent.

Male: is 12% not adjusted for 13% CET1

Matt Waymark: We've never said that. I think though if we are sitting at somewhere higher than 13 or 14 percent and we were still sitting 17 and we hit, say, 10.5, 11 percent ROE with a view that we would still aim to push capital down next year, I'm not sure how much you'd penalize us for missing the target just for holding slightly higher capital because we haven't returned it quickly enough that is normalized to a rate capital.

Male: On issues of special dividends, I still don't quite understand the motivation of a special dividend. I mean, if you can do a directed buyback from the government for five percent, if the government is doing a – placing of a block of 3 billion which is kind of the treasury forecast, I mean, probably you have in July with all the stock went to hedge funds you're all looking to punt it out the following day and make a two percent ...

Katie Murray: Yes.

Male: You could easily just do a buyback around the placing in the market. So, it's a special dividend – is the motivation for a special dividend

more because you don't want to reduce liquidity in the stock rather than anything else?

Katie Murray: So, the guidance from our broader shareholder group and from internally, so, there is a strong desire that we would get to our primary shareholders being below a 50 percent ownership level. And so, therefore, to do a kind of market buyback would mean that would – it would help if they were doing a big placement, but it would also be counter to what was happening at that point and so, the directed buyback in terms of being able to do the five percent kind of gets us a long way there.

And if they were to do a five percent, they were to do their 3 billion and we took sort of five percent so 1.5bn at that point. You can see them squeaking to kind of be more or less around 50 percent in terms of numbers depending on the share price assumptions and things like that. But I think there is a view, having done the last one and it being so hedge fund participated in is how much could they actually do at any one time.

So, what you may see is a couple of directed buybacks over a period of time, but the challenge we have is we're only able five percent. So, as we kind of look at it, we already have the ability to participate in a normal market buyback. So, if we chose to do that, we already have that ability today.

But what we need to do and I think why we're talking so much about directed buyback is we need to get that ability which is what we're looking to set up over the next number of months.

Male: This does raise an interesting question then, because if you're buying stock in a general buyback at a discount to book, it's arguably more value to ordinary shareholders than a special dividend at one time. Now, I fully appreciate the point that you want the UKFI below 50 percent and they can't participate in the general buyback. Does that mean that you do special dividend for year one and you say UKFI the

five percent a block and then another five percent directed and then you switch to general buyback in year two when ...

Katie Murray: I can't give you any better than I'm doing here. I'm really sorry. I would love to but I think you can take all of these conversations and work them in different ways and say what if we do this, what if we do that. How do we accelerate here? What would the PRA support? What would the investors support? Well, what I'll kind of go back to is we are committed to returning capital as quickly as we can.

We paid 240 million pounds in 10 years. So, to get to sort of 3 or 4 billion in one year is a big jump. It's a big jump not just for the regulators but a pretty big jump for some of our investors and also the board. And there are things we need to work our way through and whether it be Brexit or Basel or any of those things, that we will continue to update you as we can.

And any one of the scenarios that you mentioned I'd say all of them are possible. In terms would probably be the most I can say. We spend a huge amount of time debating, well if they don't do this we would do that. When would we do it? Would we do it now? Would we do – please, as I keep telling the board this is a very high quality problem to have, and let's work out how we execute on it.

Male: It could be a problem if what if we get to February and there is no agreement between the UK and the EU. In that sort of scenario do you think that has an implication on your capital return plans for 2018?

Katie Murray: I think if there was no agreement in the EU and the UK by that stage, what you would see is our share price would not have moved particularly. So, I think then there will be many conversations going on in government as to at what level do they want to sell. I mean, I think the comments around ...

Male: But that would, I mean, I'm referring to the capital return in terms of special ...

Katie Murray: No. No. I think we would obviously look at that point and say what does that mean in terms of no agreement, how bad is that. So, I mean, as we do our planning, we obviously look at various different downside scenarios. We have a lot of excess capital. I think things would have to be really quite bad for us to be saying we want to continue at this level and we are continuing to grow and then for us just to continue to grow and grow.

I mean, I would really hope that next year we'd be having a conversation around a decent return of capital. Almost absent what happens in Brexit I'd be a brave person to make that statement I think to say yes no matter what happens, because we don't know what will happen if there's absolutely no agreement of any description.

Male: And if the stock goes above book, let's say the UK and the EU sign an agreement by February and the stock goes above book value.

Katie Murray: Yes.

Male: Does that then start to change the dynamic?

Katie Murray: No. I mean, I think it does, I mean, Matt and I spend a lot of time talking about what's the corridor within which you buy, obviously it's probably not a bottom end of the corridor but there is a top end. And that's something we also talked to a lot of our shareholders about it, at what point above book value does it no longer make sense to participate in a directed buyback.

So, it does start to have different challenges but what I would probably then say we now have two high quality problems. That actually our share price is where we'd like it to be and we have too much capital, and at that stage I think you will start to see far more natural liquidity in the stock anyway and I imagine there will come a point when you

would not doing buybacks because it would be uneconomic and that we'd fit more into special.

Male: Just as a follow on from that on the capital return, we've heard of stories from a lot of banks and a lot of bank are sitting on excess capital for quite some time now, you've talked about moving from a very low in terms of delivering capital. In terms of the debate internally around what to do with that excess capital, is its all entirely predicated on the priority of returning it to shareholders, in effect that's quite clear. But is there any plan B in terms of, if there are it would seem to me rather than just letting it sit where it is.

Katie Murray: I think we – there's a lot of it. I think as Ed points out I may not be able to get rid at the right speed so there do we want to just have all of it sitting and not earning a great return on it. I think what we need, as I look at it, we look at a number of different levers. What's the mechanism around ordinary, special, directed buybacks and market buybacks, actually what's the level of investment that we're doing in the business if we get to the part that we say actually we feel that we could invest here in a different way to get superior return. That's something we'll continue to talk about.

But given the volumes that we've got I would imagine you'll see all of those elements play a little bit in that space. And just how do we kind of work our way through those sort of three of four levers.

Male: Just maybe a follow up on your stack and why 14 is the right number?

Katie Murray: Over 13 in the medium term is the more official guidance.

Male: The reason being that we've got Lloyds with MDA of 12.7 and them saying they're going to run with 14, so you've got a 130 bps buffer. You're running if it is 14 with a 290 bps buffer, it seems like a much bigger surplus to be holding to what you might need. Is there any potential to actually call it you have 12.5, you have the same buffer as Lloyds?

Katie Murray: I think I'd rather unhelpfully just kind of repeat back a bit, we are looking to rather slightly more over the next – the medium term as we get through IFRS 9, we get through and while we get through Brexit, mortgage floors and we've given you decent guidance, we've given you views on that. I think we want to get through that piece and then if it becomes appropriate to update you to a different number formally, we'll do that but that's not in our plan at the moment.

Male: And we've always talked about how MDA is one buffer, one lens we have to look through, but it's also the stress delta, which I think you mentioned in the first question, that we've got board risk appetite because we don't want to go below nine and then one in 100 stress. So, obviously we have to look at that stress delta as well as the delta to the MDA, whichever one is the biting constraint between those two.

Katie Murray: Yes.

Chris Cant: Could I just , in response to the start of discussion on capital return, you made it sound like you would only consider doing a special dividend after having thought first about the directed buyback, and a special would be sort of contingent on whether or not you were able to do that.

Katie Murray: I would not see it like that. I would think the next few weeks have a number of different conversations about broad aspects of it.

Chris Cant: When we're saying next year, are we talking full year '19 as well, next year can mean different things to different people.

Chris Cant: ... calendar year. So, when we get to full year results, I mean, in later comment you then said regardless – almost regardless of what's happening with Brexit you would hope that you would be in a position to be returning capital, because you still have so much of it.

Katie Murray: Yes.

Chris Cant: And obviously the directed buyback is going to be very, very dependent on that decision which is not within your control. So, should we not expect the special dividend happen ahead of a directed buyback? I mean, the directed buyback is going to be some time next year. Should we be expecting a special only after?

Katie Murray: Oh, I would encourage you to expect to get capital back next year.

Katie Murray: I would imagine we might use a variety of methods to do that, but I do expect to give capital back next year if that is helpful.

OK. Lovely, we're at packing up time. It's been a pleasure I must say, and so we look forward to talking more. Lovely. Thank you so much for coming in. Thank you.

Male: Thank you.

END