Commercial and Private Banking
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FORWARD-LOOKING STATEMENTS

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RBS

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QUESTIONS FROM

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Manus Costello, Autonomous

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Andrew Coombs, Citi

JP Crutchley, UBS

Chris Manners, Morgan Stanley

Leigh Goodwin, Agency Partners

Ian Gordon, Investec

Mike Trippitt, Numis

Introduction

Richard O'Connor, Head of Investor Relations
Good afternoon everyone thank you very much for attending our seminar today. I'll hand over very quickly to Alison Rose and her team and who'll present to you rather than myself, I'm Richard O'Connor, Head of Investor Relations. Just two pieces of housekeeping, firstly do turn your mobiles off and your Blackberries, I'm aware that two or three of you have to leave at short notice for another event, obviously feel free to leave as and when you need to.

There will be plenty of time for questions at the end of about a 45 minute presentation from Alison and her team. Afterwards there are stalls outside which many of you will have seen, but we'll formally take you around the stalls for no more than 15, 20 minutes. So do hang around and speak to the team outside if you can. With that I'll hand over to Alison.

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Business Overview

Alison Rose, Chief Executive Officer, CPB
Thank you Richard, good afternoon everyone and thank you for joining us today. What I want to do is give you an update on where we are in our plans for CPB. For those who haven't met me I'm Alison Rose, the Chief Exec of this business division and I'll be introducing Rob Whittick who is our FD and Andy Ellis our Head of Strategy, who will be doing presentations and be available for answering questions when we get to the Q&A session.

The agenda today is really to give you a sense of our Commercial strategy that we've set five months into our journey as CPB and also an update on the outcomes of our Private review that we announced earlier this year. Rob is going to talk through the financials and then the Q&A at the end.

The intention really is I want to give you a little bit of an oversight of both our strategic direction and some of the areas of progress that we've made to date and a little bit of the priorities and ambitions of the business as we move forward.

In terms of who we are and just to give you a sense, we are the number one Commercial and Private Bank in the UK and a core part of our RBS and the bank's customer led strategy. We have market shares that are leading and we have very strong product proposition which positions us to take advantage of the improving UK economic fundamentals. And in particular bringing Commercial and Private together allows us to unlock the synergy between our Private and Commercial customers, an opportunity that hasn't really been leveraged to date. I will come on later in the presentation to give a little bit of a flavour for that.

Our fundamental ambition is very clear; we want to be the best business for our customers, targeting attractive returns, built on a leading customer proposition and a very solid foundation.

Where we fit into the overall bank strategy is we have a very clear ambition at the bank level, One Bank strategy which is applicable to CPB which is to be number one for customer service, trust and advocacy by 2020.

CPB is a fundamental and core part of that plan and the success of this business unit will ultimately have a significant impact on the success of the group as a whole. It is imperative that we are working as one bank to deliver a consistently great customer experience and I think consistently is a key word there.

We are very much focussed on improving that experience to be better, faster and simpler for our customers to do business with, allowing them the time to get on with running their businesses rather than focussing on delivering their financing. As you can see from the breakout just to help you navigate where we fit in to the overall group, we will be representing one third of the bank's operating profit and RWAs and targeting returns of plus 15% return on equity.

Because you've probably not seen CPB in this construct before, post the announcement of the restructuring in February when we moved from seven divisions to three, I just really want to help you navigate the business a little bit. Both Commercial and Private as I mentioned are market leading franchises with strong fundamentals in terms of both their shares of relationships but also market leading products to meet the customer needs. We think, as I mentioned, there is a strong synergy between the two.

What you have however is a relationship led proposition and through the best bankers in the market we will be able to deliver the best outcomes for our customers and the best service. Our fundamental proposition is with engaged, well trained, motivated relationship bankers we will engage and motivate our customers and success in that area is going to deliver success for our business as a whole.

In terms of our commercial business we're serving around 80,000 businesses with a number one position and recovering businesses with turnover from £2m upwards to domestically focussed FTSE 350 companies in the UK.

On the private side through our Coutts and Adams brands we're serving 60,000 high net worth individuals with strong market share and that franchise will focus on customers with investable assets greater than £1m going forward. The overall CPB business is supported by a strong brand proposition which you can see along the bottom there.

Since taking over the role and five or six months into our journey, we have made good progress in restructuring the business. There's a new leadership team in place which is very much structured around putting our customer franchises at the top table, so the bulk of my board is made up of customer led franchises so we really are trying to bring that customer voice very much front and centre. We have a highly experienced team in place to take that forward.

And fundamentally by bringing Corporate and Commercial together end to end and bringing them together across our regional network we're providing a single voice to our customers in the market and will allow us to deliver our strategy consistently across the UK given our regional franchise located in over 100 locations across the UK.

Commercial and Private Banking Strategy

Alison Rose, Chief Executive Officer CPB
So what I want to give you here is a sense of the strategy that we've put in place and how we are positioning the business for the go forward. As I've said the ambition is very simple and very clear which is number one for service, trust and advocacy.

I've spent the first two to three months in my role very much travelling round the UK and sitting down with our customer directly and talking to them about their experience of working with us, the issues that they face and the challenges they see of working with us as a bank, but also the opportunities to help us shape our plans. I've also spent a lot of time with our frontline staff having exactly the same conversations.

And I think this is really key, in that as we've defined our strategy we're very much defining it based on listening to what our customers are telling us and how we can shape the business going forward. The plan is underpinned by four key strategic aims, as you can see here left to right, and these are going to guide our journey over the next three to five years.

Under each one there are detailed plans and milestones and actions focussed around delivering that top ambition and all of this is underpinned by the key values that we've set across the bank.

In terms of customer first it's making sure that everything we do is focussed around the customer and creating a customer obsessed culture focussed on the needs of our customers, simplicity and discipline is a theme that you will have heard Ross McEwan talk about and myself as well, that we are far too complicated to deal with and we must get more focussed creating simpler end to end processes but retaining the necessary discipline to ensure our customer experience is a positive one.

Winning together I think is around the momentum we need to create in our business and making sure that our customers who are operating in highly competitive environments and are driving to succeed with their businesses have banking partner who can support them in that and we have staff who are trained and motivated to do that and ensure their success.

And finally but probably most importantly I think our bank has a unique position both on the high street through our personal and business banking proposition and through CPB to support UK communities and businesses and a fundamental role in growing that success in the UK economy.

So just to give you a sense of some of the progress that we've had to date. Five to six months into the journey there's a comprehensive plan in place with clear milestones and actions, we're very clear on the priorities and we're very clear on the priorities and we're very clear on the plan going forward and what success will mean.

We have some early wins which I've put up here on the left hand side and just to pull out one example third from the bottom a campaign that we launched called Simplifying Customer Life. This is where we asked our frontline bankers, the people who are facing our customers day to day of what are the thousand things, or ten things, or 20 things that get in the way of you doing your job well and delivering a really tangible positive experience for our customers?

To date we've had over 2,500 ideas from our frontline staff, 1,500 of those have already been actioned and 300 are already in implementation and they're making a real difference in the day to day experience of the customer.

For example we've introduced automated online banking password resets in our Bank Line product, which is reducing the number of calls that we receive from our customers by 400 calls a day. So there are real tangible things that we're doing that are making a difference.

But I think what's important is this is a multiyear programme, there are the 1,000 simple things we need to fix. And there is wholesale reengineering of some of our processes that we also need to fix that require investment and need to be planned and implemented so they're delivering sustainable change across the bank as a whole.

We're making significant investments in this and we'll be investing £1bn over the next five years to deliver these plans. And you can see on the right hand side some of the examples of those programmes where we will invest money. Of that £1bn some will be invested directly within CPB, and we will be benefiting from a third of the bank wide spend of payments, data, infrastructure and work place enablement work streams to really drive sustainable change to improve the experience for our customers.

So what I would like to do now is just take you through some of those four bubbles, four strategic themes and just drill down a little bit to explain what we're doing and how we're doing that.

As I said the key to delivering change in this business, and really achieving that ambition, is to be clear about what our customers are telling us. We use the net promoter score as a measure of our success but what is important is understanding the drivers that sit beneath those scores. By talking to our customers, by looking at the drivers under NPS, by looking at the complaints data we receive, we can see the things that make a real difference to our customers and what is very important to them to really drive them as advocates for our business and the trust and momentum.

We're very clear one of the key drivers of success is that they have an excellent relationship banker who really understands their needs and therefore you can build trust and a long term relationship. And just to help you with that in showing how important that advocacy driver is under the net promoter score measure, if we get it right with the relationship banker, if our customer is telling us that is a great relationship banker and they're doing a good job, 54% of our customers are likely to recommend us as a result. If we get it wrong 90% will actively detract.

And so if we can make a real tangible difference in that area, that will drive our NPS data score. So understanding these drivers have been the foundation of putting our plan together to make the transformation.

So where are we to date in terms of the customer first and the NPS driver? We have positive momentum, we're making progress of advocacy in both Natwest and RBS across the business but there is a lot more to be done here and we're not yet breaking out of the pack of our competitors.

We also know we have a lot to do to rebuild the trust of our customers and there will inevitably be bumps along the way as we address this, particularly as legacy issues still come to the fore and those can impact on our customers. But we are going to focus on the things that we can control and can change in the customer experience journey and do it customer by customer, banker by banker.

And frankly for myself and my management team, being in the pack is not good enough. We want to benchmark ourselves to the best in class service industries outside banking. And take the learnings from that to apply to our business to really make a difference in terms of customer service.

Looking at the strategic theme around customers first, and the fact that our relationship bankers are fundamental to our customer proposition and it's the biggest driver and the key part of our plan. We need to ensure that we are refreshing, retaining and developing our talent on our banker population and investing in that training to make sure we're continuing to develop and enhance the experience that our customers receive.

This is very much the start of a three to five year journey to ensure not only are our bankers getting better and more professionally qualified and accredited but also the shape of our RM population is aligned to the changing profile and the needs of our UK businesses. If we look around the one to four programme that we have put up here in terms of the banker cohort our customers are changing both from a diversity perspective, from a sector concentration perspective and so that is a key aspect.

We are looking at the demographics of RMs, it's a highly experienced team of relationship bankers but we need to make sure we're focussing on diversity and renewal of talent. So we're focussing on our graduate and apprentice recruitment, we've hired over 100 of those in 2013 with around 30 to 40% of those being female so really trying to address that mix.

On our banker training, our accreditation and professional development programme is ongoing and we will continue to invest in that. And also invest in our needs based training for our bankers. We are starting to show impact in this area, for those bankers who have been through the professional qualification or client centricity training that we run we had a two times higher advocacy score from our customers versus those who haven't attended. So that programme is starting to see real benefits in the feedback we're getting from our customers and we will continue to invest and develop in that programme.

We're investing in the tools to make sure our bankers have the right tools in order to deliver that needs based analysis. And making sure we improve banker performance, the consistency of performance of our RMs is vital for example the top performing RMs generate almost four times the lowest performing RMs across our business so creating consistency and performance will be a key part of our momentum.

Also critical to putting our customers first is addressing and embedding good customer outcomes and conduct into our culture of our business. Focussing on the customer needs is key and there are 23 customer outcomes which are stated ambitions of our board which are intricately linked to the plans of the business, conduct is not something that is done separately, it is embedded in our customer first programme around our bankers.

And good examples of this are around simplifying our product range to make sure there is clear and transparent choice to our bankers, making sure the professional development programme also includes ethics and behavioural modules to make sure conduct is at the forefront of performance and really focussing on the needs so we're delivering good conduct outcomes for our customers.

Turning to the second strategic theme around simplicity and discipline, as I mentioned we're far too complicated as a bank to deal with, for our customers to deal with and also for our staff to navigate and this is a critical part of the programme we need to fix. We've come from a bank which had a balance sheet a trillion pounds bigger than we are today with structures and process which were designed for a much bigger bank; so we really need to focus on making sure our processes are really simple, quick and fast, whilst not losing the discipline necessary to keep safe.

We're focussing on three major areas, and the reason I've picked these as the areas we're going to focus on and significantly invest money in are these are the ones that our customers tell us cause the most frustration in their experience both in terms of advocacy out of our net promoter scores, but also in the complaints data that we have around our customers.

Our account opening has far too many hand offs and handovers in the process as it's designed. So we are looking at not only reengineering the process and looking for technology solutions, but also taking out unnecessary steps and creating more empowerment for the people on the front line. We've run pilots to sense check this process and over the next two years we will see significant change, benefits from that investment but also for the bankers on the front line.

Our lending process we have eight different lending processes and the end to end process is far too long. It takes too long from the time our customer puts in a request and asks us to advance credit to them, to the time we put that money in their bank account. And therefore that process needs to be simplified and streamlined, reduce touch points, faster decision making, getting through in order to deliver that for the customer. And making sure our tools are appropriate for use so a lot of our investment will focus around this area to deliver tangible changes for the customer.

I mentioned products as a key part of delivering good conduct, but it is also around simplifying to meet the customer needs and simplifying that product set will make it less confusing for our customers and will allow our staff to have better conversations with our customers on a needs base. So what is the need we're trying to fulfil and then the products that are available to do that, so it really is focussing on that.

Critically this does not mean we're reducing our offering, our breadth of product capability remains in place but it's reducing the number of variants of products. And you can see from the graph the level of products and the number of products that will be on sale.

Just to bring that to life a little bit for you in terms of what I mean. In our Lombard business, which is our asset financing business, we reviewed the 114 product variants that we sold to SMEs, we identified 50% of those products had not been sold in the last two years so we've taken those products off sale. So the customers have a much clearer set of products that are available to them to meet their needs.

Importantly in terms of the second part of this programme, simplicity and discipline, it's important that we have the right risk framework in order to keep our business safe and ensure consistency and good control around our business. We've significantly enhanced our risk management process and have a clear set of what our top risks are in our business and plans in order to address them.

There is more work to do in embedding conduct into the business as usual, but I think by setting the right level of credit risk appetite allows us to grow our business and our lending in a sustainable way. And that's a critical part of our plan going forward we need to produce a business that is delivering sustainable and well managed risk returns for our business. We will actively in this area continue to engage with our regulators and competition authorities especially around key areas and impacts such as ICB and make sure we retain that discipline for our business going forward.

To pull out an example here for you, as well and just focussing on one of the key areas of our book which is the real estate portfolio. As you know there has been significant work undertaken across the bank as a whole in reshaping our portfolio with the development of non-core and RCR. But critically there has been a significant amount of work done at the business level as well to make sure that we are shaping our portfolio in the right way. Our real estate exposure pre 2008 became outsized and we've made very significant progress in reshaping this book, reducing our concentration down to 22% of our portfolio and removing over £6bn of assets since 2011.

Importantly I've brought real estate as a business line to the top table in my management team to make sure it has the right focus end to end in shaping our business.

We've significantly enhanced the risk profile of this business, interest rate covers and loan to values as you can see here to make sure this is a well-managed book and we are actively managing our back book which does contain still very long dated exposures of assets we put on the book in the past. But with better origination discipline and focussing on our areas of strength our plan is to deliver a smaller but more profitable return on equity from this part of our book.

Turning to the third theme which was winning together, which is a key part of our plan, as I mentioned we have a business here which has very strong fundamentals with the right product set in order to deliver success. What I'm focussed on now is making sure that we build momentum in this franchise and noting benefiting from some of the recovery in the UK with stronger economic fundamentals which Rob will touch on later in his presentation.

I think it's critical that we operate more efficiently, I mentioned that our RM population there is a variability of performance and as we invest in our RMs and smooth out that variability. I think there is a higher degree of performance enhancement we can get from that. As you can see from the statistics here our top 20% of our RMs are delivering much better returns in terms of income opportunity for the business, but also higher satisfaction scores from our customers which is critical.

Significantly we are focusing on areas where we think we can improve momentum, so we have launched and have a number of planned launches of specific customer and product campaigns, which will support the momentum that underpins the business growth and focussing on key opportunities where we can align with customer needs.

The stalls that Richard mentioned outside are deep diving into some of these areas and our frontline staff are manning these stalls and would be delighted if you take time at the end to talk to them. And I think it will give you a little bit more colour of what's underlining those but I'm going to touch on a couple here just to give you a sense of what we're doing.

Our International proposition is a campaign that we're looking at where we're trying to look at where there is more opportunity to grow internationally. We know in the SME community over 25% of SMEs are currently training internationally, of the rest 75% have plans and ambitions to do so. What we've done is look at our customers that we have and identify where we believe they have the opportunity to trade internationally either looking at the sector that they're involved in, the type of business they're doing or in understanding their strategic needs.

Over 8,500 customers have been identified in this campaign for unmet international needs. This programme was launched at the beginning of the summer where we spent a month identifying the opportunities and training our frontline bankers giving them the tools to help them have the right conversations with the customers around what the need is, working very closely with our product partners.

And the formal launch was on the 1st of September where we've been going out and talking to our customers to have that conversation. The early signs are positive and we have a 40% conversion rate of the conversations we're having in two pipeline opportunities. So we think there is a significant opportunity here to really address a need space.

The second campaign probably just to highlight is fast tracking regional prospects. As I mentioned we are a regional bank and it's important that we bring our strength and expertise across the UK as a whole. So we're looking at the fastest growing companies in each of the regions and identifying where we can target those opportunities and help address the needs of those fast growing companies. Again we will have training programmes to help those conversations with our frontline bankers to connect with our customers.

Overall we have up to seven campaigns ready to go where it really is focussed around needs and focussing on creating that momentum across our business. So what are we seeing to date under this theme of winning together and progress to date? Well I think what we're seeing is higher levels of lending activity and a very health pipeline in terms of the conversations we're having with our customers. Our net lending position is improving in a market where customers are still de-leveraging and we're still managing our back book. And our pipeline is encouraging with both the volume of request that we've had in from the business and the value, the size of the requests we have in increasing.

So I think this is an indication of good momentum and one of the important aspects here is really I think as we look at our business and one of the very helpful things that Sir Andrew Large commented on in his report, which I was very pleased to spend time with Andrew just after I took up my position, was he identified that in some cases our message that we were open for business was not getting through to our customers, that they didn't think we were open for business, that they didn't think we wanted to lend. So we have been proactively targeting that to really address that.

I think the other area that Andrew helpfully picked out was the confidence of our people to go out and have those conversations with our customers wasn't there. So we've really focussed on developing plans around Sir Andrew Large's recommendations to really build momentum.

One of the key areas is on something we call our statements of appetite initiative which is around getting that message out to our customers that we are open for business, that we want to lend money, that we want to support them and we have balance sheet available to support their growth and development.

We have issued letters directly to customers which have a value of lending of up to £8m. Now this is not a mailshot saying we're open for business. This is individually and tailored evaluation of a customer's borrowing capacity, which has been subject to credit approval, working in partnership with our Risk team. So we are sending letters to our customers saying we have evaluated our credit appetite, we could lend you this money if this is part of your plans and your ambition and we want to do that. So that's a proactive campaign in terms of driving origination.

The feedback from customers has been promising, a) getting the message out there that we're open for business and also confidence that we can lend. And in terms of the letters issued 50% of that value is now in our pipeline. We're continuing to refresh that programme and rolling it out, not just to our commercial customers, but also to our corporate customers and continuing to refresh that to support momentum and growth in the business.

Under the same theme of winning together I want to touch on our Private part of our business. We announced in February that our Private proposition would sit within CPB. This allows us to better Coutts with entrepreneurs and wealth creators in our Commercial and Corporate franchise, which is not an opportunity that we have leveraged well in the past. And I think what we're doing is we're bringing together two leading market franchises, where we can address the needs of our customers.

If you look at best in class evaluation of banks that have tied corporate and commercial franchises and private franchises, on average they're feeding their private engine 60% of referrals from their Commercial proposition and we haven't done that. So we think there is an opportunity there.

The UK part of Coutts is the heart of the Coutts and Adam business and with strong fundamentals to build on with its leading market position, its strong brand and its financial performance. And it aligns very clearly with the RBS strategy to focus on the UK and to focus on those international markets with strong ties into the UK.

On the international business we announced we would look to restructure to align more with that UK focus and we're now exploring those options for international, of what we do in terms of mergers, sale or joint venture. And once we've concluded those, obviously we will share our plans with you.

So in terms of just touching on the ambitions for our Coutts UK business it's really about refocusing on the core UK market, where we think this growth opportunity exists. As we look at our Commercial franchise and the number of unbanked customers sitting in our commercial business who are potential clients of our Wealth business, we think that opportunity is around 15,000 clients who are currently not banked by our Private positions. And so this represents an opportunity.

We believe there is an opportunity to invest in better customer service, to address the needs, to enhance our product proposition and our service proposition. And make sure the same disciplines around simplifying customer process apply in this business as well. So we're delivering fast, slick, simple and good service to our customers in line with what a private banking client would expect. And we're targeting medium to long term return on equity of this business of 15%.

To give you a sense of early signs in this opportunity, we have been running pilots of co-locating our Commercial and Private businesses together in London and Manchester. So we've run a six week pilot, the early signs are very positive, we've written already £7m of new business, we've had 12 introduction Coutts to RBS and over 36 opportunities identified RBS to Coutts and that's in a very simple six week pilot that we've undertaken.

So finally turning to the fourth part of our platform which is backing UK business and community; I'm delighted to announce the launch today of our entrepreneur strategy; where we will be working in partnership with E-spark to rollout an entrepreneur programme across the UK.

Over the next two years we will be opening eight accelerator hubs in regions across the UK, building upon the successful partnership we've run with E-spark in Scotland. In the Edinburgh and E-spark programme that we've run we have supported over 280 start-ups in the last three years, generating over £15m of turnover and 520 new jobs. So we're taking those great learnings and supporting that programme in a rollout across the UK.

This is a step change in how our bank will support entrepreneurs in the UK. By opening our premises, providing support and access to networks our focus is on backing the business of tomorrow. We believe this is going to be good for them, good for us and significantly very good for the UK economy as a whole.

The accelerator hubs will be opened over the next two years, we're planning to open two next year with the rest following thereafter. It will provide entrepreneurs free access to business accelerator hubs on our premises, it will give them workspace, hands on mentoring and a start-up boot camp with a programme running with up to 18 months of advice, support and funding clinics to help these entrepreneurs get investor ready and lending ready in order to be successful.

We will be supporting this - allowing participating businesses to be eligible for growth awards to support them in those early periods and run regular educational networking events.

Connecting into our regional framework - this will allow the entrepreneurs access to the ecosystem that is critical to helping them be successful and also a critical part of the survival rate of these high growth businesses. This is very much about supporting the businesses of the future and so we're delighted to be a partner with E-spark and launching this initiative. And there is a stall outside where the team can share with you the details of this programme and how we will do this.

Before I hand over to Rob to talk to you through the financials I'd like to show you a short video to help bring this to life a little bit on our entrepreneur programme.

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E-spark video played

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Financial Performance and Outlook

Rob Whittick, Finance Director CPB
Thank you Alison and good afternoon everybody. My name is Rob Whittick; I'm the Finance Director for Commercial and Private Banking. I joined Alison's team in August of this year, prior to that I was the CAO for the International Banking Business and before that I held a variety of senior finance roles across RBS.

What I want to focus on now are the financial results to June and then take you through my initial thoughts as to where the actions Alison has described will start to shape the future performance of the business and ensure that we achieve returns comfortably above the cost of capital over the medium term.

Looking first at the financial performance of the Commercial banking business, here we anticipate steady income growth from increasing customer financing and an improved interest rate outlook, which should see both customer rates and margins on deposits increasing. Against that we expect to see asset margins coming under pressure from increasing competition.

I will talk in a moment in more detail about costs and impairments, but suffice to say that we're focused on delivering improved efficiency, targeting a medium term cost income ratio for this business of circa 45%. At the half year our headline return on equity of 12.5% was above our cost of capital and we're targeting returns in excess of 15% over the medium term.

Turning to our lending profile, we're of course committed to deploying our balance sheet to support customers' growth, whilst at the same time deleveraging certain legacy exposures. We have been actively managing our non-growable book which contains outside sector concentrations and legacy uneconomic positions. This book as shrunk by circa 13%, half of half and we will continue to manage this down over time, although as Alison has pointed out there are some long dated positions that exist within this book.

While gross new lending fell between 2012 and 2013 as customers deleveraged we are now beginning to see gross new lending exceed the run off on the book. In half one we've started to see net growth in the portfolio, driven by increasing demand in our coverage portfolio, together with demand both for working capital solutions and our leasing products.

I would however note the overdraft usage continues at historical lows of about 40% which reflects caution amongst some of our clients. I would conclude by reiterating our focuses on writing new businesses, whilst ensuring we have efficient use of both balance sheet and capital and we will continue to review the composition of the non-growable book and we'll update you should that mix change.

Turning now to Private Banking, it's worth noting firstly that these financials reflect the current business construct of the Private Bank and include both UK and the International business. As with Commercial we're targeting returns on equity of greater than 15%, and in the short term as we restructure we expect to make income through increasing volumes and deposit pricing supporting margins.

In the medium term Alison has already highlighted that we need to galvanise and grow the UK franchise, improve the investment proposition and better connect the Private Banking offering to Commercial clients and vice versa.

There is further opportunity of course in improving returns by focusing on efficiency and to this end we have an active programme of cost savings to deliver a medium term cost income ratio of 60%, again for this business, and within that we're also targeting a 20% reduction in cost for Coutts UK.

Turning to our income performance by product, we see opportunity for growth across our key UK product offerings, there are many of them, but I will draw out a couple. We're a leading provider of assets and invoice financing through our Lombard and RBS invoice financing brands. Volumes in both of these businesses have risen in support of stronger investment levels in our SME and corporate customer base. Margins have remained resilient in the face of renewed customer pressure, underscoring the value we sense our customers attribute to these brands.

In terms of transaction services we're market leader, recognised as number one in UK cash management. We see opportunity here, both from increasing volumes as the economic confidence improves and from seeking to better leverage our international capability as Alison has outlined.

In terms of driving efficiency, we're looking to drive efficiencies front to back to achieve a good Commercial and Private banking cost income ratio of circa 50%. Our bank wide and franchise programmes are already beginning to reduce our cost base. In terms of the bank wide programme we're both a contributor to and a beneficiary of these programmes, which include functionalisation and investment technology that you've already heard about.

At the franchise level we're focused both on simplifying our product offering and our operating model, senior management delayering and having more efficient governance. In addition we would expect to achieve synergies from integrating the support functions of both Commercial and Private.

Of course it would be remiss of me not to mention that remediation costs remain a risk. We are approaching the culmination of the interest rate hedging product redress programme and continue to closely monitor the related provision.

Turning now to our credit risk profile, we're clearly benefiting from the improving economic environment with low underlying impairments being further supported by write backs from previous provisions, £60m in the first half of the year. In addition the creation of RCR at the end of 2013 improved the credit quality of our portfolio, as a result in the short term our loan loss rate will likely trend below longer term averages. New default rates are low with assets on watch or moving into reduced significantly from the end of 2013.

Finally, to position where I think we are to support the anticipated UK economic recovery I would draw your attention to the indicators on screen. They suggest that business confidence is back, fragile possibly, but there nonetheless. We have already seen evidence of this ourselves, for example in the initial signs of the lending recovery I highlighted to you earlier. We believe our breadth of leading product offerings, in attractive markets, positions us well to support the increased business investment expected in 2015. With that I'll hand back to Alison.

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Summary

Alison Rose, Chief Executive Officer CPB

Thanks Rob. So just to close I would summarise, I think we've made great progress in the first six months of the creation of CPB and putting in place clear objectives, plans and early wins.

Delivering our ambition is a clear focus of the business and it is embedded in all of our objectives of all of our frontline staff and across the business as a whole, which is deliver number one for customer advocacy, trust, and customer service.

We as a management team and myself, are extremely excited about the opportunity of bringing UK Commercial and Private franchises together and the opportunity in particular that that presents to our customers.

Fundamentally we have been listening to our customers to help shape our plan. And we know what the problems are, and we have clear plans in place to fix them. It's part of a broader brand strategy to deliver real and sustainable change for our customers, our staff and our shareholders.

In this business we are targeting attractive returns, built on leading customer propositions, improved efficiency and positive momentum from some of the campaigns I've shared with you today. And I think also we will benefit from an improving economic environment in the UK.

We have a number of the market stalls, please do take your time to speak to the staff, but with that I'd like to invite the team onto the floor and open the floor to your questions. There are mics in the room, so if you could put your hand up and speak into the mic and the people who are on the phones as well. Thank you very much.

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Questions and Answers

Chirantan Barua, Bernstein
Three quick questions, the first one is all your slides there were green ticks, that scares you when you see all green ticks, so what are the red ones, how do you think about risk, we're getting into a political cycle, we're getting into interest rates, so it would be great if you can just walk us through some of the sensitivities, as well as the cost plan?

The second is, how do you see the likes of the Funding Circle, in terms of competition we've already said that asset prices - your outlook is that it's going to be weak - where are the pressures exactly coming from?

And the third is an update on Williams and Glyn, what are the stranded costs, where are you on the disposal plan, and how will the economics look without Williams and Glyn, thank you?

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Alison Rose, Chief Executive Officer CPB

So I think in terms of the sensitivities - I think the green ticks were both up and down, so maybe for people who are colour blind. So I think we need to be aware of, and I think this is where the risk governance and control is really important, to make sure that we're writing business that is sensible and well controlled. We are seeing increased competition in the market which sort of ties into your second point.

But for example on our real estate side we're seeing, you know leverage multiples going up, we're seeing pricing being driven down. So it's important that we keep the right disciplines in place around the shape of our business, but the market remains very competitive from that perspective.

I think the legacy conduct agenda is one I touched on briefly and Rob mentioned, around making sure that we keep focused on that and being aware of those issues.

Any else you'd like to add Rob?

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Rob Whittick, Finance Director CPB
No I don't think so.

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Alison Rose, Chief Executive Officer CPB
So I think competition wise, what I'm seeing on the frontline with our bankers and in feedback from customers is that margin price is being aggressively fought after, so we're having to fight for every piece of business. I think that's the nature of where the market is at the moment. So that's why we're forecasting that the margins will continue on the asset side to remain under pressure and I think that is a realistic assessment.

I think on the deposit side, as interest rates improve and we see an uptick in the interest rates then we will get a benefit on our deposit side, on the liability side of our book.

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Rob Whittick, Finance Director CPB
Yes, the margin pressure that we're seeing is at the top end of the book, but certainly on the deposit side, as we've said already as rates rise that will benefit both the customer and ourselves in terms of our margins.

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Alison Rose, Chief Executive Officer CPB
And your third question was Williams and Glyn, which is a programme that's run by a separate team in terms of making sure that that is actioned, it's a top priority of the ExCo of the bank to make sure that we implement that. All of the planning is underway Rory Cullinan is leading that programme for us. So we're working very closely with them to make sure the transition is managed well, but it is a complex process and it's the top agenda for us to make sure we do it well.

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Chirantan Barua, Bernstein
Timing?

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Richard O'Connor, Head of Investor Relations
Still '16, no update at all, I mean for Williams and Glyn.

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Andy Ellis, Head of Strategy CPB
You did mention Funding Circle and I guess in principle we welcome competition. That market currently is at the smaller end of our base and in terms of quantum it's not huge. But we are looking at alternative lending and we are talking with the government in terms of referrals of our decline, so we have an active eye on that market, but day to day we're not worried about it taking too much of our business.

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Chirantan Barua, Bernstein
Sorry, will you use it as a distribution channel?

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Andy Ellis, Head of Strategy CPB
I know Santander have done it, I think it's too early for us to tell, but we're looking at lots of different alternatives in terms of our declines.

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Richard O'Connor, Head of Investor Relations
That's right at the small end; this is more two million to two billion, so it doesn't really touch this so much.

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Manus Costello, Autonomous
Can I ask a couple of questions please, firstly could you give us some indication of why the top line in Private Banking is flat, are you looking to reshape the customer profile there, is there anything going on that we should be aware of and what's the outlook more generally?

Secondly as you've gone up and down the country Alison, talking to customers, there's been an awful lot of press about RBS and SME and mid corp business over the course of the last 18 months, two years, I just wondered how much damage you felt had been done to the brand and to your business as a result of that and what can you actually do tangibly to turn that around, do people bring it up with you or is it just us lot who are interested in it?

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Alison Rose, Chief Executive Officer CPB

So in terms of Private Banking, our focus is going to be on Private Banking of customers with £1m and above of investable assets, that's our target market in our Wealth proposition. We obviously have our Private proposition in PPB as well for customers below that.

There has been a lot of distraction in the business over the last 12 months, with a lot of the regulatory changes and issues they've had to focus on, so I think that's been part of that, but we are looking to, I think grow our UK business clearly with the referral opportunity of bringing Commercial and Private together and I think that's where we'll see growth coming from in the Private side.

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Richard O'Connor, Head of Investor Relations
I think it's just short term outlook there, obviously the team only just got hold of the business and it's been pretty flat now for a while. So when you're looking at guidance let's keep it flat and then obviously grow it over the next few years as we evolve the strategy.

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Alison Rose, Chief Executive Officer CPB
So your second question on talking to customers, I think the one thing I would say is our customers are very honest with us, these are - they don't hold back, we get really the hard truths feedback from them, which is exactly what we want to be honest, I'd rather hear what the challenges are than them just telling us we're great.

Generally the feedback from our customers are they think our RMs are very positive, so you can see in our scores for our relationship bankers that we are scoring right at the top end in terms of the quality of RM and they really like our RMs, so I think that's a very positive thing.

There is a lot of distraction around the banking industry as a whole and the noise around lending, but I think the actions around us getting on the frontline and saying we are open for business is having a real effect, and I mentioned Sir Andrew Large's Report I think was incredibly helpful in us refocusing our attention back to a positive and confident message out there.

I think as Ross has said and I would say, our industry has a lot to do to rehabilitate and re-earn the trust of customers. What our customers are saying to us directly is we really like you, you do a good job with us, but you need to be better. And we can see that in the feedback we get from NPS, and complaints, and directly when I talk to them. So they're not shy about telling us what we need to focus on and I think the plans we've put in place there will address those concerns and it's making sure we do them quickly and efficiently and embed consistency. That's really the key.

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Shane Finemore, Manikay Partners

Just two quick questions. One, you know the fading of the deposit balances across both sides of your business, you touched on it before from competition but can you just explain why that is and where that's going from a competitive perspective?

And then secondly I got the impression that you're not that focused on commercial real estate yet, it's a big sector and it's an important asset class for SME businesses, and can you talk about how real estate lending versus commercial real estate, how you see those as two separate groups?

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Alison Rose, Chief Executive Officer CPB
Sure, let me take the second one and Rob can take the first one. So in terms of commercial real estate, it remains a core part of our proposition, so we are continuing to focus on it, it's 22% concentration of our book and it will remain a key part of our proposition to our commercial clients. However, what we're very keen to make sure is the risk metrics and the control around that segment are appropriately positioned to drive the right returns, and not that it becomes such an outsized piece of our exposure which was what happened in the past. So it is absolutely not something we're defocusing, it's just making sure the balance is right within the book.

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Rob Whittick, Finance Director CPB
In terms of your deposit question, clearly we've managed the level of liquidity that we want at the bank level, and we price according to what the bank's requirements are in terms of liquidity. Some of the deposits moving away will reflect our current position as a bank, rather than our position as a franchise here.

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Andrew Coombs, Citi
Three questions from me please. First I just wanted to come back to Coutts, just comparing slide 21 and 27. It looks like Coutts International is broadly breakeven, or perhaps a small profit, just trying to strip it out on an underlying basis. So it appears there's a much higher cost income ratio there relative to the UK business, but also the revenue margins look to be lower as well. So perhaps you could just elaborate on those factors please?

Secondly, looking at the loan balance, in the Commercial Bank it's broadly stable. You talked about in particular the legacy book running off, but perhaps you can give us an idea of the timeframe of when you expect that to turn positive. Similarly on the Private Banking side AUM has been declining. You talked about the regulatory adjustments, also in the slide pack it talks about leverage coming down, so again perhaps you could give some indication there on when you think that's going to turn positive?

And then just final question is with regards to cross collaboration between the divisions. When you think about the handover from SMEs which are booked in the Retail division, or affluent customers booked in RBS Wealth who might be making a step up, how do you think about that handover process? And also how do you adjust for collaboration revenues, and there I'm more thinking between the Commercial Bank and the Investment Bank when you're doing so? I don't know a swap for a mid corp that's been referred from the Commercial Bank?

Alison Rose, Chief Executive Officer CPB
Okay. So I think that was four questions but …

Andrew Coombs, Citi
Three and a half.

Alison Rose, Chief Executive Officer CPB
So in no particular order I mean I think in terms of the - well I'll go first and then hand over to some of my colleagues to let them speak as well.

So I think in terms of Coutts you're quite right, I mean it is early days and we're not stripping out or carving out the Coutts financials at the moment given where we are in the process which I think you would understand, and when we're ready to do that we'll come back to you. But the Coutts International business is operating at over 100% cost income ratio, so it is a higher cost income ratio business, and its contribution in terms of its profits is significantly lower. So your sort of analysis is quite right. As we finalise on what the perimeters of the go forward strategy is, we'll split those financials out firmly. But it's too early to do that at this stage.

Rob Whittick, Finance Director CPB
Yeah, I guess in terms of the assets under management point that you raised, there is an impact to FX in there. There is the European tax transformation as particularly German clients are re-domiciling their balances into Germany. And we have had certain custody balances that were relatively low margin moving away. So those things have impacted. We anticipate that the end of year position will be restored as we increase volumes which we're seeing post half year.

Alison Rose, Chief Executive Officer CPB
Your question three and a half or four which was on the cross collaboration point, between Coutts and Private it's going to be a referral programme. There are no income sharing targets around that. And one of the things that is very important around the conduct agenda that is key to the customer experience is making sure our programme is delivered around a customer needs based approach. So we won't be setting - nobody on the frontline has sales targets, it's really about having a balanced scorecard, and we'll put in place an appropriate referral mechanism to make sure that we have clarity around that, but no financial rewards around that.

And in terms of the sort of more holistic issue around customers and their journeys, you hand them over from one division to another division, an SME coming to a Commercial into an Investment Banking, what one of the key premises of the strategy that we put in place moving from seven divisions to three, was really around identifying and setting those divisions in facing off against what the customer needs are. So our customers are in the place where their needs will be served the best, and then making sure that we look at it on a one bank approach. So you know given we are a long term relationship bank, we want to make sure a customer who is opening their bank account as a graduate and develops into a professional or a corporate migrates across.

So we do have mechanisms in place that act as trigger points for us to refer, to make sure that once a customer grows, particularly if they grow very quickly, that they're being moved to the right place so they get looked after. We do that mindful of the relationship banking angle because if a customer is just triggering a small tip over into a different category and immediately gets swapped, and then a year later drops back down again, that's not a good customer outcome. So we put in place the triggers to make sure we're identifying need, and then there's an intelligent conversation around making sure they end up in the right place. So that's how we're doing it.

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Andrew Coombs, Citi
Yeah, and just coming back onto the Commercial Bank loan growth, I mean perhaps you could give us the average maturity of the £20bn legacy book, given that you said there's some very long dated exposures in there?

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Rob Whittick, Finance Director CPB
The non-growable book we are managing actively. There are opportunities both in the short term and the long term to look at appropriate owners for that and Alison has set up a team to do that, but at the moment I couldn't give you -

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Alison Rose, Chief Executive Officer CPB
So the average life for the loans we're offering to most of our Commercial and Corporate clients are around five years. So the average life ends up being around three to five years. So on some of the long dated, particularly in the real estate; you have loans in there of around £10bn. And if I look at in the real estate in our pre book, from a limit there's around a £1.7bn to £2bn of limits that are ten year plus legacy, so it's not a huge amount but just to give you a sense of that.

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Andrew Coombs, Citi
That's very helpful, thank you.

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JP Crutchley, UBS
I just wonder if you can maybe just add a few words around the capital sensitivity of the loan book. I mean if I just look at the Commercial Banking book, I think it's about £63bn of risk assets, about £85bn of lending. Obviously you've got the non-grow book which is obviously rundown which I assume is reasonably capital intensive, you've broken out the risk assets on the real estate book which again is less than 100%. So I'm just trying to get a feel for how we think about the risk assets versus the lending moving over time, given it's obviously an element which will be shrinking which I assume is high capital intensity and growing in lower capital intensity areas, and just give us a feeling about how you think the evolution there plays out, in terms of risk assets versus lending.

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Alison Rose, Chief Executive Officer CPB
Yeah, I mean I guess on one aspect as well the other thing to think about is in a relatively benign economic environment we're actually seeing the credit profile of our book improving, so our RWAs are looking better as that credit improvement shows. So I think generally flat in terms of our RWA forecasts as we go forward. In that environment clearly our book is focused around the sort of mid end, up end of ratings, so I'm not expecting a massive increase in RWAs given that sort of customer portfolio mix. It's a high volume, low value so there are not big spike risks in that book either. So I think from an RWA perspective it's relatively flat to sort of declining to some extent in those economic periods.

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JP Crutchley, UBS
Do you think lending will grow itself so growing lending but flat in terms of risk assets would be your expectation?

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Alison Rose, Chief Executive Officer CPB
Yeah, exactly. So we expect sort of mid-single digits growth in terms of our lending book as momentum increases. But again our credit profile looks broadly positive.

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Rob Whittick, Finance Director CPB
There is some impact of implementing the new credit models. We're a large way through that but that will cease and therefore it won't increase in line.

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Chris Manners, Morgan Stanley
Thanks, good afternoon. Just a couple of questions if I may. I was looking at slide 25 and it looks like a sort of quite good outlook at the arrows with revenues up, costs down, impairments down. I can see first half you've done sort of 14.7% return on equity.

You're targeting a 2018 to 2020 15% return on equity. You're kind of already there; everything is going in the right directions on your arrows. Couldn't we expect a higher target ROE? And same question for the Private Bank, you're actually already exceeding 15.

Second question is on the interest rate swap mis-selling, you said you're closely watching it. I assume that means yeah, you're flagging another provision in the sort of second half numbers. How should we think about trying to calibrate what that could cost? Thanks.

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Alison Rose, Chief Executive Officer CPB
So I think terms of ROE growth we're targeting a plus 15% return on equity, and I think what we're seeing is good momentum so far. And I think I remain optimistic and positive about the business, I think that's what I'd say. On the Private side we are seeing sort of real contraction in margins in that business as well, so we will need to improve performance but I'm positive on the plus 15% return on equity.

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Rob Whittick, Finance Director CPB
I think this year clearly we have benefited from significantly lower impairment, so whilst the arrow is down against 2013, I think the levels we've seen this year we wouldn't anticipate being quite that low. So that may account for slight - some of the anomalies.

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Alison Rose, Chief Executive Officer CPB
Interest rate hedging, so we've obviously had a provision of £1.4bn for the interest rate hedging and at the end of August we had contacted 95% of our customers. By the end of this month it will be 100%. So we're working very closely obviously with the FCA and the skilled person on that programme. But I think we will need to keep a close eye on that as we go forward. We obviously have the £1.4bn provision which we have talked about.

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Leigh Goodwin, Agency Partners
Thank you, good afternoon. Just actually following up on that point about loan loss rates, because clearly there's a lot of recoveries and releases within the dynamic there, I wonder if you'd be so kind as to guide us as to where we should think of long term loan loss rates when you're calculating your return on equity?

Second question, back to the advocacy charts. I was intrigued as to why there's such a difference between RBS branded services and NatWest. I mean something seemed to go wrong with RBS in 2011-12. Now I'll be very interested to know what that is and whether you've really understood that and therefore, you know, you can put that back on track. And NatWest seemed to track with the rest of the competition and RBS just dropped off, is that branding, is that advertising, is that personnel or whatever?

And finally just on these entrepreneur units, I wonder what the difference is between that and the old leveraged loan units, and whether you're still doing leveraged loans and what sort of parameters you can put in place for those? Thank you.

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Andy Ellis, Head of Strategy CPB
Do you want me to take the NPS one?

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Alison Rose, Chief Executive Officer CPB
Yeah.

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Andy Ellis, Head of Strategy CPB
On the net promoter score one, the big point is branding. Clearly the customers get almost exactly the same service, but when you ask them what they think and it's an advocacy point, they often prefer to advocate, or don't prefer to advocate RBS, so I think there's a branding point. And I'm not exactly sure which dip you're referring to, but the systems outage caused a dip a couple of years ago and then again RBS was kind of the name in the press, so we were hit there a bit. You're right; I think branding is the key difference.

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Rob Whittick, Finance Director CPB
In terms of the loan loss rate, the Group, Ross has signposted 40 to 60 basis points. We would expect to be within that range, potentially towards the bottom end of that range.

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Alison Rose, Chief Executive Officer CPB
On the entrepreneur programme, it's not leveraged loans. It's very much about investing in entrepreneurs. So a lot of these entrepreneurs who go into the accelerator hub are at the start of their journey, so they're not finance ready, they're not investor ready and what we're looking to do is to really help them with that.

So when you look at the failure rates of a lot of entrepreneurs, it's generally because they haven't got a proposition that they can take to an investor. So a lot of what we do with them in these hubs is help them get investor ready, so articulate what their plan is, put them in touch with suppliers and people who can help them. We bring our bankers in so part of the programme is almost 470 relationship bankers will roll through this programme and work with entrepreneurs to help educate them on things like working capital. Because even once they've got investor ready the next problem they have is cash flow. So it's really about imparting those skills.

So a lot of those - and the programme is not something that is open to just NatWest and RBS clients, this is open to all entrepreneurs. We hope by doing a good job with them later they'll want to bank with us, but it's really about investing in these companies of tomorrow. So that's the programme that we're supporting.

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Leigh Goodwin, Agency Partners
So are you supporting a lot of LBO activity?

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Alison Rose, Chief Executive Officer CPB
We have within our business in CPB we look and work with a number of financial sponsors and support them. It's a relatively small part of our portfolio. It has a risk appetite and a type profile around it in terms of the leveraged multiples we will offer and distribution capability. So we support that across the bank but within a very tight risk profile and risk appetite framework.

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Ian Gordon, Investec
Can I have three please? Firstly you spoke earlier about the range of performance amongst your RMs. I take on board your comments around appropriate incentive arrangements, balanced scorecards and so forth. Can you perhaps provide some colour or examples on what products or other activities are driving the strong performance from your top 20%?

Secondly can I re-ask the competition agenda question and please correct me where I misrepresent you. But what I took away from the earlier answer was that the environment in which you're operating is competitive, you are facing new competitors etc. and that may well convince me, but it may not convince our political paymasters. So what are your thoughts in terms of how the political debate is going to develop, and what practical deliverables are there, given that this is a debate which has been going on for 15, 20 years without any material change?

And then thirdly, a sort of a bit of a throwaway question but I guess I think you almost characterised your existing profile of RMs as mainly male and mainly getting old.

Laughter

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Alison Rose, Chief Executive Officer CPB
Oh dear, I hope I didn't, that's a bit harsh.

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Ian Gordon, Investec

And I guess sort of back in my day the main source of customer complaint was too much churn, too much change, whereas you've also presented your ambitions for a diversity agenda which is quite difficult to implement against that constraint and the broader constraint of overall headcount reductions.

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Alison Rose, Chief Executive Officer CPB
Yeah, thank you. So let me first correct the comment that I called them old and male, so I certainly didn't do that. I think in terms of our cohorts of relationship bankers we have a lot of bankers who are long tenure, and that's a huge positive. So we have very experienced RMs, but what I'm focusing on and mindful of is that we have a very diverse group of customers, and it's really important that we recognise that and make sure that we're addressing diversity in terms of talent. So I want - you know I'm unashamed in saying I want absolutely the best talent in my business to make sure that we're serving our customers in the right way.

As that cohort of relationship bankers develop, we need to just make sure we're continually refreshing, that's why the graduate recruitment, the apprentice programme, are really important to bring that in, and then we create diversity through that. So certainly not old and male and pale, that certainly wasn't my comment so I'll just correct that.

In terms of the range of performance of relationship bankers, I think if you look at the variability that exists, it just demonstrates that we need to bring consistency. And the really important thing for me on that perspective is regardless of where a customer lands in this bank, whether they approach us in Leeds or they approach us in London or they approach us in Edinburgh, they should be getting the same quality of service. So removing that variability of performance is really important.

As I said at the beginning we've taken sales targets away from the frontline, and what we look at is a balanced scorecard. So looking at things around you know how they're performing against our values, what their MPS score is for their customers because that's direct feedback, the level of complaints, the level of referrals, those elements which are much more balanced around performance rather than direct targets for the frontline banker. So that was the key aspect on that.

On the - your second question, they all come in threes, was the competition. Look, we see competition all the time in the frontline on a deal by deal basis, and a lot of our customers, particularly in the mid to the upper end range, are multi banked. We're not the only relationship they have; they have other relationships with other banks and other product providers. So they have the choice at any point to move and bank with our competitors as well. I think however, you know the government has quite rightly said they want to launch an investigation into competition. We welcome that, we'll participate in that openly and transparently, and I think that is something we will do. And what I see day to day is tough competition, but I think an industry as a whole having a competition review is something we'll engage in and be part of.

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Andy Ellis, Head of Strategy CPB
I guess just to add a couple of points to Alison's there, in terms of the RM activity, one of the things that we increasingly track and is correlated to output is activity, how many meetings they have, and really making sure that people have got the right number of meetings, talking about the right number of things. So it's not what they're selling or who they're selling to, it's just consistency of rhythm and getting out there.

And then I guess also to build on the competition point, whilst we are number one in market share as some of the previous slides showed you, we're not number one in all of our products. So there's kind of the Lombard, the IF, the trade. You know, we've still got plenty of room there.

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Mike Trippitt, Numis
Just two questions if that's possible. It's a slightly broad point but it's sort of relevant. The chairman of HSBC wrote in the half year results that the regulatory risk, conduct risk, was actually curtailing risk appetite within the business and that you know, those at the frontline were beginning to get too risk averse. I just wonder what your thoughts are on that given still the regulatory uncertainty, still conduct risk issues.

And secondly, has there been any, either in practical terms or in terms of customer perception, any impact on your business from the rundown of the markets business? Does that in any way impact your product diversity?

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Alison Rose, Chief Executive Officer CPB
So I think on the sort of regulatory and conduct, I mean I think a huge part of the banking industry building and rebuilding the trust is demonstrating good customer outcomes and good conduct outcomes for its customers. What is important to do is there a lot of regulation coming in; there is a lot of conduct agenda coming in. Our job is to translate that for the guys on the frontline, and it can be confusing and there's a lot happening at the same time. So when I talk about our theme as simplicity and discipline, for me it's about making sure we're implementing the right guidance to the people doing business with keeping the discipline there.

I think as I said, I sort of mentioned Andrew Large, a key part of our job and a key problem we had was our people on the frontline didn't have confidence to get back out there and lend and have those engagements with customers. I think clearly regulation and those changes has an impact on that. We need to make sure we translate that for them so they do have the confidence to have the right conversations. And therefore simplifying a product range to make sure they're clear on what that product does, what it's designed to do, real transparency removes the conduct risk and gives them the confidence to go and do that. And sort of an example of that is the international campaign, because we've been very clear about training and how we do that.

So I think, you know, it is a challenge to the industry, but it's an important part of getting the trust back of our customers. So I think that's what I'd say on that.

Sorry, your second question was?

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Mike Trippitt, Numis
The de-scaling of the markets business, whether that's either practical or in the eyes of the customers' perception an impact on your business?

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Alison Rose, Chief Executive Officer CPB
No, most of the - for the customers in CPB, particularly at the top end, what they're looking to our Markets business for is the products from a financing perspective, so access to capital markets, to syndicated loans, to derivatives and financing. Those products are a core part of our operation and are available to them. So we're not seeing any restriction.

We are seeing less activity from our customers in that space just because of the low volatility in the markets right now and less of event financing, so we can definitely see that in our numbers of income coming from that side of things. But we're not seeing a reduction in the product breadth that we can offer to meet our customer needs from those changes.

So I think probably that draws us to a close. Thank you very much for your time. I hope that the presentation has given you a sense of both the strategic direction and the progress we're making. And hopefully we've managed to address some of your questions. Outside there's coffee and tea and then a chance to go round the stalls, and we'll be available out there as well. So thank you very much again and I look forward to talking to you outside on the stalls. Thank you very much.

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