NatWest Group plc
H1 2021 Results Fixed Income Investor Call
31st July 2021 at 1pm

Katie Murray, CFO
Donal Quaid, Treasurer

Operator: Welcome, everyone. Today's presentation will be hosted by Katie Murray, CFO, and Donal Quaid, group treasurer. After the presentation, we will open up for questions.

Katie Murray: Good afternoon, everyone, and thank you for joining us for our H1 2021 fixed income results presentation. I'm joined today by Donal Quaid, our treasurer, and Paul Pybus, Head of Debt IR. I will take you through the headlines for the first half, give an update on our strategic priorities, and then move on to some of the detail.

Donal will then take you through the balance sheet, capital, and liquidity and then we'll open it up for questions.

So starting with headlines on slide three, we're reporting an operating profit of 2.5 billion pounds compared to a loss of 0.8 billion in the first half last year.

This includes an impairment release of 707 million as a result of improvement in economics and underlying credit metrics. I will come on to this in more detail later.

Most of this release is made in the second quarter when we updated our economic assumptions in light of a more favorable economic outlook. This resulted in an attributable profit of 1.8 billion pounds.

We continue to make good progress against our targets. Net lending grew 2.8 percent on an annualised basis, driven by growth in mortgage lending.

We reduced costs by 5.9 percent year on year. Our progress here will not be linear and we continue to target a reduction rate of about 4 percent per annum over the next three years.

This is a capital generative business and we're reporting a CET1 ratio of 18.2 percent. This capital strength has enabled us to announce an interim dividend of three pence today and to increase the minimum annual distribution over the next 3 years from 800 million to a billion pounds.

We are also announcing an initial on-market share buyback of up to 750 million in addition to the 1.1 billion directed buyback of almost 5 percent of our share capital from the government earlier this year. This brings total distribution for 2021 to about 2.9 billion pounds.

You may have seen the announcement last week that the government intends to sell part of their shareholding over the 12 months from August onwards. So these are the headlines.

I'll move on now to our strategic priorities on slide four.

Against the background of ongoing pandemic and placing purpose at the heart of our business with our commitment to helping people, families, and businesses to thrive remains of paramount importance.

We continue to execute on our strategic priorities, invest for growth and accelerate our digital transformation in order to drive shareholder returns and deliver on our targets over the next three years: Lending above the market rate; reducing costs by about 4 percent per annum; and operating the CET1 ratio of 13 to 14 percent; in order to achieve a return on tangible equity of 9 to 10 percent by 2023.

Let me tell you how we've been putting our purpose into practice in the first half of slide five.

I'll start with our three focus areas. Removing barriers to enterprise, building financial capability, and leading on climate change.
On enterprise, during the first half, we published a report on the help small and medium-sized businesses need to build back from the pandemic and contribute to economic recovery.

This research found the largest drivers of future economic growth include supporting more scale-ups, boosting female entrepreneurship, and achieving representative workforce participation. We have re-launched our enterprise program to reflect these priorities and committed 6 billion to support SMEs to scale up and grow with two-thirds of this allocated outside London.

Our enterprise program aims to support 35,000 entrepreneurs this year including more than 700 individuals on our current accelerator program, of which about 42 percent are female.

On financial capability, we continue to help customers strengthen their economic resilience with measures such as free financial health checks, financial education programs, and help in starting to save for the first time.

And on climate change, the need to act is now well recognised by investors. Our focus remains on financing and supporting our customer's transition to a low carbon economy. During the year, we help business customers raise 9.5 billion pounds of new sustainable funding and financing, which means we have now exceeded our 20 billion targets.

Turning now to slide six, I'd like to talk about how we're working with our customers as the economy starts to recover.

Across retail and commercial banking, net lending grew by 4.1 billion during the first half excluding government lending schemes.

With the gradual lifting of restrictions over the past three months, both debit and credit card spending has returned to pre-COVID-19 levels. And while credit card balances have declined slightly, that trend has started to reverse in the second quarter.

Gross new mortgage lending in the retail bank grew to 9.7 billion pounds with net lending growth of 3.2 billion. We are seeing some reductions in margins in a competitive marketplace.

In Commercial Banking, demand for new lending from businesses has been muted, given high levels of liquidity and significant government support. Revolving credit facility utilisation is now around 20 percent compared to a peak of 40 percent in April last year.

Looking at government lending schemes, we approve lending of some 14 billion in 2020, of which around 60 percent Bounce Back Loans to small businesses, and 30 percent was CBILs for medium-sized businesses, and the balance was to large corporates.

Since the first anniversary of the scheme when repayment started, 5 percent of all our Bounce Back Loans have been repaid in full, and of customers, due to start repayments, 92 percent are now repaying on or ahead of schedule.

The government introduced Pay as you Grow in April, which enables businesses with these loans to request an extension or take a payment holiday. Just 5 percent of our Bounce Back Loan customers have asked for a payment holiday through this scheme.

I'll turn now to capital management on slide seven.

As you know, we have made strategic choices in relation to both Ulster Bank and NatWest Markets. We have made good progress in Ulster Bank and have now signed a binding memorandum with Allied Irish Bank to transfer 4.2 billion of performing commercial loans, along with the colleagues supporting these loans.

We also announced last week a non-binding memorandum of understanding with Permanent TSB for the sale of 7.6 billion euros of performing retail and SME loans and the transfer of associated employees and branches. Taken these together, we would account for about 60 percent of the Ulster Bank loan book. And we expect this to be capital accretive over the multi-year withdrawal process.

In NatWest Markets RWAs now stand at 24.4 billion on a pro-forma basis as we updated our model due to the end of LIBOR and we remain on track to achieve the majority of our targeted RWA reduction to about 20 billion pounds by the end of the year. As you'd expect, we're also managing our portfolio to reduce capital consumption and manage risk. In Commercial banking, this contributed to an 800 million pound reduction in RWAs.

Turning to impairments now on slide eight.

We're reporting a second-quarter net impairment release of 605 million pounds or 66 basis points of customer loans, bringing the overall release to 707 million for the first half. The Q2 release is driven by an update in our economic assumptions, improved underlying risk metrics, and our performing book, and a continued low level of defaults.

Our updated assumptions reflect a more favorable economic outlook. Our base case now assumes U.K. GDP growth of 7.3 percent in 2021, up from 4.5 percent previously, and for U.K. unemployment to peak at 5.5 percent, down from 7 percent.

We've adjusted the probability weighting of our four scenarios and reduce our weighting for the two downside scenarios.

Nevertheless, the outlook remains uncertain and we are mindful of the significant government support that our customers still receive. Given the net release of 707 million in the first half, we now expect a net release for the full year.

There are three key variables affecting the full year outcome. First, economic performance versus the weighted economic outlook we use in our scenarios. As you know, we update these each half, so the consensus economic outlook as we get towards the end of the year will be critical.

Secondly, credit performance. While we see a low level of defaults and no tall trees at the moment, we will monitor credit conditions carefully as COVID support continues to roll off. And third, our post model adjustments, which I'll come on to.

Turning now to our expected credit loss and coverage on slide nine.

Our ECL provision at the end of Q2 was 4.9 billion pounds, down from 5.8 billion at Q1. This reduction was driven mainly by an improvement in both our economic scenarios and the risk metrics in our performing group, which together accounted for a release of 648 million pounds.

Comparing the first quarter column on the left of the bridge with the second quarter column on the right, you can see we have reduced post-model adjustments for economic uncertainty by 53 million pounds to 834 million pounds. The ECL release has reduced our ECL coverage from 1.56 percent in Q1 to 1.31 percent in Q2 and we're comfortable with this level of coverage.

I'm not going to walk through all the moving parts, but I would like to highlight that our

for economic uncertainty is now a larger proportion of our overall ECL coverage, accounting for 22 basis points. And the remaining coverage of 109 basis points is broadly in line with 2019 levels, which feels reasonable.

We do not see any particular issues in the book at this time and are comfortable with how it's performing.

As we look to potentially unwind these post-model adjustments, the major factor will be how the economy and our customers react to the ending of government support. But as long as economic and credit conditions continue to trend favorably, there could be some upside later this year and into 2022. And with that, I'll hand it over to Donal.

Donal Quaid: Thanks, Katie. Good afternoon, and thank you for joining today's call. Let me start off by thanking you for your continued engagement with the NatWest Group during the first half of the year. It has been a busy year to date with capital issuance, liability management exercises, and calls on a number of our securities. I will share some of the highlights from H1 before moving into more detail on capital and liquidity and progress on our funding plans for 2021.

Starting with slide 11.

We ended the first half with a strong sense of balance sheet metrics against our capital funding and liquidity requirements with a CET1 of 18.2 percent and liquidity coverage ratio of 164 percent.

With a far more positive economic backdrop than was anticipated a year ago, market conditions have been favorable for issuers and I'm pleased that we were able to successfully execute a number of milestone transactions across the capital stack, making significant progress against the 2021 funding plans and further progress on capital optimisation.

We continue to proactively take opportunities to optimise our capital stack in H1 repurchasing around 1.6 billion sterling in open market tenders that targeted legacy Tier 1 and bullet Tier 2 securities. Reducing inefficient capital and generating ongoing reductions in our interest expense.

We also took the opportunity to call or announce our intention to call 800 million sterling of Tier 2 securities in line with our strategy to reduce legacy securities that do not provide capital benefits beyond the end of this year. And we announced our intention to call a \$2.65 billion additional Tier 1 in August, following successful sterling and dollar additional Tier 1 issuance during the first half of the year.

On ratings, Moody's has upgraded NatWest Group and subsidiaries this month, and both Fitch and S&P revised their outlooks on the long-term issuer ratings for all entities in the NatWest Group from negative to stable. And we've also seen further progress on our ESG ratings with Sustainalytics reducing our risk score to low risk.

Turning to our capital leverage position on slide 12.

Our CET1 ratio at the half-year was 18.2 percent. That includes the benefit of IFRS9 transitional relief of 1.2 billion or 70 basis points. Our total capital ratio was 24.9 percent with a total loss-absorbing capacity ratio including Senior MREL of 38.9 percent. That leaves us comfortably above our minimum regulatory requirements on all of our capital metrics.

Our CET1 ratio is now between 420 and 520 basis points above our 13 to 14 percent target range, and more than double our maximum distributed amount. The U.K. leverage ratio was 6.2 percent leaving 295 basis points of headroom above the U.K. minimum requirements of 3.25 percent.

Moving to slide 13 on our quarterly movements in CET1 and risk-weighted assets.

Our CET1 ratio and our transitional basis under IFRS9 was unchanged when compared with Q1. The ratio fully reflects the updated dividend accrual of 500 million and other foreseeable charges of 924 million made up of the 750 million buyback permission, a link to pension contributions of 174 million post-tax, which together reduce the ratio by 75 basis points.

This reduction was offset by 41 basis points increase from attributable profit and 19 basis points benefits due to lower risk-weighted assets.
RWAs decreased 1.7 billion in the quarter to 163 billion. Within this, a reduction for credit risk of 2.6 billion driven by lower commercial and unsecured retail balances partially offset by a 400 million reduction from procyclicality largely arising in the retail bank.

Market risk increased 900 million reflecting a temporary impact of 2.5 billion in NatWest Markets related to the transition from LIBOR to SONIA. A model update permission received in July reverses this uplift to give group pro forma RWA of 160.5 billion.

Moving on to the future drivers of our CET1 outlook on slide 14.
These impacts are all indicative based on our capital position at Q2. Document regulation based on what we know today, we expect this to consume around 350 basis points. This includes the unwind of COVID related measures such as IFRS9 transitional relief as well as RWA inflation including Basel III and we expect PRA changes to increase our mortgage risk weights to around 15 percent on January the 1st, 2022.

Based on book growth and current risk density, we expect this to increase our mortgage risk-weighted assets by around 15 billion. Taking into account these factors and the improved economic outlook, we now expect orderly ways to be as or below the lower end of the previously guided 185 to 195 billion range at the end of 2021 including all regulatory impacts effective on January the 1st, 2022.

Additionally, we expect to lose the benefits from software intangibles of 27 basis points at the end of the year. We expect to generate capital to 2023 both through earnings and through our reshaping of NatWest Markets and our phased withdrawal from the Republic of Ireland. We will also consume capital via loan growth. We do intend to grow above market rate excluding Government schemes and through procyclicality, which to date has been very low and the timing of this remains uncertain.

Finally, on distributions, we have announced that we intend to distribute a minimum of 1 billion per annum to ordinary and special dividends, which would consume around 155 basis points of additional capital through 2023. The share buyback, we announced today is fully included in our 18.2 percent ratio. Where we had to have the opportunity to do further direct buybacks in 2022 and 2023 in line with the one we completed in March, this will consume around 140 basis points of capital. And we will also have the flexibility to do further on market buybacks.

Moving on to liquidity and funding on slide 15.

Our LCR ratio decreased slightly from 165 percent to 164 percent during the first half and reflects over 75 billion of surplus primary liquidity above the minimum requirement. The increase in primary liquidity was mainly driven by customer deposits and cash proceeds from new issuance, all set by the 5 billion TFSME repayment in February, the directed buyback, pension fund contributions, liability management exercises, and the purchase of the Metro mortgage portfolio.

Our wholesale funding is 66 billion or about 12 percent of our total funding. And around two-thirds of our wholesale funding is to meet our senior MREL and non-equity capital requirements.

On slide 16, you can see that retail banking deposits grew by 7 percent or 12 billion to 184 billion as a result of increased savings and lower consumer spending in the phase of lockdown.

Commercial Banking deposits grew 5 percent or 8 billion to 176 billion of customers built up liquidity during the pandemic and retained a percentage of government lending scheme drawdowns on deposits. Since full year 2019, our total deposits have increased 86 billion with 34 billion of growth in Retail and 41 billion of growth in the Commercial business.

Our deposit base is well balanced across our commercial and retail franchises. And our wholesale funding mix reflects a range of different sources and maturities. Our loan to deposit ratio is 78 percent underpinning our strong liquidity and funding position as well as our strong ability to lend.

We will continue to look at options available to us to assess the optimal blend and most cost-effective means of funding, including consideration to draw TFSME before the window closes on the 31st of October this year.

Looking back at our issuance in H1 on slide 17. I'm very pleased with the transactions we've executed during the quarter. And again, thank you for your continued participation.

On MREL, we've made excellent progress towards our end state requirements. In February, we issued a 1 billion euro Senior MREL social bond under our Green, Social and Sustainability bond framework, backed by lending to the affordable and social housing sectors. This was our third transaction and GSS format as an increasing area of focus as we aim to build out from the 2 billion sterling issued to date.

In addition to our GSS issuance, we were also active in the dollar market with a 1.5 billion six-year non-call five MREL transaction last month.
On capital, in March, we returned to the sterling market with our second sterling AT1, a 400 million perpetual non-call 7.5 and recently, we took advantage of favorable market conditions to issue a $750 million perpetual non-call ten, meaning that we have now met the 1 billion that we go to at the start of the year. We also issued 1 billion sterling 11-year non-call six Tier 2 against our guidance of up to 2 billion Tier 2 for the year.

We continue to proactively take opportunities to optimise our capital stack including the completion of circa 1.6 billion liability management exercise, the targeted legacy Tier 1 and bullet Tier 2 securities with less than five years to maturity, reducing inefficient capital and generating ongoing reductions in our interest expense. These LMEs follow our previous exercise in Q3 last year when we repurchased around 1.6 billion of securities that we have now retired approximately 4 billion of Tier 1 and Tier 2 capital since September last year.

In H1, we called or issued a notice of our intentions to call six Tier 2 securities for NatWest Group and NatWest Bank including the four outstanding discounted perpetual Tier 2s. These actions are in line with our strategy to reduce legacy securities that do not provide regulatory capital benefit beyond the end of this

year. And earlier this month, we announced our intentions to call the NatWest Group $2.65 billion AT1 in August.
Finally, from NatWest Markets' OpCo, we issued a 1.25 billion euro and a $1.25 billion taking advantage of spreads.

Finally, turning to ratings on slides 18 and 19.

I'm very pleased with this month's rating upgrades by Moody's, for NatWest Group, the senior unsecured debt rating moves to Baa1 from Baa2 while retaining a positive outlook. For NatWest Bank plc and the Royal Bank of Scotland plc, the issuer ratings move to A1 from A2 with a stable outlook.

For NatWest Markets and NatWest Markets N.V., the senior unsecured debt ratings moved to A2 from A3 retaining the positive outlook and the short-term ratings moved to P1 from P2. Fitch and S&P changed our outlook to stable from negative for all Group rated legal entities in July, reflecting a stronger than expected U.K. economic recovery and NatWest Group's strong financial profile.

We also continue to progress on our ESG ratings reflecting the increased focus and engagement efforts we've had with ESG agencies and our purpose-led strategy. This month, Sustainalytics announced an improvement in our risk rating score to 17, which now places NatWest Group as low risk. And NatWest Group now ranks in the 10th percentile among banks, and the 5th among diversified banks.

Our ESG ratings leave us very well placed from an industry and peer perspective. I'm personally delighted with the significant progress we have made on our ESG ratings given our aspirations to issue a higher percentage of our MREL in ESG format. With that, I'll hand it back to Katie.

Katie Murray: Thank you, Donal. And so on to my final slide to summarise.

We have delivered an operating profit of 2.5 billion pounds, which includes an impairment release of 707 million. As we revised our assumptions in light of a more favorable economic outlook, but we maintain a conservative approach as government support schemes wind down and the economy recovers.

We have made good headway on our phased withdrawal from Ulster Bank and expect to largely complete the restructuring of NatWest Markets this year.

We're also making good progress on our three-year targets and continue to work towards a CET1 ratio of 13 to 14 percent and a return on tangible equity of 9 to 10 percent by 2023.

Finally, we're increasing our annual distribution to a minimum of 1 billion pounds a year in '21, '22, and '23, and have announced today an interim dividend of three pence as well as an initial share buyback of up to 750 billion pounds.

Thank you very much. And we're happy to open it up for questions.

Operator: Thank you. And ladies and gentlemen, if you would like to ask a question, please press the "star" key followed by the digit "1" on your telephone keypad. We will pause for a moment to give everyone the opportunity to signal for questions. And we will now go to our first web question.

Operator: Thanks, Nicole. The first question on the web asks, could you provide some color on how you build up the 13 to 14 percent CET1 target? Does that range imply a stress before 400 to 500 basis points above MDA?

Donal Quaid: Yes. Sure. I'll take that one. And so the quick answer is no. So the first thing to remember is that MDA is not static, so we expected to increase from the 9 percent today. And so the buffer will move as MDA moves, but also the CET1 reduces from the distributions, growth, and regular inflation that we – that we just talked about.

It's also important to remember that countercyclical buffer is currently set at zero. And we'd expect that to increase as the economy recovers. If you recall not long ago back in November 2020 where debt expectation was countercyclical to move to 2 percent. And in addition to that, then we'd expect changes in Pillar 2A, and also, potential changes in the O-SII buffer as well too.

So I think the thing to remember is we'll always consider those future regulatory impacts to our capital framework when assessing our capital targets. And looking at both our supervisory capital requirements from a BAU and stress perspective.

So building all them up, we get comfortable with the 13 to 14 percent range, but we wouldn't view it as a 400 or 500 basis, stress buffer to MDA.

27.33

Katie Murray: Thank you, Donal.

Operator: Thank you. And your next question comes from the line of Robert Smalley at UBS. Please go ahead, your line is open.

Katie Murray: Hi, Robert.

Robert Smalley: Hi, I hope you're doing well. A couple of questions, on PMA, you said 22 basis points above 2019 levels, and I'm sure there's a lot of puts and takes in that 22 basis points. But is it fair to say that that's very discretionary and that you could easily go below that, would you contemplate going far below 2019 levels is my first question?

Secondly, on liquidity, obviously, big inflow of deposits, lots of liquidity. How are you looking to invest that now? Are you doing anything differently? And the recent exercise on negative interest rates, does that inform any of your decision making around that? Thank you.

Katie Murray: Donal, do you want to take the liquidity one? And I'll do the PMA at the end.

Donal Quaid: Yes. So yes, you're right. Continued of the inflow deposits, we said 14 billion in Q2. So we continue to manage. We've managed any excess liquidity as I supposed BAU now for a number of years, so we continue to do that through the liquid asset buffer. I'm just trying to optimise it where we can. Outside of that, obviously, we have significant capacity to grow our lending through our core franchises both in retail and commercial. So hopefully, if we do see a pickup in the macroeconomic environment, we're very well placed to deploy that liquidity through those franchises. From a negative interest rate perspective, we – again, it's only probably 12 months when it was a live conversation from U.K.perspective. So we know we will take that into consideration in terms of how we deploy that liquidity as well.

Robert Smalley: Thank you.

Katie Murray: Perfect. Thanks so much. So if I look at the PMA and you can see in the accounts if you want to have a look. The 1.1 billion, it's made up of three different sections, one is the deferred model calibrations. And that's really when we're making adjustments to the model, because we know that it's not behaving quite as it should, which if you can understand how unusual PDs have been for the last 12 years, that's kind of not unexpected and that's like 150.

And then the main part of it is this 834, which is there for relation for economic uncertainty. And that's a piece I would say it's more discretionary, though you do try to base it in the data that you've got within your system. It's not just thumbs up in terms of the number would be. And that's the one that you would expect to unwind as we see the stabilisation in the economy once the government support kind of starts to come off.

But I would say, if I look back to that picture you're referring to on slide 20 of our slides where we had full year 2019 we had 0.06 bps in relation to that – 6 bps, sorry, that was you may recall that was some economic uncertainty we held because basically the transition to Brexit. And so they are case-specific, so you would expect that that 22 basis points to unwind over the next, maybe a little bit this year, and then into 2022 as the kind of economy sort of stabilises through.

Robert Smalley: That makes a lot of sense. Very helpful. Thanks again.

Katie Murray: You're welcome.

Donal Quaid: (You're welcome).

Katie Murray: Thanks, Rob.

Operator: Thank you. And your next question comes from the line of Tom Jenkins at Jefferies. Please go ahead, your line is open.

Tom Jenkins: Hello. Thank you very much.

Katie Murray: Hi, Tom.

Tom Jenkins: Hey, Katie. Hey, Donal. Just a quick one. But did you say that there was a 1.6 billion tier two buyback that you had done this year. I'm getting a little bit technical, but was that the two 23 bonds, the 6 percent and 6.1 percent, or have I missed something you've done in Markets away from a public tender?

Donal Quaid: No, you – no, you're partially right there. The 1.6 billion buybacks is for the two LMEs that we've done in H1, that was legacy tier one…

Tom Jenkins: Yes.

Donal Quaid: … and some of our bullet Tier 2 securities that you – that you refer to there as well. So it's a combination of those two.

Tom Jenkins: It's the public stuff. OK. Fine. There's nothing – there's nothing you've done sort of in market?

Donal Quaid: No, no. All through the public LMEs.

Tom Jenkins: Keeping it sneaky from us. OK. That's fine. And then the second one is, obviously, with the reduction in RWA at NatWest Markets which is obviously has been sort of notable, should we consider a reduction in the debt stack there, especially with the long dated expensive stuff?

Donal Quaid: So what I would say from a NatWest Markets perspective, the strategy has been around the reduction to in or around the 20 billion RWA, so that's already built into the longer-term funding plans. And they had …

Tom Jenkins: Yes.

Donal Quaid: … been active there with two issues this year, but that's more around refinancing some of the more expensive debt that will roll off over the next kind of 12 to 18 months.

Tom Jenkins: OK. And I'm dancing around the topic but what about the 93s?

Donal Quaid: I won't – I won't comment on any specific securities. We will always take the whole stack into consideration.

Tom Jenkins: OK. Yes. Fine enough. But no great desire to see them on the balance sheet or just any comments to it?

Donal Quaid: No, nothing to add on specific securities.

Tom Jenkins: All right. Thanks, man. Cheers.

Katie Murray: Thanks. Enjoy the Olympics.

Tom Jenkins: Thank you.

Operator: Thank you. And as I said, a reminder, if you would like to ask a question, please press "star" and "1" on your telephone keypad. And your next question comes from the line of Daniel David at Autonomous. Please go ahead, your line is open.

Katie Murray: Hi, Daniel.

Donal Quaid: Hi, Daniel.

Daniel David: Hi. Thanks for the time on taking my questions. I'm noting your comments on CET1 MDA and I just want to focus on MREL and kind of a similar topic. So you've got a lot of MREL and then a big buffer to access, a big buffer to requirement. I'm just thinking about what you're targeting, in terms of a buffer for MREL is it – is it right to kind of think of the CET1 one buffer kind of as similar to how it would be on the MREL stack, or would it potentially give a smaller merging kind of MDA MREL process?

And then secondly, just a quick one on ESG noting your progress of issuing ESG bonds, would you consider an SLB, sustainably linked bond, and does your current framework allow you to issue in that format? Thanks.

Donal Quaid: Let me – let me start with the second one first. So I think, yes, as you mentioned, we've made good progress on our MREL in ESG format. Our focus has been around the use of proceeds as you will have seen. As opposed to kind of sustainability linked issuance, we're also kind of building out our green social and sustainable bond framework under, well we've issued out three transactions totaling 2 billion across social and green, but really with a focus on the use of proceeds.

We haven't – our current framework hasn't kind of focused in on sustainability-linked issuance, it hasn't been a real focus for us. And currently, the feedback we've had, well, it’s probably fair to say we haven't seen a huge demand from investors around the demand for sustainability linked issuance, they seemed to be quite comfortable with the use of proceeds.

I know a couple has been quite vocal around actually the dislike of sustainability linked issuance just in terms of no restrictions and also for some of the variable coupon can be – can be a bit of an issue. So for now, we're just going to focus on the use of proceeds. And you'll see we've also published our impact reports on the green and social as well. There's a lot of transparency we feel going down that route.

On the MREL buffer question, really, we'd look at it in terms of the evolution of CET1 and kind of buffers, how we would look at it kind of over a longer-term as well but we're obviously running, as you say, significant headroom of presence as the CET1 reduces down over time, which we discussed earlier on the speech, and Alison and Katie touched on today, then we'll kind of give more consideration to what we feel is an appropriate buffer to run overtime.

Some of that will actually probably be dictated by the fact that a lot of our RWAs now are sterling and denominated so we do have less volatility as well in terms of issuance in different currencies and volatility around that. But that’s one we will consider overtime when we return to a more steady state.

Daniel David: Thanks. I appreciate the colour.

Donal Quaid: Thanks, Daniel.

Operator: Thank you. And we will now take a further web question.

Operator: Thank you. This is a question on LIBOR. I think you're well-positioned on the liability side, but can you update us on the asset side? Any bits of the books that are concerning?

Donal Quaid: Yes, I'll take that one. Yes. So as you said, we're in a very good position from the liability perspective. So we only have a small number of securities outstanding, and they are really linked to dollar LIBOR. And I talked about them before, they were issued under New York Law. And so as such, we would consider them tough legacy of consent to amend the terms and conditions, it would need to be unanimous, so very unlikely to be successful.

One of these instruments such as the dollar AT1, which we just announced our intention to call, so that kind of reduces the number of outstanding, but they will be addressed to the legislative solution under New York law securities.

On the – on the asset side, we continue to make good progress. So we've adhered to like all other banks to the targets of ceasing LIBOR cash products on LIBOR linear derivatives in Q1. The majority of our focus now is transitioning that asset side and working with our customers for a smooth transition between now and year-end. That's through a number of different routes, including notices variation, write and advise, and also bilateral negotiations.

So really, on the bilateral negotiation side, that's where we are seeing momentum building, but still, many customers are looking to transition probably later in Q3 and Q4. So I do expect significant activity right up to your end. But saying that, I'm very comfortable with the progress to date and confidence of a successful transition.

Operator: Thank you. And there are no more questions at this time. I would now like to hand the call back to Katie for any closing comments.

Katie Murray: Thanks very much, Nicole. And thank you to all of you for joining the call and for your ongoing support in terms of our issuance and securities. Thanks so much and have a good weekend. Take care, everybody. Bye-bye.

Donal Quaid: Thank you.

END