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RBS

Chris Marks, CEO Corporate and Institutional Banking

Alison Rose, CEO Commercial and Private Banking

Richard Place, Finance Director, CIB

Mark Bailie, CEO Capital Resolution

QUESTIONS FROM

Chintan Joshi, Nomura

Andrew Coombs, Citigroup

Chris Manners, Morgan Stanley

Raul Sinha, JP Morgan Cazenove

Michael Helsby, Bank of America Merrill Lynch

Claire Kane, RBC

Rohith Chandra-Rajan, Barclays

Chris Marks, CEO Corporate and Institutional Banking
So first off thank you everyone for joining us here today. I'm Chris Marks, I'm the CEO of Corporate and Institutional Banking at RBS. I'm joined by a number of my colleagues sitting here in the front row who you are going to hear from as well today. So Alison Rose, Mark Bailie and Richard Place. And this is the first opportunity we've had to talk to you all collectively to tell you about what we're doing in CIB, both what it is and how we're going to deliver this end state. And we're really looking forward in running you through it.

We've got - broken it down into a couple of sections. First off to try and give you a bit more information and detail about what it actually is, what is CIB and also the connectivity with the rest of the bank; specifically with Alison's business with CPB. We'll then spend some time going through the structure, restructure, how we're creating this go forward business, so what's involved and activities to date. And then Mark will then pick up on our progress with Capital Resolution our exit bank.

Now we've designed the material to I think capture as many of the questions as we think you're likely to have, but clearly we're going to miss most of them, so we expect about 40 45 minutes of presentation from the four of us, and then we open up to Q&A. So if you can hold your questions until then that would be great but you know we'll look forward to the questions. We really want to answer everything here today that we possibly can. We want you to go away with a deep understanding of this business and how we're going to get there.

Before I get into the detail of the businesses I just want to touch on market context, because I just think it's important and I'm not going to dwell on this slide and you know all of this data well. We're in a low interest rate environment, low potentially for longer. We've got in investment banking - certainly we've got regulatory uncertainties. It's fair to say what we have designed and what we're executing in the go forward CIB we believe meets all of these requirements and they are factored in, but clearly if things change and we have surprises or rules get altered then we are creating a business live enough and focused enough that actually we can deal with it. So that's kind of a backdrop to what we're talking about.

Just before we get into the meat a few key messages that we're going to try and land during the course of this 40 to 45 minutes. First off we are - we have a leading UK and Western European business. It's a leading business that is enabled by a global franchise. We're also in the US and in Asia. And we're going to explain what we mean by that.

We are executing a multiyear restructuring of this business. It's multiyear for a really good reason. But we're already a way into it and we're making good progress and we'll kind of highlight some of those points. Again good progress with the rundown of Capital Resolution our exit bank and Mark's going to talk through that and that's - Capital Resolution is kind of key really into what we're achieving and how it's freeing us to be able to create the go forward business.

Capital Resolution means that we don't have people in the go forward business trying to exit large swathes of business almost off the side of their desk. We have discreet, focused, experienced people doing that job whilst we get on and build the go forward business and that's a really powerful point I think.

Everything we've done around the structure and the shape of the go forward business is with ring-fencing in mind. We'll touch on that in various stages through the presentation. But clearly again to the earlier slide about market context, as things change and evolve, get more clarity, we're able to adapt to any change in rules. And finally this business - this business we're creating is one that creates really stable sustainable returns and you know a lot of that is around the shape of the business and what we have and we'll dig into the detail. The cost base that we'll have as a result of the restructure and quite frankly the markets we're in and the product sets we've got.

So for these next few slides Alison Rose the CEO of Commercial and Private Banking is going to join me, because we're going to highlight the connectivity between the two parts of our business because I think it's important.

Just round this structure one of the things I said I wanted to cover was the structure what is CIB and partly answered by - well what steps we've taken already to create the shape. We've already moved our corporate coverage teams to us as well, to CPB, which makes perfect sense given the shape of the business under ring-fencing. It's a far better fit in Alison's world. And also Alison's business seamlessly butts up to that large corporate bank in both UK and Western European business.

It leaves CIB as the product engine for that corporate business and also clearly we have an extensive financial institution client base which also remains within Corporate and Institutional Banking, and if you look at the break out between those two businesses it's I suppose approximately 50/50 between corporate and FI.

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Alison Rose, CEO Commercial and Private Banking

And I think the key thing about bringing our core corporate relationships all together in one place is it aligns very firmly with our customer led strategy to make sure we're serving our clients consistently through a relationship banking model, which is how we serve our corporate across the UK and Western Europe.

There is a high dependency in cooperation and collaboration that exists today of working across that so the strong origination led franchise that we have are supported by the products that we have within CIB. So in order to meet our client needs at the top end which is through our FTSE 100 clients through to 350 through to our mid-corporate franchise where we are number one in terms of share of relationships and coverage, we need to make to make sure we have the debt financing, risk management services to deliver those client needs. Something we do today and something we'll continue to do in the future.

So if we just look at how we work together I think that the thing I would just really bring out on this slide is not only have we got these strong relationships and as I said we've got 95% coverage of the FTSE 100 clients through to the 350 and mid-corporates. So a strong corporate banking franchise which I think is a key strength of our business overall. But we also have very strong product credentials that sit and support that in terms of delivering the needs of the clients and I'll just highlight a few there.

So obviously our strength in FX, also in our trade and finance capabilities and you can see that through the deals that we execute on a regular basis. That and teams working together in very strong close collaboration so we think that's a very strong theme as we move forward. So there are very strong credentials supporting and underpinning this large corporate franchise.

If you look at it from a UK perspective, and I'll address that first, there is a very unique proposition that RBS and NatWest has in terms of our coverage. We work across deep penetration in large corporates but also through to our mid-corporate franchise down into the SME. So as you can see from the graph there if you look at the penetration I think that is a really unique element of what RBS's proposition is. And I've put a highlight of a number of examples of transactions we've done with our key large corporate clients.

Maybe I'll just highlight one which is the Thames Water. That is where we're delivering a real solution for them on the financing through the strong credentials within CIB and that is where the relationship banker and the product partners are working very closely together in collaboration to deliver both the DCM and rate risk management solution to the client who was clearly extremely happy with that and note there are a number of examples.

So I think there is a very strong business that we're supporting in the UK. And one of the things that probably we don't talk enough about and we'll continue to talk about is the fact that as a bank we are the bank that supports more businesses in the UK than any other bank from that top end of the spectrum right the way through.

If you turn and look to Western Europe with the reshaping that we've done with the announcements that were made in CIB and across the Group earlier this year we've made a very clear decision around geography. So Western Europe is now focused on nine branches. We're looking at the operating model to serve in those branches. This fits with inside the ring-fence. So therefore we're bringing all of our corporate franchises together.

In these areas we are serving large corporates. We have long-standing relationships. We have top three to four positions with those corporates. And again the product platform that CIB delivers helps support these clients. Again a number of examples there but probably LafargeHolcim is the one I'd highlight where we delivered the largest liability management exercise. And that was a relationship management team working together to advise and structure and support the client through excellent delivery through our product set within CIB.

Chris Marks, CEO Corporate and Institutional Banking
And finally Financial Institutions, I already touched on it earlier but it's a really significant part of our business. As I say it's about a 50/50 split between CIB and the

corporate business and this is something we've been doing for a long time, we're extremely good at it. Obviously we're known for our sterling UK presence but it's much more than that. And the footprint that we have, the structure that we have, which is much reduced from what we had historically but we are still global. We're based in the UK, US in Stamford, in Singapore and with a trade and distribution office in Tokyo means that we have the footprint to be able to support our FI client base, who are by their very nature global.

And it is a diversified client base, we're not particularly focused on any sector or region, we've banks, insurers, supers and sovereigns. And just to call out some of the transactions we've completed this year, it helps to highlight the sort of breadth of the things we do, first off the transaction for the DMO for our own the UK DMO. We led for I think an unprecedented fourth time we were the duration manager on the longest gilt. The duration manager stabilises the gilt curve during the process, it's a kind of key role. A hugely successful transaction back in July, over 15 billion of order - I think the largest order book for going on 30 years - sterling issuance ever. Fantastic feedback from both the client and from the street, and it's rare you get it from the street in any process, but from both. And that was obviously quite soon after announcing the restructure of the business.

Also the other end of the spectrum, the Venn Partners transaction, you may have seen the board outside, Venn a mortgage originator having completed one securitisation looking to find a really efficient way to originate residential mortgages in the Netherlands. And we created a risk management product set that allowed them to micro-hedge their risk management exposure and cheapen the cost of funds and access to capital markets. Again just showing the breadth of what we do and what we do well.

So this next section we're going to move on to the restructure, the creation of this go forward business. But I'll talk to the first section slides. Richard will talk to the remainder. And we are going to touch on reshaping the front line, so our customer-facing people. How do we do that? How do we face up against our customers?

Reengineering the business so the steps we're taking to actually make this business much more efficient, better controlled and take the costs out. That all leads to targeted and sustainable returns and we can talk about what that means. And the backdrop of it all as I mentioned at the beginning is that all this fits inside a ring-fenced bank construct. What we're doing here works. We believe works and works well post ICB.

This slide really just recaps what we told you in February. And we haven't changed any of the numbers. I don't think we actually put out the cost number at that point but you could work it out from the other numbers we put out. And really a couple of points - one as I said we haven't changed the numbers, so those numbers are still the numbers. What we're giving you now is a bit more detail behind actually how we're going to achieve them.

It's a pretty significant reduction in a number of areas and obviously part of that reduction, a large part of that reduction in some of those areas comes with the creation of Capital Resolution and Mark will touch on the progress. But what we end up with is a much more focused, much more streamlined, much more efficient business than the one we had before.

We're building the business around three key product lines, financing, rates and currencies and I'll come back on to them in a minute in terms of actually what underlines those businesses. And what is key I think is the way we deliver those products and we use the term barbell, I think there's many expressions I'm sure, and so to the left hand side of the barbell we have high value add. These are bespoke solutions for our customers that are either triggered by events, by significant needs through corporate activity, changes in regulation. So it may be financing capital, risk management, but these are big bespoke transactions, lots of high touch effort and work.

The other end of the barbell is automated trading, so very light touch, very high volume, very partial, very transparent processing. And what is key about this is that we're ruthlessly looking to ensure that the business we do is on both ends of the barbell, but not in the middle, because the bit in the middle is high cost, high touch, rarely valued by our customers and really not accretive to anybody. And so what we're spending a lot of time doing is working to migrate customers either way. And that is doable and we have been doing that. And even if we can't and they expect something different then probably we're not the bank to bank them. And as a result we will stop or move them from the firm.

We've touched on connectivity already obviously with CPB but it doesn't really stop there. And I think it's important to consider that the backdrop of our product set, currencies, rates, financing is applicable across the rest of the bank in some shape or form. Now particularly with currencies the penetration and the use of that product set is high. And this is an area where we have significant focus. We want to improve the penetration and connectivity. We've got a large customer base within RBS and NatWest and Coutts and we'll work hard to do more across that customer base with the products that we've got.

I said I would come back to the three key business lines, so financing, rates and currencies. And as you can see the green discs there show you approximates - show you the revenue nine months to the end of September this year. And so they're all roughly the same size, so all relevant and credible in their respect. So financing - so what financing is is an integrated business which delivers all the traditional financing product sets. So debt capital markets, both investment grade and high yield, liability management, capital management seamlessly joined together with credit trading to enable us to drive liquidity and support primary transactions.

Our rates business is a significant business, a large business full spectrum G3, both cash, bonds, swaps, options and inflation. It's a business we've been very successful in for a considerable number of years. And it's very well connected with our financing business in terms of the kind of product building blocks that that business needs to provide risk management solutions to clients.

And our currencies business, again a very successful tier 1 FX business, very electronically delivered and we'll touch on that in a little while; very highly automated.

It's well connected across the firm as I've said, it's low risk, stable income and very capital efficient.

This slide just touches on some of the front end technology and I believe as my management team does that this needs to and should remain a key focus for our business, in fact for investment banking and trading businesses in future. We have been doing it for a while. So this isn't something that is new for us. It's clear that the market is developing in these ways, whether it's across FX or rates and our existing product suite is really powerful and so three examples there up on the screen.

Agile Markets is an app store of applications that customers can use to transact FX with us. Really flexible, open source, really valued by our customer base, award winning product set. FXMicropay quite different, this is a platform that allows for FX management for some of the largest ecommerce companies globally. So our clients include the likes of Amazon and other household names. Really powerful product set that and one that I think is only going to grow in scale as penetration of those kind of businesses increases.

And it's not just the FX space either. In our rates space we've spent a lot of time developing automated trading and we're already trading both sovereign UK gilts and bunds on a fully automated basis. And this is kind of really powerful I think, this is - this points towards and we'll touch back later on how we're simplifying the business and the control environment around it, but fully automating trading allows it to be very seamless, very transparent; it allows us to trade with our customers in all markets in a very, very cost efficient way.

One of the questions we get regularly is around our people. How are our people? How do you retain people? How do they feel? What quality are your staff? And this slide touches on that, but the backdrop to it for me is we have some great people. They are great people that have been battered in the last eight years, as have many people that work for investment banks have been. And we've had a series of changes in strategy or iterations in strategy which has created uncertainty in the business.

But now off the back of the announcement in February we've given them some real certainty about what we're doing. Not just what we're doing, how we're doing it and that surprisingly is already really starting to embed across the business. And you wouldn't necessarily expect we could achieve improvements in what you have here which is our engagement scores, leadership scores and living our values scores. You wouldn't expect necessarily you can achieve those improvements so soon into this process. But people are really responding well to that real clarity of purpose in what we're going to be and how we're going to get there and therefore what's expected of them and how they can actually be part of that journey and start to develop CIB into the new CIB.

So I've said quite a number of times, sort of making it simpler, making the business more efficient. We're doing it on all fronts. And this slide just highlights some of the statistics and details. But the fact is we were a very large extensive global business. We're now much simpler; we're still global but we're much simpler, reduced product set, reduced locations, reduced client base.

And as a result it enables us to really be ruthless in removing the architecture and infrastructure that was put in place around this kind of global business that we used to have. And this is kind of key to the path to get out the costs and make the business more efficient. You know just some of the things highlighted there. Just the sheer number of committees we've reduced already. You know 80% of committees. This doesn't mean we're less well run. It means that we're smaller, we're more connected, we don't need those committees. They're not adding any value. In fact they're probably doing the opposite.

The number of products, obviously that creates huge amounts of clutter and congestion when we're looking to reengineer all our technology and our processes. During this process we've exited something like 13,000 clients. Now they're not actually clients most of them. These are just counterparties sitting on our system that we then therefore have to process and monitor and maintain. And as a result of these kinds of streams of work we do get to a much, much leaner business.

And I touched on it but one of the key enablers of this simplicity is work to re-platform our trading businesses. And it's a key step actually. We've got a platform now which you know is complex. It's been built over a number of years, it has lots and lots of front end applications, it has numerous points of access to data, it stores trade data in multiple places. And that's highly inefficient, it means you have to run a very complicated back middle office functions to manage the control environment and actually we don't need it. We have a much simpler business now. We don't need that kind of complexity.

My personal view around technology, around banking, certainly trading business like this is that historically what's happened is as the businesses are built up, nobody has really ever done the work to say okay well you have a new product, will it fit on an existing piece of architecture or not, and if no then you can't do it. Instead it's been very much a case of if it doesn't fit on the existing architecture then we'll go build it. And then a spaghetti kind of structure builds up over time.

So - a, we're removing all of that but we're putting in a much, much cleaner system where we will maintain the functionality of our front end applications. We will just have fewer of them. We'll do everything wherever we can possibly can - we'll do it once, so one store of data. We'll report - whether it's internally or externally we'll do it once. All of this allows us to massively reduce the cost base that is required to manage that business.

And not only does it make it more efficient clearly it enables us to strengthen the control environment. Now you know clearly with changes in regulation and historic conduct issues all banks have had to boost, enhance, change their control environment to deal with the situation and we're no different. But as a result what you do have and do find is you have costs attached to multiple controls, layers of controls which is ultimately unnecessary.

So in creating a much tighter, much more automated system that doesn't have lots of manual steps and manual requirements then you can do away with a huge number of those controls. You can rely much more on preventative controls at the front end of the business rather than detective controls too find problems downstream. And all this helps lift out cost.

And just so that you don't think it's just assertion about our ability to do this and I think Mark is going to talk about it a little later on in the context of Capital Resolution. You know we already have taken out significant amount of cost from this business, £1.7 billion. This isn't something that we're just aspiring to do, we've got a track record of doing it, both within the exit parts of RBS but also within CIB too. And you know what is I think powerful and it's a link to my point I made earlier about Capital Resolution is where we're taking out the cost from within CIB going forward we have dedicated people doing that. We're not asking trading teams, bankers to do it off the side of their desk. We have dedicated, experienced, professional people who are focused on taking these costs out and making it more efficient, redesigning the business. With that I will hand over to Richard for the next section.

Richard Place, Finance Director CIB

Thank you Chris. So good afternoon everybody, my name's Richard Place. I'm the FD for CIB and I've only been in the role for four months but before that I was the CFO and COO in APAC and I'll touch on that a little bit later.

So in terms of the key messages that I want you to take away from my session, so first of all it's that RWA and revenue are really very stable and very close to our targets already. Costs is clearly our key challenge but as Chris has mentioned we've got a lot of expertise in this area. We've got clear plans and actually we're already into execution and that everything we're doing is part of our thinking and planning around ring-fencing.

So on revenue, obviously in February last year we made a pretty significant strategic announcement and there was a lot of potential disruption that we were going to get, not only from clients, but also from staff. So it's really encouraging that as you've seen from the results that our revenue has been very stable over that time period. We reported £1.04bn of revenue in the go forward business after nine months and we continue to guide towards £1.3bn for the full year.

And I think what's also really encouraging is that you know since Volcker has been introduced in July we're spending a lot of time just checking the attribution of revenue between client activity and risk and substantially all of that revenue is client activity. And we recognise, we saw that dip - the normal seasonal dip in August and despite the really quite challenging markets in August as well. And I think what this really sort of confirms is that we think our model actually has a lower risk profile and a lower earnings volatility.

Costs - so as Chris mentioned we've taken out £1.7bn of costs, we've got another £2bn to go and we look at this in five sort of separate buckets. First of all obviously there's the transfer of some assets, particularly around UK and Western European portfolio and UK GTS which is going to move into CPB and that's already been disclosed to you. The costs associated with that, you'll kind of work it out anyway, but it's 200 to 300 million of costs that will move over, so that £2bn is ex that.

Then you've got - the largest component is taking out the regional costs front to back and that's pretty much close to half of that number. Then you've got some UK front office costs, split between CR and CIB, the re-platforming that Chris has talked about which is going to be critical and then we've got the overall allocated costs from the central functions.

So in terms of over the period we think on aggregate that it's going to be a relatively even take out of costs. There are some elements, particularly the regional front to back that will come out earlier, some of the re-platforming costs will come out - sort of back ended, but it will be a reasonably even profile. And as you can see we are targeting 55% cost income ratio at the end and that's consistent with the 50% ratio that we target for the overall bank.

This is a series of actions here; I'm not going to read through them all, just kind of come back to Chris' point around our expertise and track record in this area. So you know in fact that's one of the reasons that I'm in this job now is because in Asia we were particularly successful in taking costs out, we halved the cost base between 2012 and 2014. If you look at the number of people we had post the integration of ABN AMRO nearly 90% of those people have left already. And the other people, everybody else who is leaving, we have a date and people have been signposted for when they're leaving and there's clear accountability for their managers to actually do that. And it's very detailed plans, you know at what point do you need to have a conversation, given their notice period, to get them out on time. So we've got a really good track record around this.

Mark will talk in a bit more detail about the regions front to back, so I'll probably keep my comments more here around the go forward business. So for the front office perspective we've talked about the barbell and certainly when we look at the flow business we see further opportunities there for cost savings, not only in terms of the number of people but also the cost per FTE because we won't need the same level of seniority around that.

And clearly re-platforming is a critical delivery, but I think again actually we are uniquely positioned because we've got really now direct experience of having done this. This is effectively what we did with the ABN AMRO integration. We had to migrate all of their portfolios, not only across legal entities, but across systems and then decommission the legacy systems that they'd left us with.

So clearly - you know clearly we need to stand up the system first before we can migrate the system over, so that's one of the reasons why those cost saves are slightly back ended. But I think it's an indication of the urgency that we're approaching this is that we've already been through a selection process for the people that we're going to work with to do this. And even though we haven't signed the SPA and so we're not going to announce it, we are working with them on a sort of pay as you go basis because we recognise that the sooner we can re-platform it, the sooner we can take these costs out.

And then the last point on the overhead costs, clearly as a sort of matter of mathematics, because we are going to be a lot smaller part of the overall bank, our share of those costs are going to go down. But certainly the bank wide cost programme and back Ex Co are all totally committed to making sure those stranded costs come out of the bank rather than just be shifted around.

On the balance sheet, as I've already indicated, RWAs are really very close to what we think our end state will be. Now we recognise that there is going to be some RWA inflation which comes through from a lot of the regulatory changes in the pipeline. I think we've - you know looking at our business mix which is a relatively high proportion of FX and cleared Swaps that actually that inflation will have a lower impact on us than some of our peers. And frankly that's one of the reasons why we've - sort of designed the model in that way.

And we think that whatever inflation that there is, you know there's still mitigating actions that we can take to offset that inflation so we continue to go with the guidance of £30bn for our RWA. And frankly we will work inside that number as we progress.

On funded assets, you know in line with the pressure on leverage we will continue to bring funded assets down. But I think importantly here we are looking to and we believe - we've done a lot of analysis around this that there's a lot of sort of client specific initiatives around CSAs, CCPs, portfolio compression that we can bring a lot of that balance sheet down without impacting the amount of business that we do with our clients and therefore the revenue overall that we're going to generate.

So you've seen these legal entity structures before, there's no change here, as Chris said with the recent CP on ICB we don't think that that substantially changes our plans. Obviously there's a still a final version to come out next year so we don't have any certainty around that. But as Chris mentioned earlier we look at this as a product engine for the rest of the bank and it's going to be a relatively simple, but well capitalised entity.

I know you're going to have questions on capital, leverage and funding so I'll try and address some of those now. You know within the context of a 13% core tier 1 target for the overall bank you know our current thinking is that given that it's an investment banking business that the likely equity associated with this business is going to be higher than 13%. We haven't finalised the precise amount of that but clearly the bias is upwards. But you know we'll be continuing to talk with our regulators and triangulate with the rating agencies around this to make sure that we end up with a sensible number. As Ewen has mentioned I know before, this entity will be a derivative counterparty, so we are looking for this to be an investment grade rating.

On leverage it's kind of the same story as capital and very closely linked. We believe that we can bring the leverage assets down sustainably without really impacting the overall revenue and - we will work with whatever the regulators require us, plus the appropriate management buffer for a leverage ratio for that entity.

And on funding you know we don't believe we're going to have a material amount of unsecured funding here. A lot of our assets are high quality and are funded secured. You know we are - assuming that the TLAC will be downstream from the HoldCo. And in fact that's one of the reasons why we're moving a lot of the loan activity out of CIB and the non-ring-fenced bank into ultimately NatWest is to make sure that we can reduce the amount of funding that the entity actually needs.

So the last bullet there, clearly some of the positions in the Mark's business will be in RBS Plc. and so we are doing a lot of analysis to make sure that we can try and minimise the amount of drag that we get on the actual entity from that position over time. So I'll hand over to Mark now.

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Mark Bailie, CEO Capital Resolution

Thank you Richard, good afternoon I'm name's Mark Bailie I'm the CEO of Capital Resolution. So Chris and Richard and Alison have gone through what's clearly our vision for the go forward franchise. The last segment of the plan is how do we deal with what's left behind.

I hope we've managed to put across a fair degree of confidence about what we're doing and part of that confidence comes from the credentials we've got. So we'll start there. Up on the slide is the track record of non-core and RCR. So non-core first, started in 2009, Chris and I were in that business from 2010 and we led most of the disposal activity. Non-core reduced its asset base, well third party assets by £230bn over that period, there were £94bn of asset disposals during that time.

RCR, a very public process with Treasury and Blackrock then the PRA, where we extracted the credit stressed books from all across the bank and placed them in one single ring-fenced bad bank with a commitment that over a three year period we would reduce that balance by 85%. It started off, if you take it back to when the planning was done in June 2013, with £47bn of assets and about £137bn of RWAs, Q3 this year we were at £6.5bn of TPAs, and £14bn of RWAs, we said publically and Ross said in the Q3 results we're confident of getting to the 85% limit that the PRA said.

The big advantage of being able to close RCR a year early is we believe internally we've got a world class deleveraging team, the track record that's been built across non-core and RCR and we've been able to redeploy those people across the whole of the Capital Resolution business and they're some of the key leaders within the business.

And the second point that often gets asked is - so it's a very short term plan, you're deleveraging it, by definition at the end of it there are no jobs, how do you keep your people?

In the Q3 results Ross said - as an Ex Co we're delighted that the engagement scores in the bank are rising materially. One of the interesting facts is that RCR has one of the highest engagement scores of the whole bank and it has consistently had the lowest involuntary leaving stats of the whole bank during that period. People enjoy doing this job.

So what is Capital Resolutions, it starts off - £64bn of RWAs, £93bn of funded assets and costs of £1.7bn. The red countries on the graph are the countries we are fully exiting. In total there are 25 exits. As Alison said there are nine material reductions where we're moving from full offices in countries to a rep office status, so 34 material reductions across the globe.

Importantly this is what delivers the four hub model Chris was talking about, this leaves us with trading and sales hubs in London, Stamford, Singapore and Tokyo and allows us to simplify that rest of the business.

I thought it would be useful at this stage to give some clarity on how Capital Resolution's asset base is made up. It's by definition - it's a fairly disparate group of assets. I'll explain what you can see on the graph. There are six broad pillars, which are the four banking portfolios, shipping and the three regional portfolios, there's our legacy markets assets and there's global transactions services.

On the graph the Y axis is the speed at which the capital is released naturally through amortisation. So the higher you are the longer term the assets are trapped - or the capital is trapped within the business, the lower down it is the faster it amortises. And then the X axis is our indicative view of how much operational complexity the assets have. So the more complex the assets are the higher the operational costs and that's what's really driving the cost base within the business.

I think there are two broad themes that come out of this and were pretty key to the way we set about the business planning. Number one our capital is contained within books that don't naturally amortise and we will benefit from transacting. As I said we've got a long track record of transacting.

Our core model, which has been the one we've used since 2010 is we have an internal valuation on every single assets, which is the opportunity cost of for our shareholder of us holding the asset on the balance sheet. The benefit of the capital strength we've generated over the last six years is that we can be absolutely economically rational on these transactions and we have been. So we can achieve better than shareholder value results we will transact, if we can't we will let the asset run off.

The other big divergence is there's clearly different drivers to the cost base and extracting the 1.7 billion of cost associated to this is key to delivering the plan. The three elements to it are the front office costs; these are predominantly related to the capital intensive assets. So as you exit banking books in Asia you no longer need bankers in Asia who tend to be relatively high value employees.

The second key element is your front to back operations and services costs in region. These are related to two things, predominantly global transaction services. At its peak we were processing 32 million transactions a month and we need the systems and people on the ground. Two elements to it, one is a variable element with the volumes within GTS. As those volumes decline we will be able to reduce the number of people. You then hit a fixed cost element in each country where you have a minimum efficient scale just to be in a country, and as we exit the last client we'll be able to shut those countries down and exit them.

And finally you have the Group allocated overhead. This is again a mixture of variable cost related to the volumes in GTS, and then the cost of supervising a global network.

As we exit GTS the variables costs should fall and then we'll be able to take out the fixed cost as we close down the network and retrench back to the four hubs.

This drove a very simple three stage strategy. The advantage of this slide hopefully is if you walked into any business and asked any capital resolution employee they'd be able to repeat this straight away. Stage one we would like our capital back quickly to deploy it to the rest of the bank. There has been a lot of transactions during 2015 and this will run into 2016.

The extracting of that capital allows us to trigger the first phase of the cost out reduction. This has started now, will run through '16 and '17 and then will allow us to move into a final stage where there are some long dated assets where there isn't a shareholder value accretive transaction at the moment which will need to be managed. And we will move to during 2017 a much lower cost tail management operation.

So progress to date, the strategy is well advanced. We hit the ground running and got some very, very good momentum in the early part of this year. On the banking books you'll have seen announcements around the Mizuho transactions in the US, the transaction with Toronto-Dominion in the US, the transaction with CCB in Asia. There are a plethora of other transactions at smaller levels that weren't disclosable which means we've made material inroads into those portfolios this year so far.

We've also made some good progress with our markets business. We've had exits of our residual ABP business in the US. We fully exited our complex hybrids business in Japan, and that business carries on and by its nature it tends to be more tactical line by line. And clients have started leaving GTS. The reduction in the GTS capital has been the running off of the trade book. All trade was cancelled from the 31st of October, so we should see an acceleration of that book as we move into 2016.

The costs so far, well the acceleration of those portfolio transactions has meant we've already started and there's been material progress on the front office costs. Richard said every employee within Capital Resolution knows their timetable. They've all been signposted and it's broadly aligned to capital out, cost out or the tail. Those plans are with HR. We've been through consultation with unions and employee works councils and now it's a question of executing the plans we have.

The same analysis in numbers which will be easier to read. You can see that there's been a pretty balanced reduction of RWAs across the portfolio during this year, so 64 down to 39. In terms of progress we committed in the February announcement that we were going - we were targeting 25 billion of RWA reduction across the whole of CIB during 2015. So we are pleased to have hit the target just within Capital Resolution by the end of Q3. And this momentum continues.

So what's the outlook on capital? I'll talk you through the graph first and then we can talk through how it looks going forward. So far in the first nine months we've moved from 64 billion of RWAs down to 39. In the results announcements in Q3 we were clear we think that RCR will be through the PRA target before the end of this year, at which point we will fold the residual RCR business into capital resolution to give us one legacy exit book. That at the end of Q3 was 14 billion of RWAs, giving us 53 billion to deal with. As we sit today we have economically viable shareholder accretive transactions which sees the significant majority of these assets dealt with either through transactions which will be broadly complete by the end of next year, and then run off which may run into ‘17.

So in terms of the economics as we see it 54 billion of RWA, given the capitalisation we apply to capital resolution that means we’ve got about 6.5 to 7 billion of core tier one associated with it, and we think rational transactions to go will cost us a further 1.3 billion.

Costs, which is clearly the second and equally important element of the business plan. As I said there are three elements. The front office cost reduction is underway and is executed. We will see that running out during 2016. In region the primary driver is GTS. As we announced in February there were broadly 7,000 parent company relationships that were going to be impacted by the shutting of GTS. That equates, to give you a feel for it, to 20,000 subsidiary relationships globally. All clients were notified within June and July that we were terminating the contracts. All clients have an agreed exit date. The first wave of clients as I said trade has been cancelled from the 31st of October. The first wave of cash clients are leaving the bank on the 31st of December. And all bar a tiny number of the clients will be gone by the end of 2016.

This will then allow us moving forward into 2017 and 2018 to extract the systems and the offices from each of the countries, hand back the banking licences to get us to a steady state in 2019 where we will have a low cost tail management team which will then manage out the longer term assets which there is no economic solution for at the moment.

I suppose before I hand back to Chris the key message we’re trying to get over on this is RBS has been through this for quite a while now. We have a very talented team that understands how to deleverage the balance sheet and take cost out. For us this is now just about execution.

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Chris Marks, CEO Corporate and Institutional Banking
So last slide. Hopefully we’ve managed to land a few of these points but just to sort of recap. We believe we’ve got a leading UK and western European business. We’ve got great customer connectivity. We’ve had fantastic feedback from our customers about the strengths of those businesses. We’ve had feedback that it’s the right shape, that we’re relevant and credible to them, and we’ve got the right product set and the ability to deliver that product set in terms of how we configure the businesses, but through CIB and into CPB.

We are advanced in executing a multiyear restructuring and transformation. You know we’ve made a lot of progress already during this year. We’ve got a plan. We’re now in execution mode and I think that’s really important. You know we don’t - we’re not scratching our head wondering what we’re going to do. We know what we’re going to do, we’re now executing it. And as you just heard from Mark we’re making really good progress with the wind down in Capital Resolution. That's really powerful to unleash the go forward business so that we can redeploy that capital in the bank.

And finally on ring-fencing, as you've heard and we've touched on it a number of times across what we've been talking about, and I think ring-fencing doesn't create a stumbling block for us. What we've designed here works in a ring-fenced environment and as we said at the beginning things change, we can change. We're small enough, we're lithe enough that we can change and adapt. But we're confident that we can deliver in a ring-fenced environment with the structure that we've got.

And all of this means that we've got a much more focused, much more stable business that's generating sustainable returns, economically and efficiently and is able to deal with changing market environments as they come, and come they will.

So with that we are going to move to Q&A. We're going to all come up the front.

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Questions and Answers

Chintan Joshi, Nomura
Two questions please. The first one on costs. You've shown us the cost breakdown on a number of slides, 22, 25, 36. On costs what I want to understand is there's a lot of reduction planned, but how much of the total cost base that you are looking to reduce is direct costs versus allocations from elsewhere in the Group? So what I am trying to understand is at the end of the day how much has to be reallocated back to other parts of the businesses?

And the second question is on the £1.3bn disposal losses. If you could give us some sense of what's going to take up most of these disposal losses and where could the degree of variability be if things get better or things get worse, just to help us understand that? Thank you.

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Richard Place, Finance Director, CIB
Yeah so I'll take the first question on the costs. So as I said on slide 25 the £2bn reduction, most of that - sorry nearly half of that relates to the region's front to back direct costs of those regions. The other three are broadly the same and therefore we would expect a proportion of that share which is the overheads to prima facie (?) be reallocated, re-sprayed. But as I said we've set up a bank wide cost programme and absolutely Ross, Ewen and the whole bank Ex Co is committed to making sure that those costs come out. And as Mark was saying as we take away some of the complexity of the network that allows you to really streamline some of those sort of head office functions.

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Chintan Joshi, Nomura
So at the moment how much is allocated?

Richard Place, Finance Director, CIB
It's about £300m to £400m which is that sort of share of the £2bn.

Mark Bailie, CEO Capital Resolution
And then you asked the question about the £1.3bn. I think the starting point and there is a different asset mix in Capital Resolution than there was in RCR. RCR was very clearly a detailed stripping out of the credit risk within the bank. The predominance of assets within Capital Resolution are investment grade, and typically the - therefore there isn't a credit loss element within the price with which to dispose, and the credit loss element was the largest bit of variability within the RCR disposal budgets.

As we sit today the key driver is the buyer and the right cost of capital on the other side of the fence. It doesn't really change the disposal losses very much because these are either efficient or inefficient transactions. So where we see - we don't see the same variability we saw within RCR, and at the moment those are the shareholder value rational transactions we can see.

Andrew Coombs, Citigroup
What I'm just trying to get a better understanding of is the interaction between the revenue trajectory and the cost trajectory. So revenues you're guiding to £1.3bn in the go forward bank for the full year, you're targeting £1.4bn for CIB overall so £0.1bn uptick assuming negligible contribution from the legacy business. Meanwhile on the costs I think you're at around £1.6bn, £1.7bn annualised on the go forward business. If we assume a couple of hundred million for the bit you're transferring to the Commercial Bank, the transaction business, you're at say £1.4bn and you're looking to get that to £0.7bn to £0.8bn. So essentially it looks like you're trying to halve your cost base with absolutely no revenue attrition whatsoever.

Can you give us a better understanding of the mechanics behind that? Is it a case of you've already done all of the cost save initiatives and there's just a mechanical flow forward? Or is it a case of you are embedding in some revenue attrition and you've got some offsetting revenue growth elsewhere that we should know about?

Chris Marks, CEO Corporate and Institutional Banking
So no, the revenue - take the revenue first I guess. Revenue - our cost base is just too extensive. We have - we're spending too much money doing too many things we don't need. So the reason we're confident we can get it down to the 0.7, 0.8 in the go forward business is actually we've done the work, we've looked at the cost of re-platforming the trading system.

So a lot of the cost is associated with the trading systems and the people it takes to run those trading systems. And actually we've costed it out and we're confident we can get to £700m to £800m cost base. We've done a lot of work with external consultants; we've had the team - as I said sort of dedicated teams working on this throughout the year. It's simply we have an expensive cost base with layer upon layer of things we don't actually need to do, given the simple business we're creating.

So the fact is the business, the front end business that's generating the revenues, we've done most of the work to shape that business already. The final step we've announced the creation of financing risk solutions and trading of flow sales a few weeks ago, that allows us to deliver this barbell approach I talked about, that give us the ability to generate these revenues.

It's worth saying that those revenues, certainly in the rates business, is positively geared to an increasing rates environment. So if rates increase then we should be able to make more money with that rates business because at the moment it's predominantly an FI business and as corporate look to [audio jumping].

... if we put in the right technology, have the right processes and the right systems to support those businesses, given how simple they are, run along very global lines with centralised IT, then we can get to that cost base.

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Richard Place, Finance Director, CIB
Yeah I'd just reinforce Chris' point. So we've had a firm of external consultants in that know the bank extremely well, and they are comfortable that we can get down to £700m to £800m.

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Andrew Coombs, Citigroup
Are you assuming any revenue attrition in your go forward bank given the cost savings?

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Chris Marks, CEO, CIB
No.

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Chris Manners, Morgan Stanley
Good afternoon. Just a couple of questions on the returns. The first one was just looking at your ROE target. If you're going to have 30 billion of RWAs and maybe 14% CET1 because you're indicating it might be above the 13 for the Group, that gets you to 4.2 billion of allocated equity. If we look at your profitability you've got £1.4bn of revenue, £750m of costs get you £650m of PBT, if you tax it, AT1s, call it half a billion of net income, then that actually gets me to half a billion over £4.2bn which might be 12% ROE, against your 8 to 10 target. Just trying to work out what I might be missing in the maths there.

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Richard Place, Finance Director, CIB
Yeah you're missing the prefs. We get allocate some - our share of the pref costs and so that brings it down to 8% to 10%.

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Chris Manners, Morgan Stanley
So that's a really big drag then? So that's how much of a drag on the income for the unit?

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Richard Place, Finance Director, CIB
The numbers we've got, the supporting calculations that we've done internally obviously, so 8% to 10% is the right guidance. There is an element of the prefs that allocated to us on the basis of the size of the balance sheet, that's kind of how it's been allocated historically. That should come down in the future but it's still - it's in that 8% to 10% range.

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Chris Manners, Morgan Stanley
Okay so it was a big drag from that. And the second question was if the sort of go forward CIB can only do 8% to 10% ROE, then we look at what can be generated in the other parts of the business like in the Retail business, in the Commercial bank, how do you justify to Ross the capital allocation that you have? Just given it looks like there are other better places to put the capital for the return.

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Alison Rose, CEO Commercial and Private Banking
So if you look at the CPB business, let me answer that part of the question. We're around a 90 billion RWA business with returns of around 12%. There is a dependency in serving that top end of our large corporate through to our mid corporate that generates from the products within CIB. So you know you can't look at the divisions in isolation in terms of returns, you know there is a close collaboration there that I have dependency on for delivering my product and they have dependency on for my originations. So we look across the whole when we're taking a view on serving those customer segments.

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Mark Bailie, CEO Capital Resolution
And the penetration goes further as you saw on the slide I put up which shows the penetration actually goes, certainly for FX, goes right across all of the businesses into the Retail businesses too.

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Richard Place, Finance Director, CIB

So yeah we certainly feel that the blended return as Alison and Chris have said I mean we have 30 billion of RWA in the go forward business is certainly above our cost of equity.

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Chris Manners, Morgan Stanley
Got you, okay. So it's fair to say that maybe a sort of cost allocation or transfer pricing or loss leadership from CIB to the Commercial Bank?

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Richard Place, Finance Director, CIB
Yeah.

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Chris Manners, Morgan Stanley
Thanks.

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Raul Sinha, JP Morgan Cazenove
I've got three please if you'll let me. The first one is the US business, obviously it used to be quite a big profitable part of the franchise and you closed the ABS business in Stamford. Can you talk us through what remains in the US? Obviously there's a balance sheet constraint there but just keen to understand what you're continuing there.

Then the second question is on the funded assets. It looks like there's about £40bn of funded assets still to come out which has got little or no RWA impact. And so just trying to understand as your RWAs go from 31 to 30 and your funded assets go from £120bn to £80bn [gap in audio] have a revenue impact?

And the last question is just going back to the scepticism around the fact that you want to keep your revenues flat but halve your cost base, maybe another way of asking the question would be can you talk to us about the front office and back office staff numbers? It looks to me like you're kind of stable on your front office in your planning horizon, and a lot of the reduction is coming from middle and back office. Is that fair? If you can give us some numbers that would be great.

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Chris Marks, CEO Corporate and Institutional Banking
Okay so I'll pick up the first one, US business. So US business is you're right we've shut APB which is a big part of that business. It deploys the global businesses, so predominantly in the US that means FX and rates. We clearly have a distribution capability. We're not looking to do lots of US domestic transactions. We can do them and we will do a small number but actually what we have the ability and capability to do including syndicate sales etc. is to take Yankee issuance into the US market.

So we've got fairly limited aspirations with the US. It's a lot of our clients are global and they want to both trade globally and also have a presence in the regions. It's a big market so as a distribution centre it's a really important one for us, and whether that's a large corporate or a UK or European FI or a US FI, having that market and access to that market and whether it's unsecured or secured, debt issuance or risk management, is really important.

And so we've got teams that do all of those things. So we've got a much reduced front office footprint. And obviously we are reducing the overall scale of that business both through the sale of the portfolios which sit in Mark's business in Capital Resolution, but also just in removing all the architecture and infrastructure that's not needed because we don't have anywhere near the complexity of the business that we had anymore. But it's a vital part of the overall structure to ensure that we can actually be truly credible and execute in the all the main capital markets across currencies.

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Richard Place, Finance Director, CIB
So on the second point, so if you think about our balance sheet, and I think this is an industry issue because historically leverage has not been that critical, that the way that counterparties trade with each other is not the most efficient way to do it. And so there is actually - so we've done a lot of detailed analysis client by client that in terms of buy side onto central clearing, posting cash CSAs instead of security CSAs so you can net the collateral, there's a lot of efficiency that we can do with the way that we trade with the market. And the market is going to be incentivised to do it with us as well. So we think, and we've seen because we've already started to do this, that as the whole industry changes the way that they manage this process in terms of the reverse repos etc, that we'll still do the same underlying activity but it will appear on the balance sheet as a much lower number.

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Chris Marks, CEO Corporate and Institutional Banking
To your third question we don't talk about staff numbers until we've spoken to our staff, so it's not - I can't get into it, I'm not going to get into the numbers. As I said a little earlier yeah it's true we've moved a long way to actually shaping the front office and we're not that far away from having something that should be pretty close to the end state. The work is around the rest of the cost base broadly now, it's not just people by any stretch. But obviously it's people and technology and premises etc. And so yes, your point is right, we have moved a long way with the front office but there's still work to do and that's what we both talked through in terms of the trajectory and how we're going to do that between now and 2019.

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Richard Place, Finance Director, CIB
And it's a similar story the revenue versus cost, that we still think that we will be doing the same volumes, but instead of having multiple different systems each booking a separate product, we will have a single system, and then all of the interfaces and

reconciliations and people supporting them just disappear. So you still have the same volumes but because the complexity is removed, a lot of the cost drops out the bottom.

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Chris Marks, CEO Corporate and Institutional Banking
So you don't have to have these similar size machines built in each region to support the business.

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Richard Place, Finance Director, CIB
And it's not just the cost of doing it, the cost of maintaining it, the ongoing cost of you know if we get a regulatory change trying to do that across 20 or 30 systems is prohibitively expensive and frankly almost impossible to do which is why we think the re-platforming is actually the most sensible way to do it, because the regression testing that you have to do to make any single change across 30 systems is just very, very difficult to coordinate. If you've got one system and you need to make a change, it's relatively straightforward. So it's - there's a cost to set it up but not only do you take the sort of run the bank costs out, you take the change the bank costs out as well because you just don't need to spend so much to maintain the system.

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Raul Sinha, JP Morgan Cazenove
I get you don't want to give us any numbers but could you give us a ratio of front office to back office staff currently as it stands and some indication of where you want to move to?

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Chris Marks, CEO Corporate and Institutional Banking
It's difficult to say. I can't really show you the exact numbers because we're still designing exactly how we're going to support this. My focus is we'll have the right number of people to run this business, and as I said earlier the business will be as efficient as we can do. We're not going to cut corners to - it's going to be as efficient as it possibly can be to run the product set that we've got.

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Michael Helsby, Bank of America Merrill Lynch
Just going back to this revenue point, and clearly in slide eight you show us your client mix and how you're the number one bank in terms of UK corporate turnover. So a big part of the go forward bank is kind of decamping back to the UK. We keep reading stories about large multinationals not very happy about what you've done, Shell is a great example, that's been made public about your relationship and how they might struggle to use you as much going forward. So how do you think about that and how would you model that? Clearly most of your competitors run or a lot of them are big global universal banks that cross geographies and the clients seem to want more of that not less of that. So how would you factor that into your revenue outlook?

Alison Rose, CEO Commercial and Private Banking
So maybe I can take it from a client's lens perspective and the guys can add from a revenue perspective.

So with the choices that we've made in terms of looking at the clients that we're supporting in our large corporate space and the products that we have in order to deliver their needs, we take a very detailed view, as most banks would, in terms of our share of wallet and our penetration by product. And we believe that with the mix of products we can be competitive in terms of retaining a market share.

The big issue that you talk about is around our Global Transaction banking business and the exit on that. And I think both Ewen and Ross in their presentations to you have made the point that that was one of our most difficult decisions. And for some of our customers it is very difficult, that's a sticky business and unwinding from one bank and reconnecting with another bank is very difficult which is why the team have worked incredibly hard in transitioning that and also providing a potential partner.

Generally the feedback we get from our customers is the reason they're very unhappy that we're exiting that is we did an incredibly good job at it. We didn't charge them enough for it frankly for the service we provided, and when they go and look at other providers to provide that to then they're probably not getting as good a service as they did from us. So it's difficult but I think that was the right strategic decision for us to do that.

Mark Bailie, CEO Capital Resolution
The message around GTS and it is a core driver of what you're talking about, and if you could separate the GTS issue which was a very difficult decision for us to make as an institution from the go forward CIB business, they are very different. And the feedback Alison is talking about, we are working with 7,000 clients globally at the moment to help them find another supplier. The consistent feedback is RBS was the best GTS cash supplier globally. The fact is the market couldn't bear the cost of the quality of service we supplied. And we ended up trapped in the situation where it's very difficult for clients, we're sorry we had to do it but we could not make any money. Some clients have struggled and are not very happy with us. There is also a large number of clients who aren't in the press, who have been very complementary about the help we have given them in the transition they've had to make to a new place.

Michael Helsby, Bank of America Merrill Lynch
What was the other banks talk about that type of business as being core to their banking relationship? And you know you mentioned about the cross fertilisation of corporate and CIB, is there not a fallout in CIB's revenues as they drop off the platform? What percentage of those customers make up that £1.3bn of CIB revenue?

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Chris Marks, CEO Corporate and Institutional Banking
I think you need to think about it in a slightly different way, in that GTS the same as any other product set is a good product set if actually you can deliver sustainable returns from it. And clearly we do it well and the client value it. And if it's a product like GTS which on the face of it probably won't make that high a return anywhere for anybody, you've got to cross sell and cross sell well. I don't think anybody is necessarily that good at it, and our footprint doesn't - in the UK absolutely a core product, but outside of the UK it's not a product that we would look to deliver or could deliver. And also we don't need it.

You know we've been very, very focused on ensuring that our customers are the right customers for us. We've shaped our business and the product set that we have around those customers that we are closest to and that we can continue to work with. And the conversations we've had since coming out of the blocks with the structure in February have all been to reaffirm that. You know we didn't sort of put it out there and then hope, we spent - clearly we couldn't have the deep conversations beforehand but we had a very good understanding of whether this array of products that support the FI client base and the corporate client base in Alison's world would actually be relevant for these customers. And it is, and we're getting that feedback.

And the point I made earlier I think is a really powerful one, and it kind of comes home to me each time I sit in front of a customer and they say it, the fact that we actually have a simpler proposition, we can be really clear about what we do and what we do well, and what we want to partner with and how we want to take this relationship forward is hugely valued by customers, they really like it. Because actually we can say okay this is RBS, these are the things we look to do with them, these are the things they do well and then off we go. And as long as we can generate the returns that we believe we can off the commitment we need to give to get those returns, then we're in a good place.

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Alison Rose, CEO Commercial and Private Banking
Can I just add in terms of our cash management business in the UK, we're the number one cash management business in the UK and we serve our clients incredibly well. We have the number one trade bank in the UK as well. So our core UK propositions always provided those services provide them very well.

In our western European franchise it has been largely a markets led product set supplemented by a Global Transaction banking business. So actually the loss of revenue when you look at it through an international lens is much less. So our core UK franchise we continue to support through our large corporate side and this product set.

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Claire Kane, RBC
A follow on comment really to the revenue one and then another on costs. So on the £1.3bn of revenue for this year going towards the 1.4; do we expect to see that go down

again before we go up? And what have you thought about in terms of the market outlook in terms of FICC revenues and have you built in a recovery in FICC or is it all about market share?

And then my second question just on the costs. We've had the majority of the CIB restructuring costs in this year and you talked about some of the savings being back end loaded. So just really how far out is it going to be before we start seeing those savings come through? Thanks.

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Chris Marks, CEO Corporate and Institutional Banking
So to your first question we don't foresee there being a dip currently in terms of revenues. Clearly things can change but that's certainly our assumption as things stand at the moment. We've made, as I said, a lot of progress with designing the front end of our business, our customer facing businesses, and a lot of the work now is on enabling is to be more efficient.

Clearly the fixed base will probably come under pressure, will probably come under margin pressure, more electronification will have that result. The regulators quite naturally with more transparency around the traded businesses will have the result over time of reducing margins and yeah that is built in to our assumptions. We believe with the structure we've got, with the focus on the product set we have and away from distractions that we have, that we can easily fill any gaps in terms of margin erosion that we see in those products.

And the increased electronification and our move to automated trading is one of those steps we're taking. It allows us to be nimble, have scale in a very cheap to deliver fashion that our high volume clients really value, you know they really like the ability to trade on that basis. So no, I don't see that.

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Richard Place, Finance Director, CIB
So on restructuring costs, so as I said earlier we expect the cost saves to be relatively even. And I think if you look at the restructuring costs we've taken, those are primarily relating to the regional costs. I mean there's the £300m write down of Stamford, and so the costs that we still have to work through are primarily the sort of UK functions and services costs.

But as I said so a lot of those regional costs will come out relatively quickly. Mark has talked about most of the GTS clients being gone by the end of '16 so therefore some of the - there'll be costs drifting into '17 but substantially a lot of that will be gone by that stage. We have to stand up the new system first for this go forward business, then migrate the positions over and that just means that those costs will come out later in the period.

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Rohith Chandra-Rajan, Barclays

Could I just follow up on the costs again please? You talked about the £300m to £400m split fairly - well £300m to £400m each for front office, platform and functions. Just to help us get a sense of the scale of efficiency improvements, can you split the current go forward costs on that same basis?

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Richard Place, Finance Director, CIB
I don't think we're going to go into that level of detail now. I think the - I mean you can see the number of front office headcount that we've got in the IMS. You can kind of back into what are some of those sort of front office direct costs are. And obviously those numbers are the allocation of costs between CIB and CR, so it's not as straightforward to walk you through those numbers.

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Chintan Joshi, Nomura
On RWAs you're targeting 30 billion, you are at 33 billion today. You've said it is reasonably regulation proof. I'm just wondering about the trajectory, so 33 out of that you know what are you looking to take out, what is the implied growth that you assume? Just to get a sense of how those RWAs are moving.

And then second just wanted to follow up on my previous question on disposal losses. Okay £1.3bn it won't be as variable as what you had in the past, but where is most of this £1.3bn going to? Just to get a sense of what is going to absorb that £1.3bn?

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Richard Place, Finance Director, CIB
So on RWA as I said so we don't see - because of our business mix and that's a deliberate choice we've made, we don't see a material impact from the RWA inflation, and we still have work that we can do around mitigating things, the central clearing, cash CSAs etc. that we can use we think to offset that.

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Chintan Joshi, Nomura
So will 33 go down before it goes up to 30? Is there some kind of profile or is it steadily going to 30?

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Richard Place, Finance Director, CIB
Well so I think - we think 33 going down to - well if it's not 33 I think it's 31, 32 at the moment. But maybe it goes up, one goes down, two - you know if a certain regulation comes in before we've been able to complete the mitigating activities, but we think it's going to be broadly stable, and to be honest we will manage within that 30 billion. So that's within our gift to do.

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Mark Bailie, CEO Capital Resolution
And then the sort of assets - the advantage and the disadvantage of sort of having spent a long time deleveraging is you work out that every bank has Excel and everyone can do NPV calculations. It's broadly - it's either credit losses, it's the opportunity cost of capital or it's the funding "drag" associated with an asset. Given I've said most of this is investment grade, it's not credit losses, therefore it tends to be assets where capital treatment has changed over time and they're more capital intensive than the original pricing said, or assets which were written in at the peak of the market at low margins where the cost of funding is now materially higher, and that tends to be exacerbated by tenor. So long dated assets cost more than short dated assets.

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Chintan Joshi, Nomura
So you wouldn't attribute portions of that £1.3bn to that bubble chart you showed us where things are pending?

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Mark Bailie, CEO Capital Resolution
As I said when I went through it by its nature more of the long dated assets sit in the markets business.

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Chintan Joshi, Nomura
Okay thanks.

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Chris Marks, CEO Corporate and Institutional Banking
I think that's it then. Well thank you everybody. Thanks again for coming along. I think we're going to hang around for a bit outside and grab a coffee if anybody wants to chat there. But much appreciated you coming along today. Thank you.

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