Q3 Results 2021 Sell-Side Update

8th November 2021

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Katie Murray (KM)

Good morning, good afternoon everybody. Thank you very much for joining us in here today, as you can see on the screen with me is Donal Quaid, our Group Treasurer, and before we open up for questions, I was going to make a few comments based on some of the conversations we've been having with you all this last week.

So, I'll start with interest rate sensitivity which has been your key focus for this quarter. I'm sure you're all familiar with slide 12 from our results presentation that shows our mortgage margin application swap rates and our interest rate sensitivity which is unchanged from H1.

Starting with mortgage margins, our average application margins in the third quarter were 115 basis points, and they continued to reduce towards the end of the quarter to 105 basis points, reflecting a higher swap rate.

Swap rates continued to rise in October and you will have seen that in early November that some volatility and rates have now fallen from their peak.

We have taken action to increase rates across a series of products with a third increase last week. We will need to see where pricing and swap rates settle, and I would not get too focused on application margins over a few weeks activity.

We also spoke about the benefit we derived from higher swap rates to our structural hedge. As I said, we would expect our hedge income to be neutral to slightly positive in 2022.

This doesn't include any of the additional balances we may deploy over 2022, if deposits were to remain flat at Q3 21 levels, then we would expect to add £15bn of balances to our hedge over the next 12 months, as I said last week.

Given where the rates are now, there could be more income upside potential from these additional balances, whether the rate outlook is volatile and we'll talk more about this at the full year end.

In the meantime, we think we have given you good enough disclosure to enable you to make your own estimates.

For us, the key driver of our rate sensitivity is of course the managed margin. And for this, we need to see base rates increase. So, let's see what happens first in December and then in the coming quarters after that.

I will briefly summarise the comments I made on results day. Our sensitivity to our 25 base rate upward shift in the Sterling yield curve would add £405m to income over the 12 months.

This sensitivity is built bottom up incorporating different pass-through assumptions for products across all franchises.

The actual pass-through rates will be reviewed and adjusted subject to prevailing market conditions, including the expectations of the pace and the number of rate increases.

You will see from our interest rate sensitivity disclosures that the managed margin decreases in your Tier 2 in year 3. This reflects the higher pass-through assumed at higher base rates.

Therefore, the sensitivity is not linear and 100 basis points upward shift in this Sterling yield curve would add £1.3bn to income over 12 months.

Overall, we are pleased with the performance it delivered in the third quarter, we're delivering on our growth target, lending in our UK and RBSI retail and commercial businesses, ex-government schemes is up 3.1% year to date on an annualised basis.

We're pleased to see growth in unsecured balances and fee income returning.

We're also making good progress on cost reduction.

And are on track to deliver 4% reduction in 2021.

And finally, on capital optimisation. We are in a strong position at 18.7% CET1 and we're committed to achieving a 13-14% target by full year 23. And now Donal and I are very happy to take any questions you might have. Thank you very much.

Operator – Dave

Thank you Katie. Just to remind everyone. If you do have a question, please press the Raise Hand button in Zoom and we will bring you through live to ask your question. If you've dialled in, please press *9. I will now pause while we wait for our first question. Thank you.

And, I believe we do have a question. From Joseph Dickerson. Joseph, please unmute and go ahead with your question.

0:04:08.4

QUESTION – Joseph Dickerson

Hey Katie, thank you for taking my question and I hope you're keeping well? Just one quick question on the rate sensitivity point that you raised, how does the, what's happening, your comments about the application margin, how does that interact with the comments you made on the rate sensitivity? That would be helpful, because I think there was some confusion coming out of the conference call at Q3 about comments if rates went up, would the UK banking margin go up etc… so how does what you're seeing in the competitive landscape interact with your comments on the +25 and +100 basis points?

KM

Yeah sure. I'll start Donal and feel free to jump in as well. So, I think the first thing to remember, if we look at our book, it's 90% fixed. More than 90% fixed, there's only less than 10% of it is on SVR, so the reality is, the returns on that are more or less blocked in, they're not going to change our customer rates, if there's rates going up.

I think then what you have as you look at and say, what will an increase in rates do to the pricing that we do externally to our customer base? And how would that impact the rate? So, as I look at that interest rate sensitivity it's far less about the mortgages because that is much more baked in, and much more around the unhedged portions of our savings book and what comes in from there.

Donal Quaid (DQ)

I would probably just say, look at the mortgage margin fresh and separate to that rates sensitivity because it doesn't feed into it, it is a headwind to what we're calling out in terms of the upside in rates that's feeding to in the managed margin.

Joseph Dickerson

Is the issue here really more in the out years of say 2-year and 5-year product, matures, is that really where the issue is going to be?

KM

And that's what we tried to show you with that curve, so obviously it went more or less 105 to 105, in terms of the application rates that we were having, so you've got that big chunk in the middle, and that's going to mature, on average in 2.5 years' time, so in 2.5 years' time, depending what your view is of where mortgage margins will be and rate curves and things, that's the pressure, as that stuff matures it's not going to be getting replaced. One would imagine sitting here today, though, and if you'd asked me this question 2 years ago, I wouldn't have imagined we would have got to those high levels of mortgage margins either, but it's not going to be replaced with those levels of mortgage margins as that rolls off, that's the point.

So, I think that's one of the things we talk about, is we would encourage you not to reprice the entire group to the application levels here because what we'll see between then is, many different moving parts. In terms of how that group replaces, the book as you know is earning 164 and that was really helped by the stuff that we wrote particularly in the COVID months.

Joseph Dickerson

That's really helpful thanks Katie.

KM

Lovely thanks Joe, good to see you.

Joseph Dickerson

Nice to see you.

Operator – Dave

Thank you, our next question comes from Aman Rakkar from Barclays, Aman please unmute and go ahead with your question.

QUESTION – Aman Rakkar, Barclays

Hi Katie, Hi Donal.

Aman Rakkar

So, I guess a question on your Natwest Market commentary that you've given, I guess we did have a go at probing on the call last week around your confidence around the £800-£1bn revenue run rate in the medium term. I think you've historically called out 3 drivers of that. A stabilisation of the rates business, growth in capital markets and currencies and third is, the retirement of legacy funding, is there any way that you're able to help us quantify those 3 parts, particularly the legacy funding?

Clearly, that business is annualising at a run rate well, well, well below that… presumably you're going to hope for some normalisation in operating conditions, but I think it's a key question that the market does have around Natwest Markets, and why we should really think that's the right number and I guess, related to that, when can we get there, is this the kind of thing we think can happen next year?

Secondly would be, around cost and again, sorry for repeating a topic that we tried to probe the other day, I guess it's been a theme across results season across the board, there's a lot of inflation that banks have to digest in terms of the wages and investment. Is it realistic to think about you cutting that cost base 4% next year, are there risks to that number? Is that something that potentially you come back in February and say is not realistic or indeed is not appropriate given the pressure…

because I guess when you set that number initially, we were in a very, very different inflationary backdrop. So, I guess as part of that, are you able to help us understand what divisions that cost reduction is coming from? If it's Natwest Markets, maybe that gives us a bit more confidence. Thank you.

KM

Yep sure, thanks. Let me deal with that second one first. So, look our guidance is obviously not going to change from a week ago on Friday, in terms of what we said, so I won't give you any new news, but let me try and give you a little bit of colour.

So, yes some of it's definitely driven by Natwest Markets, in terms of that piece. What we've said is 4% over the medium term. Look, we're clearly in the cut and thrust of all of our budget planning meetings at the moment but at this stage we're comfortable with that guidance and we're not looking to change it.

I think one of the big things that we've done within the bank over the last, really the last 18 months is change the way that we're doing cost take out. Historically it was very silo based, so I would take some money out in finance, someone else would take something out in risk, someone else would take something out in retail, but what we didn't do, was the real end to end piece, and go across the silos, so what you'll find is, high duplication with risk, risk has duplication with other areas, front and back, they kind of go duplication.

So, what we're looking at now is actually how you remove that duplication, which is why Jen who you've met through the various spotlights, her role is just so fundamentally important. It's someone to really drive that piece out and that's what we are continuing to drive as we move forward, so certainly there will be some more that will come out from Natwest Markets, you would expect that given the numbers we talked about in terms of their £800-£1bn and then what their cost base and their low single digit ROE business, so you would expect a little bit more to come out from there, so that will help on that.

If I look at Natwest Markets, I guess the best piece of advice I can give to you is probably on page 36 of the Analyst Pack. So, what we've said is, our currencies in capital markets are continuing to perform in line with expectation, so we know that 2020 was a particularly good year because of the level of volatility we had within there and the capital markets activity, but if I was to take 2019, 2020 and 2021, the run rate of that, most of the revenue share, which is a movement of money around the group as much as anything else, that comes from those two businesses, it's not really about rates because rates are much more capital dependant and we know that we've got a bit of growth coming on there, so that gives you a bit of comfort…

So, rates is the problem, we've been very public about it, impacted as others have been by market activity but also further impacted by some of the restructuring that's going on there.

So, it needs to stabilise but it doesn't need to stabilise to a particularly high number, so it's not going to ever get back to those levels that we saw in 19 and 20, so I would say, look at the currencies piece, look at the capital markets, revenue share will move in relation with them, we'll have a little bit of benefit from funding, because we've got to improve, it's not going to be massive but it's going to be a little bit of help and then just stabilised rates at a normal number.

What we said at the spotlight, and I'll repeat again now, is that the £800-£1bn is a medium term, so it's almost certainly a 2023 number rather than a 2022 number but I would expect to see that stabilisation in their numbers coming through in 2022 in terms of what we suspect to see in the rates business.

Aman

Thank you very much for that. Can I just ask one quick follow on? What impact would a rising rate environment have on Natwest Markets?

KM

So, they benefit from volatility, so as it was rising you would expect them to see more activity in currencies. We know that happens. In terms of the rates business, we've had volatility in the last quarter, in fairness it didn't have the benefit that we'd hoped because it wasn't so much in terms of that product piece, but I think in terms of the actual shape of the balance sheet, it's more about their trading volume, rather than necessarily that piece. Now, clearly if it's a sustained rate increase, then you would expect that their debt raising could become a little bit more expensive than it has been, but given the improvements that they've had in their rating that should still get to be a net positive…

Because one would kind of feed the other and I think their improvements have been greater than the rate rises, but let's see with that. Donal, would you add anything onto that?

DQ

That's fair. I think its probably the trajectory of higher rates and if it's volatile then it will obviously benefit them, if it's more of a smoother piece then probably less so, to the trading lines.

Aman

Thank you so much. Appreciate that.

KM

Lovely thanks Aman, good to see you.

Operator – Dave

Thank you, our next question comes from Alvarro Serano from Morgan Stanley. Alvarro please go ahead.

QUESTION – Alvarro Serano, Morgan Stanley

I had 2 follow up questions Katie if I may on NII and if you can give us a bit more colour to try to estimate how much of the rate hike could be competed away, first of all, if you could give us a split of the mortgages that have been underwritten the last couple of years, and in particular since COVID broke out…

How much the proportion between 5 year and 2 year roughly, presumably people have gone more for the 5 year but I know in the past you've given that figure, just want to see how quickly the front book might contaminate the back book.

And second, relates to that in the slide you give with the pricing, it's very useful thank you.

In terms of the price action you took over the last couple of weeks. Is that designed to hold it above 100 basis points or should we expect, obviously we don't know how competition is going to behave in the next few months, with the rate hikes but, the way you thought about this rate increase, can you help us think through the logic behind it and is that 100 basis points a base with you given the price that you've taken, thank you?

KM

Lovely, thanks Alvarro,

if I look at the rate increases, obviously swap curve increases are a precursor of assumptions of base increases, so therefore, you could say they were done in anticipation of our rate rise, but the reality is, as they were happening it was really more because you could see that increases that were happening in the swap curve.

We've always talked about that we're not going to disclose what the base level is, because the minute we disclose the base level, then something will happen and we'll do something differently and then we'll get into a different level, but I think what you can safely say Alvarro, is that the level of the swap curve increase and then where pricing was, it was definitely time for us and the market to do a little bit of a readjustment on that pricing, so that's what you've seen…

So, we've seen 3 in the last 3 weeks. I think the thing that we do on pricing is, you wouldn't want to bump it all up 25 basis points at once, so it does take a little bit of time, as it took time for it to go up, in terms of the rates we had there and it takes time to come down, it takes a bit of time for it to go back up again. So, that's what we've done to date and we'll continue to look at what's making sense in terms of their margin.

But what we know is, that this as a collective, is very strong ROE and we look to preserve that so therefore you can expect that some of that price increase is to preserve the strength of that ROE.

Alexander, do you just want to quickly answer the 5 year 2 year question?

Alexander Holcroft (AH)

The trend has been more 5 year than 2 year Alvarro, and just to give you a flavour that in Q2 we wrote around 53% 5-year, 44% 2-year, and in the last quarter it's been more 55% 5-year and 42% 2-year, so the trend has definitely been towards the 5 year.

KM

Lovely, thanks Alexander.

Operator – Dave

Thank you. Our next raised hand is from a caller whose dialled in and their phone number ends 3422, if I can ask you to press *6 and ask your question thank you.

QUESTION – Phone, Chris, Autonomous

Good afternoon it's Chris calling from Autonomus.Could I ask on capital please, you talked about the 13 - 14% by full year 23, I think within that you've been assuming that there would be some RWA inflation in 2023 from Basel 4 but I think the UK regulators now pushed that out to some dates beyond 2023, we don't know exactly when but not 2023.

Are you still expecting to still to hit the 13 - 14% range absence Basel 4 RWA inflation, I'm just thinking about the trajectory that you've shown during the last couple of quarters, you're now going to undershoot the 185 bottom end of the guided range for 1 Jan 22 as well, it feels like a bit of a stretch potentially unless you get RWA inflation to get down to that 13 - 14 range? Or should we just assume that you're going to extend the general buy back program or we're going to see special dividends in addition to buy backs, in order to deliver that ratio?

KM

Yeah sure, absolutely, and Chris you'll be familiar on page 26 we talked about it being a less than 95 basis points impact on us and that would have come in from 2023 and it wouldn't all have come in at the same time so we definitely think it's rolled out a bit and I was actually having the conversation with Alison only this morning, as to what date we think it might hit, and it feels more it's 24, 25, 26 rather than, 24 being quite optimistic, in terms of when that could hit your book.

Our plans are still to get to that 13-14% and what we've always said is that it would be a blend of directed buy backs, we're very pleased to have in market buy back that has done the right thing in terms of continuing to use up some of the capital and return capital back to our shareholders, but also the right kind of mechanics but also we've talked about this minimum billion, in the past we've paid specials, we don't really like them because we think they can be quite volatile on the share price but it's on their mechanism that we would be happy to use.

I think we've got a number of opportunities in terms of there, as to how we use them, but our target is still that 13-14% as we move forward, so it will have to be a blend of more RWA growth, or more capital return and we've also talked that we would look at acquisitions if they made sense but the acquisitions we've done to date, you can see in terms of the recent RoosterMoney acquisition and the mortgage book that we brought almost a year ago now. They have not been high capital intensive activities so it would need to be a special thing for us to do something that was highly capital intensive.

DQ

I think I'd add as well Katie, we would disclose the Basel 3 impact is not hugely material, we said no less than 5% or less.

KM

95 basis points yeah.

DQ

And then I suppose just to remind you as well, even though we're running at quite an elevated CET1 at present, there are the headwinds that we talked about previously coming between now and 1st January with the mortgage floors, software and tangible roll off, the IFRS9 tapering and then further dividend accrual as well so, we will expect that to move closer towards the 13-14% target over coming months.

Operator – DaveOur next raised hand is from Omar Keenan from Credit Suisse, Omar please unmute and go ahead with your question.

QUESTION – Omar Keenan, Credit Suisse

Hi good to see you. Can I ask a question please on the corporate deposits, related to the rates sensitivity, I was quite pleasantly surprised by the conversation on the conference call by the idea that many of the corporate deposits in commercial banking were not explicitly tied to interest rates, I was a little surprised by that, I just wondered if you could perhaps elaborate and just if possible just maybe even give us a bit of a mix number around what's managed and what's explicitly tied to rates?

And I just had just a quick follow up question on Natwest Markets as well, on the element of the revenues that's coming from better funding costs, and maybe perhaps better division allocations between different divisions, are there any particular quarters or events we should be looking out for where funding costs or the revenue picture might take a bit of a step, thank you.

KM

So, on the Natwest Markets piece, I would say not particularly. I think we talked earlier around the cost take out, but what I would hope that you would see is you would start to see we've done very well on the direct cost take out that you would start to see a bit more of a decrease in some of the indirect costs as they catch up with some of the changes, they've made in the front office but I wouldn't pull at any quarters specifically in terms of that.

On the corporate deposits book, at the moment you can see the average cost of that is zero and there really is minimal balance that's linked to the reference rate, as we go through so it is a very small percentage and I won't give you anymore closer numbers on that, but it is minimal.

Omar Keenan

I just would have thought that the nature of the corporate business, that NatWest would have, large corporates, just as market practise these things would be linked?

DQ

Happy to take, I suppose, if you look at a large corporate, it's not a huge part of our funding in terms of corporate deposits, given our retail deposit base and also MTA accounts within corporate banking, so Katie's right, we have a very small percentage, very small balances that are actually contractually linked to base rate or some other external benchmark, and the large majority are managed margin.

Omar

Okay, brilliant thanks very much and sorry, just on the Natwest Markets I was more talking about funding costs rather than operating costs

KM

No, I realised you were Omar, I just wasn't going to give you anything on the funding costs, no particular priority to look at, and it was more just to try to think on the operating costs, we would expect to see that, but they have got some debt issuance that will be maturing so I guess you can see that in their accounts, you can see the dates of those pieces, and their maturity profile so you can have a look as to where they might be in terms of anything in that book.

In my own mind as I look at it, I'm not thinking oh, that's a big step up Q3 2022, anything like that, I see as a kind of a gradual transition.

Omar

That's wonderful, thank you very much.

KM
Lovely thanks Omar, good to see you.

Operator – Dave

Thank you, our next raised hand comes from Jonathan Pierce from Numis, Jonathan please unmute and go head.

KM

Hi Jonathan.

Jonathan Pierce, Numis

Hello there, couple of questions please.

On hedge, the product hedge, I think you just repeated the interim disclosure at Q3 that you're generating 61 basis points on that now, but obviously through the first 9 months of this year, I think you've added about £28bn to the product hedge and that would have been coming in at pretty low yields because I think you fed at it with a load of 1, 2, 3 year hedges in there as well, where most of this year rates have been very low…

Can you give us an idea of where the product hedge yield is at the end of the third quarter because I guess there's a temptation for obvious reasons to look at the mark to market on the mortgage book, but even after the MPC driven sell off in swap rates in the last few days, it was still up at about 85 basis points on a 5 year, so it feels like it's quite a big mile to market to come through on the product hedge.

So, can you give us a feel where that yield is at the moment versus the 61 basis points that you reported for H1?

DQ

I don't have the exact yield at present but you can probably assume that it would be lower than the 60 basis points considering what we put on through Q3 on average would have been lower than that, particularly when you're talking about the additional balances because we're putting them on with an average life of 2.5 years you know yourself that, that would be split quite evenly over 1-5 year.

But you're right, as I look at what's rolling off into 2022, you're right, during the first three quarters of next year stuff is rolling off at approximately 60 basis points there or thereabouts, with the exception of the shorter date of additional balances that we put on that we'll be rolling off at much lower rates.

So, again, the guidance we gave at Q3 is right, Katie said it's flat to slightly up in terms of product hedge with the exception of the additional balances that we still need to add over the next 9-12 months, and that will obviously give us income upside if rates stay at this level or higher, but again, we've just seen the volatility of rates over the last few weeks, we're already 30 basis points off the highs, so its just hard to guide any further on that.

Jonathan Pierce

Okay thanks for that and can I ask just one other on Basel 4? The sub 5% RWA inflation I'm sure I'm not going to draw you very much on this but I'd imagine that some of that is coming from the removal of the CVA exemptions and the SME supporting factor that was proposed under the original Basel proposals but clearly the EC is not going down that route and we'll wait to see what the PRA does but, I don't know whether you've had time to restrike your numbers on the EC banking package approach? If the PRA follows suit, is there going to be any Basel 4 impact at all?

KM

So, Jonathan, you're right, you're not going to draw me very much on that. What I will do though, I'll happily be drawn on it in February and we'll just give you the whole stack, where we're sitting. I think the nice thing about Jan/February is all the January noise will be behind us and then we can talk about how we think it will come through.

Jonathan Pierce

It's presumably right though is it that CVA and the SME supporting factor was a part of the 5% or up to 5% inflation that you were talking about?

KM

That would have been a fair assumption yes definitely.

Jonathan Pierce

Okay, thanks a lot.

KM

Lovely, thanks Jonathan.

Operator – Dave

Thank you,

Our next raised hand comes from Guy Stebbing from Exane, Guy, please unmute and go head.

QUESTION – Guy Stebbing, Exane

Hi, afternoon Katie, afternoon Donal, I hope you can hear me ok.

First question was back on mortgage pricing, you've talked already about some of the interactions between base rate moves and swap rates, I guess we tend to be quite focused on swap rates in terms of thinking about implied spreads but if you look at the press and the politicians, they are much more focused on base rate and there's been cause to reverse recent hikes in mortgage rates as the base rate decision hasn't come through…

I just wondered, how much does that play at all on your thinking, and therefore, even as swap rates don't necessarily move in reaction to a base rate hike, it just provides that additional ability or comfort to put those moves through, I guess it just places additional weight on base rate moves perhaps in terms of the benefit on the managed margin, but also the ability to benefit on mortgagesas that comes to its own, to give any colour around how that plays into your thinking at all?

And then, slightly linked question, just around mortgage returns, would you be able to share what operating cost assumptions you use at all, in terms of how you think about a return you're making on a new mortgage and whether it's hurdling an adequate return, thank you?

KM

Sure, thanks Guy, so look I also read a lot of press on the weekend and was trying to explain to my 10 year old daughter why it didn't make any sense and she actually looked at me and said, look I've no idea what you're talking about sort of thing, but, for me, the swap rates are what's driving the funding there, I think the idea that you'd reverse something because the base rate didn't come in, the idea that you're doing it because the base rate might come in, it's a very complicated bit of pricing that is hard for me to understand.

So, we don't look at it. I do think obviously, when it does build in, even when it does happen, it does make it easier for prices to go up, but that's more emotional rather than mathematical in terms of anything else there, so, we read the press, there's certainly no discussion internally about them actually, how we would then react to then bring it down, but very much depending on what the swap rates are doing and our overall cost of funding which is made up of many different aspects of course.

In terms of operating costs, I don't think we have disclosed, I want to leap off my desk Guy and grab the June spotlight that we did, see if I gave you any of the assumptions there, but rather you all see my desk behind me and the chaos that it sometimes exists there, Claire, did we include anything in the spotlight on the assumptions of operating costs?

Clare Kane (CK)

We didn't but some analysts have backed it out what could be the cost income ratio so I think you can just assume that it's lower than the average retail division.

KM

There you go Guy, so play around with the spotlight and then you can assume that it's lower than the average, thank you very much Claire.

Guy Stebbings

Thank you.

Operator – Dave

Thank you, our next raised hand comes from Jason Napier from UBS, Jason please unmute and go ahead.

QUESTION – Jason Napier, UBS

Good afternoon, Katie and Donal, thank you for hosting the session. Just one question really from me and this is on the topic of management overlays.

KM

Great, we haven't been asked about management overlays for ages!!

Jason Napier

Well, so I think although it's hard to see them in the market caps and share prices, the working assumption in the market is that they are a sign of excessive caution on the part of finance staff across Great Britain.

And so, I guess the question is, one of your peer banks has spoken about, some reasonable expectation that by the middle of next year, if you're not needed, we can have them back, but I'm aware that the risk department puts them in place in a 'to deal with' areas that models might find hard to cope with in the light of current difficulties…

And I just wondered, how realistic it was to expect fully loaded ratios to react to that kind of thing that quickly, or is there an enduring component of the reserve build that might take longer to shake out?

KM

So, the way that I have answered that question, what I said at the results was that what we'd expect, if there's more positive economic use at the tail end of this year, you'd expect some small release this year, and then throughout into 2022, I don't think they'll all come off in one quarter.

I think also Jason it's really important to actually look and we've got some disclosure on page 20, but then I'd also look in our year end accounts to see what the number was at 31st December 2019, to actually remind ourselves that there's always a base level of these adjustments…

So, the idea that it would all come back is not realistic. If I look at economic uncertainty, at the year-end it was £878m, it's now £729m so quite a lot of that, so £150m has already come back on that piece, but if I know if I go back to 2019, it was about £300m and that was due more to the Brexit uncertainty that we didn't obviously call it that, the same sort of piece so its there. Then you've got two other lines which is deferred model calibrations which is to do with the challenges of models, we've definitely seen that increase…

So, you could assume that will decrease as we build a lot of those issues into the models, 2020 that was about £49m that's gone up to £177m, so that's been a piece that I'd expect us to moderate.

And then we have a kind of other, catch all adjustment, which you can see again from our disclosures, a fair chunk of that other is in relation to Ulster Bank, so again, you can expect as the Ulster Bank disposal happens, that you'd expect to see that piece wind off, so I would say, it's going to be no single quarter event, and you know history would tell me that these will still exist as I go into 2023, in different categories to different levels.

But what I would expect to see is that economic uncertainty one come down on a quarter-by-quarter basis but not yet at the level of comfort to say you can have it back at the end of Q2 that feels like something that would come back to haunt me if we made that statement so let's see how that goes throughout 2022.

Jason Napier

Thank you, very clear.

KM

Lovely thanks very much Jason, good to see you back in the office.

Operator – Dave

Thank you, Katie, that was our last question, I will now hand back to you to close.

KM

Perfect, lovely, thank you very much and as ever, thank you everybody for your support and your challenge, both are appreciated in equal measures. We look forward to talking to you again when we get to February and of course IR are always available for any questions you might have between that time and I'm sure I'll meet a couple of you as we go around different investor interactions over the next frighteningly short 6-7 weeks till we get to the end of the year, which is quite fast setting here at the moment, but thank you very much for your time and your support and your questions as ever, take care, thank you bye, bye.