Q1 Results 2020

MEDIA Conference Call

Held at the offices of the Company
250 Bishopsgate London EC2M 4AA
on Friday 1 May 2020

FORWARD-LOOKING STATEMENTS

This transcript includes certain statements regarding our assumptions, projections, expectations, intentions or beliefs about future events. These statements constitute "forward-looking statements" for purposes of the Private Securities Litigation Reform Act of 1995. We caution that these statements may and often do vary materially from actual results. Accordingly, we cannot assure you that actual results will not differ materially from those expressed or implied by the forward-looking statements. You should read the section entitled "Forward-Looking Statements" in our Annual Results announcement published on Friday 1 May 2020.

RBS

Alison Rose, Chief Executive

Katie Murray, Chief Finance Officer

Introduction

Good morning, ladies and gentlemen. Today's conference call will be hosted by Alison Rose, Chief Executive. Please, go ahead, Alison.

Alison Rose, Chief Executive

Thank you. Good morning, and thank you for joining Katie and I on the call today. We're here to cover the Q1 Results, but clearly I'd like to address the context we're in as well.

Every person, family, and business has been affected by the current situation, and normal business activity has been severely affected. And everyone, including governments, central banks, regulators, and businesses themselves have been responding at pace. I'm going to address how the group has been responding and focus on the important things for NatWest Group, our customers, and our employees.

Before I cover our response to COVID-19, I will briefly touch on our headline Q1 Results. Despite a strong start, our Q1 financial result is impacted by a net impairment charge of £802 million. This included a £628 million management overlay as we build provisions under IFRS 9 against the uncertain economic outlook. Our overall approach here is to provide thoughtfully in the face of uncertainty. Taking that charge into account, out operating profits were £519 million, and our attributable profits £288 million. It is key here that we come into this crisis with strong fundamentals in terms of liquidity, funding, and capital.

My key messages for you today are the following. Firstly, we're putting our purpose into action as we respond to the pandemic. Secondly, we retain a balanced and consistent approach to risk and are focused on careful deployment of our balance sheet. Thirdly, we come at this from a position of absolute and relative strength, with strong liquidity, diversified funding, and sector-leading capital strength. And fourthly, as we address the immediate challenges, we are maintaining focus on our key strategic priorities. This is both my agenda today and my agenda for running the bank in the crisis.

As you know, our purpose is to champion potential, helping people, families, and businesses to thrive, and the work that we did last year gives us a solid basis for everything we're doing now. Putting purpose into action has meant reacting rapidly to the COVID-19 situation. We now have over 60,000 people working from home – around three times previous levels – and nearly 70 percent of our telephony staff can operate from home. And here, I would just like to pay tribute to my colleagues for their amazing commitment and resilience.

We have also guaranteed full pay for six months for any colleagues who cannot work due to coronavirus, as well as providing a range of additional well-being measures. We have kept over 90 percent of the branch network open for those who need it, and we have also redeployed and retrained staff to address operational hot spots rapidly. At the same time, we have seen new mobile banking customers are up by 20 percent, and new online banking customers are up by 30 percent.

For people and families, we’ve set up dedicated phone lines for vulnerable customers and key workers. We have also proactively been calling nearly 250,000 vulnerable customers to offer support directly, and we've matched customer donations into the National Emergency Trust, raising £3 million for the cause, as well as funding charities in the community. To help business, we have added £5 billion to our Growth Funding Package to support SMEs, with almost £4 billion of that approved and accessible to customers.

We've received over 42,000 capital repayment holiday requests to help businesses manage their cash flow whilst also waiving fees on overdrafts up to £5,000. And we've worked alongside The Prince's Trust to create a £5 million fund to help young entrepreneurs struggling in crisis. It has taken a massive effort across the bank, and again, I'd like to thank my colleagues for their commitment to supporting customers at this time.

We're also playing a full part in the recently introduced government schemes for SME customers using the COVID Business Interruption Loan Scheme, where we offer loans starting from £5,000, the lowest of our UK peers. As of last Thursday, we had approved around £1.4 billion of lending, which is around 40 percent of the market. And from the end of last week, we launched the large CBIL scheme. This is a new scheme, and we've also received around £29 million worth of requests in the first few days.

To be clear, we use these schemes to support our existing customers, with no change to risk appetite and consistent diligence in underwriting standards, and we are comfortable with the volumes we're writing. At the same time, we've helped our biggest clients raise £3.1 million, with a strong pipeline in demand using the COVID corporate financing facility, making us almost a third of the market. Overall demand for these schemes has been strong across our sectors. And looking ahead, we will use all facilities to support our clients, including the just-announced small business CBIL scheme, helping our customers get the funds they need as quickly as possible but with no change to our risk processes or stance.

For personal customers, we've agreed 190,000 mortgage repayment holidays, and for arranged overdrafts, we've frozen interest rates whilst agreeing almost 16,000 interest-free buffers up to £500. Translating all of this onto the balance sheet, on lending prior to the crisis taking hold, January and February were very strong months for us, with our strategic focus on growing lending in UK retail and commercial. In particular, there was a very strong performance on mortgages in this period. And for Q1 as a whole, for retail and commercial, we saw net lending increase by £13.1 billion, or 4 percent, with £4.8 billion through the personal bank, which was primarily mortgage growth, and £8 billion in commercial.

Our prudent risk appetite has supported us well for many years now. Coming into the crisis, our book is well-diversified. We're comfortable with the level of risk on our books, including the new lending and the government schemes. Of course, we will suffer losses on our books as the crisis plays out, but we think it's too early to estimate the shape and scale of the economic impacts of COVID-19, with no consensus among forecasters on the impact of lockdown or the effectiveness of the government response. So, as you would expect, while what we have done at this stage is make a considered judgment on our books through the impairment lines, and we will do so again through Q2 and beyond.

Whilst we do not know the future, we do know that our risk stance and capital base mean that we come into the crisis from a position of absolute and relative strength. Facing into the crisis increases my confidence that the strategic steps I set out in February are the right ones for the bank. Starting with cost, our target this year is £250 million, and I reiterate this target today. Of course, the facts have changed, so whilst we retain the same target, the makeup of the savings will be different to what was in our plan a few months ago, and we have delayed some planned cost-reduction measures.

We've also moved our strategic cost guidance for 2020 down to the lower end of our previous range of £0.8 to £1 billion. And in line with this, and after careful consideration, we have decided to merge our personal digital account, Bó, with our digital bank for SMEs, Mettle. As a result, we will be winding down Bó as a customer-facing brand. Technology used in Bó will be integrated as we develop for Mettle further.

In addition, when I became CEO, I made NatWest Markets a key priority, and here, our refocusing work is well underway and will continue.

In closing, clearly the outlook remains extremely uncertain, but we approach the crisis with confidence in our balance sheet strength and focus on our strategic priorities. I'm confident that these are the right ones and will create a better future for the bank. The importance of being purpose-led has only increased in the crisis, and I'm very proud of how my colleagues have responded to deal with the situation at pace.

Now, we'll hand back to the operator, and Katie and I will be happy to respond to any of your questions. Thank you.

Operator

Thank you, Alison. Ladies and gentlemen, if you'd like to ask a question, please press the "star" key followed by the digit "1" on your telephone keypad. We will pause for a moment to give everyone an opportunity to signal for questions. Your first question today comes from Iain Withers from Reuters. Please, go ahead, your line is open.

Iain Withers, Reuters

Hi, good morning.

Alison Rose, Chief Executive

Morning, Iain.

Iain Withers, Reuters

Morning. Couple of questions. The first one's on the outlook. What have you seen in April? There weren't a huge amount of defaults in the first quarter. Have you seen more in April? And can you please expand a little bit on how you've arrived on your forecast for this – for this year?

And the other one is related to Bó. Will there be any job losses as a result of that? And can you just talk through – obviously, there were some in NatWest Markets, and elsewhere, and Ventures, at the moment. Are you furloughing people? How are you looking out for people at the moment?

Alison Rose, Chief Executive

Thanks, Iain. Well, let me – let me take a couple of those, and then I'll ask Katie to comment on the forecast for the year. In terms of outlook in April, we gave some information around the continuing growth that we've seen across the book. We largely – we're not seeing defaults happening at the moment.

In terms of overall customer behaviour, what you're seeing is customers using a mixture of the government schemes as well as the help that we're providing to manage their cash flows. They're cutting back on spending. We've seen, as you can see in our results, a big increase in our deposit levels as people are retaining cash. So, at this stage, we're not seeing a shift in defaults.

We're not seeing more stress coming through our book at this point, but I think, largely, businesses and customers are managing the situation using the multiple of support that's available across government, and from the banks, and the different schemes. In our personal customer side, as you see, we've put a lot of support in for our personal customers, as they've had more mortgage repayment holidays. But again, we've also seen a drop-in spending and an increase in deposits, as well. So, it's very early days, I would say, for things to be coming through.

In terms of Bó, obviously, what we're looking at is merging those two teams together, and we're working with the teams on that. We are not making use of the government furlough scheme. We've actually put in place support for all of our staff to say over the next six months we ensured that they're paid. But we are progressing with the strategic priorities, particularly in NatWest Markets, but we're doing that thoughtfully and carefully with our colleagues in mind. Katie, can I hand over to you for forecast?

Katie Murray, Chief Finance Officer

So as we can – as you sit here today, it's obviously quite hard to kind of predict what your forecast would be. I mean, we've taken some assumptions around about what the impairment charge would be within Q1. And then we'll continue to see how the data kind of develops on that as we – as we go – as we go through the year.

We are remaining committed to a number of the targets that we have externally in terms of the £250 million of cost take out. Its shape will be different than we had envisaged when we spoke about it in February, but it will certainly be deliverable. And I feel, looking at things like our structural costs, we're going to be at the lower end of that. So still continuing to invest in this business, although in a slightly unusual time within which we find ourselves.

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Iain Withers, Reuters

Thanks, cheers.

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Alison Rose, Chief Executive

Thank you, Iain.

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Operator

Thank you. And your next question comes from the line of Stefania Spezzati from Bloomberg News. Please, go ahead, your line is open.

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Alison Rose, Chief Executive

Morning, Stefania.

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Stefania Spezzati, Bloomberg News

Hi, good morning. Morning, hi. So, obviously, for the charge that we have seen for the first quarter, yes, it is lower compared to Lloyds and to the other UK banks, like Barclays. So, if you could talk about it a bit why you think your charge is lower compared to Lloyds, for instance. And then, also, I was wondering if you could give us a bit more colour on the corporate side – so what are you seeing?

I know there's been a change of behaviour from March to April, so maybe corporates have stopped panicking and are building up cash reserves in April. If you could give us a bit more colour on how the lending has increased, actually, to corporates. So, if you could talk about it a bit, thank you.

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Alison Rose, Chief Executive

Thank you, Stefania. So obviously on the impairments, we've made an evaluation of the impairments, and as you've seen it's based on the shape and size of our book. We obviously benefit from very low unsecured in our books perhaps compared to some of our peers. So, at first glance, the 90 basis point impairment charge in Q1 looks low relative to Lloyd's at 130 and Barclays at 223, but that charge includes the £0.8 billion charge included, the £0.2 billion underlying, and a £0.6 billion overlay.

We haven't had any spike risk in Q1, which I think is very important when you compare us with some of the other banks. However, it is coverage rather than the charge in any particular period that's important, and with impairment reserves of 118 basis points of loans, NatWest has similar coverage to Lloyd's, but significantly lower than Barclays. So, I think that's the important point to note. Obviously, what I would point you back to is the balanced shape of our book, the strong capital position, and the mix, which, hopefully, should help you there.

On the corporate side, what we saw in March as the crisis unfolded was a very significant drawdown in our revolving credit facility from corporates as they prepared for the crisis. I think a lot of those measures were what I would describe as defensive in terms of shoring up their liquidity. Equally, you can see a big increase in our deposits during that period – £8.9 billion increase in deposits on commercial. Our revolving credit facilities have now normalized to around 40 percent drawings, which I would say is where we would normally expect to see them, and as the capital markets have opened up after that initial very active period of volatility, we're seeing corporates access the corporate markets much more, so we're in a more normalized position. Thank you, Stefania.

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Stefania Spezzati, Bloomberg News

Thanks.

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Operator

Thank you. And your next question comes from the line of Kalyeena Makortoff, The Guardian. Please, go ahead, your line is open.

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Kalyeena Makortoff, The Guardian

Hi, good morning. Thanks for taking our questions. First of all, could you just break down the split between retail and commercial impairments in the £802 million charge? And, I guess, on the outlook, I mean, can you clarify your baseline and worst-case economic scenarios for 2020, and really give a sense of maybe how surprised you've been by the quick turnaround in fortunes due to the outbreak? And finally, I mean, what do you think led to the failure of Bó as a standalone retail bank brand, and what do you think you would have done differently if you were to start that project again? Thanks.

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Alison Rose, Chief Executive

Thanks, very much. Well, let me – let me take some of those, and I'll get Katie to address that. So, Bó hasn't failed. We've made a decision, which is a prudent decision at this point, to merge the technology platforms of Bó and Mettle. As I have always said and I mentioned in February, we will apply a disciplined view in terms of our approach to innovations, testing and learning.

As a result, we decided to refocus our efforts based on the current situation, but also take the learning from the technology, and particularly some of the savings ideas and tools that we developed in Bó, which we now roll into the core bank. And the team in Bó have done an excellent job, and we will be looking to roll some of those learnings through. So very much in line with our disciplined approach to innovation. Katie, do you want to take down the breakdown of impairments and just walk through those?

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Katie Murray, Chief Finance Officer

Absolutely, so you don't need to catch all these numbers, but on page 10 of our (IMS – you can see the detail split, but basically it's – in terms of the impairments, there's 297, which goes against the personal bank, and 435, which is against the commercial bank, and then our other entities for different smaller amounts. I think what's really interesting as you – as you look at the amounts, so our total charge was £802 million – £628m of that was in relation to the material economic scenario. But you have about £170m which was just in relation to our underlying business.

So that's a low level of impairment for us in any one quarter. It's much lower we had – we had less – we've had more in other quarters as time goes by. And I think the important thing when you look at our impairments is, in Q1, we didn't have any spike risk. So, any single name, that were in the press within the first quarter, and we weren't impacted by any of those.

So, you look and you think, actually, underlying impairments in that quarter were pretty good. Now, we all know, you don't take benefit from a quarter. It's what happens over the year that's really important. But that's why this charge, you might at first glance think it looks a little bit lower.

So, of the balance of the 620, what you see is that 185 of that is in relation to personal business, and 366 is in relation to the corporate business. So we're preparing our corporate business much more in terms – on a richer level – in terms of impairments to come at this stage. And that's really because our unsecured book is so small. And we know that mortgages actually have good security attached to them.

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Kalyeena Makortoff, The Guardian

I'm sorry, on the – on the baseline and worst-case economic scenarios?

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Katie Murray, Chief Finance Officer

So, in terms of the baseline, actually, what you've actually experienced, so the economics aren't quite as relevant there. In terms of demand overlay, what we did there was we took economics of our minus 4.3 percent fall in GDP, a 7.9 percent unemployment rate, and a minus 20 percent house price fall. And then on that, the economics, it's not – I wish that it were – it's simple to say, well, these are the economics, that's the answer.

On top of that, you then layer – what are the government initiatives that have actually happened? How do we think they might actually be used? What do we think is our exposure in terms of different books, whether it be unsecured or mortgages? Or if you're looking in the commercial space, where you'll likely see bigger numbers overall, where are we in terms of those sectors that are most hard hit?

And then, I think, the most important judgment that anyone's trying to make at the moment, and it's absolutely the hardest judgment for all of us, is how long do we think the lockdown might last, and what might the recovery be? So, the economics are the first indicator. Then, as a management team, Alison and I, we just spent a huge amount of time with our team, trying to mix all of those other factors– based on what we kind of know at the end of March and how everything's behaving at that time and what we think at this stage?

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Kalyeena Makortoff, The Guardian
Thank you.

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Alison Rose, Chief Finance Officer
Thank you.

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Operator
Thank you. Ladies and gentlemen, as a reminder, if you would like to ask a question, please press "star" "1" on your telephone keypad. Your next question comes from Lucy White, The Daily Mail. Please, go ahead, your line is open.

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Lucy White, The Daily Mail
Hi, both. Thanks for taking the questions. So, the first thing I wanted to ask was just about CBILS. Obviously, we've seen you guys lend a lot more and a lot quicker than some of the other banks in the – in the industry. What do you put that down to? Was this sort of a concerted effort to really seize this scheme and to make use of it? And also, I mean, I know you mentioned that you're confident in your underwriting criteria, but is there any risk that this could essentially come back and bite you in a few years' time?

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Alison Rose, Chief Executive
Thanks, Lucy. Well, on CBILS, we moved very quickly. What I recognised, and the team moved very fast, was that we were not in normal circumstances. And so, we redeployed staff very quickly and operationalised the schemes very quickly. So, I think what you're seeing is us responding very fast in getting the support out there to our customers as quickly as we can.

I think important things to note – we are supporting our existing customers, so our lending under CBILS is to our existing customer base. And what you're seeing is the other banks starting to ramp up a little bit more as they operationalise, and then we get into normal flow. I would remind you these schemes came to the market very quickly. I think the – on CBILS, the term sheet was agreed at 3 am in the morning, and it went live at 7-8 am that day. So, I think, in response, we are lending to existing customers within our existing risk appetite, and we just operationalised very quickly and we deployed staff and resources very fast in order to deal with what we saw as an urgent business need.

In terms of the – am I worried this is going to come back and be an issue for us? Now, clearly, not every business is going to be able to survive this period, and there is a huge amount of uncertainty, and you've seen we've taken an impairment view. But I come back to the point that we're lending to our existing customers and within our risk appetite, so it's really operationalising. And I would expect the market to settle down a little bit more as the other banks manage to ramp up operations.

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Lucy White, The Daily Mail
Great, thank you.

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Alison Rose, Chief Executive
Thank you.

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Operator
Thank you. And your next question comes from the line of Lucy Burton, The Telegraph. Please, go ahead, your line is open.

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Lucy Burton, The Telegraph
Hi, thanks for taking my question. Just another quick one on Bó. I just wondered if you could explain it some more on what was behind the decision – what drove the decision to close it? And what were the challenges with the – with the app since it launched last November. Thanks.

Alison Rose, Chief Executive

Absolutely, so thanks for the question, Lucy. Look, we're – clearly in the current circumstances, we are prioritising our investment spend across the bank on products and services that allow us to provide the best possible support to our customers, and that's more critical than ever at any – at this point. So, as we've evaluated that, we've made the decision to merge our personal digital accounts and our digital bank, called Mettle, so ensuring that we have one digital platform that we can operate from. And the technology that we've used in Bó will be integrated as we develop Mettle.

I think, as you know, Bó was something that we were testing and learning from. It was launched in the app store, but we never undertook a consumer launch or introduced any type of acquisition targets. And I think our decision to refocus reflects the level of opportunity that we think exists in the SME community as well as the support we think this segment needs, as well as critical to the recovery of the UK economy. So, it has been a prioritisation point.

More broadly, my approach to innovation initiatives is that we will always test and learn, we will apply a disciplined approach, and we will always ensure that we're making the right decisions and rolling the learnings back in. I think the very – as I said, the great work that the Bó team has done – they've taught the bank a great deal about how we support vulnerable customers and help them manage their money better, and a lot of those learnings are rolling into our mobile app, as well. So hopefully that gives you a little bit more colour on our decision.

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Lucy Burton, The Telegraph

OK, thanks.

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Alison Rose, Chief Executive

Thanks, Lucy.

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Operator

Thank you. And your next question comes from the line of Simon Clark, Wall Street Journal. Please, go ahead, your line is open.

Alison Rose, Chief Executive

Morning, Simon.

Katie Murray, Chief Finance Officer

Good morning, Simon.

Simon Clark, Wall Street Journal

Good morning. Have any of the change – do you think any of the changes that you've introduced in the last few months to deal with this crisis will become permanent? Can you see how the way you do business will change because of this crisis, particularly with corporates and in Markets?

Alison Rose, Chief Executive

Well, I think what you've seen with this crisis is some acceleration of some of the trends that we were already seeing over the last few years, particularly in digital usage. And you've seen an increase in the number of mobile and online applications that have been going through. So, I think in some cases, you've seen an acceleration of some trends that were happening. I think it's too early to say whether those changes will remain in place or whether they will go back to what they were before. But, certainly, I think there are some changes that have accelerated.

I mean, clearly, we've moved very quickly to having – as I know a lot of businesses have – all of our staff working from home. And in that, I'm very proud as a team we've managed to deliver that. But we've managed to move almost 60,000 of our colleagues working from home whilst maintaining and continuing full support for all of our customers' operational efficiency, and capability, and delivery. So, there are some changes in there I think will stay and give us a different view going forward, but I think in terms of what it will mean for the long-term future. I think also it depends on how quickly we come out of this period, and that will be a gradual process, and we will maintain some of these changes permanently.

Simon Clark, Wall Street Journal

Thanks.

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Alison Rose, Chief Executive

Thanks, Simon.

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Operator

Thank you. And your next question comes from the line of Andrew Black, BBC. Please, go ahead, your line is open.

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Andrew Black, BBC

Morning, Alison.

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Alison Rose, Chief Executive

Morning.

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Andrew Black, BBC

I just wanted to ask a question specifically about business loans, so both the loans that you are giving out under the interruption scheme, and normal business loans, as well. Are you – are you preparing yourself for the fact that you might just have to write-off the majority of these loans because the businesses who've taken them out just can't pay them back and they've gone under?

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Alison Rose, Chief Executive

Well, obviously, in the context of the economic environment, there's a huge amount of uncertainty and very difficult situation for businesses, and I think it's very difficult to predict what the impact will be. But as you can see, we have increased our provisions under our impairment line. I think what's important, in terms of how we're approaching the UK government schemes and our support for businesses, it's incredibly important that we maintain our risk discipline and the focus on ensuring that we are responsible lenders. The CBIL schemes are loans that individual business owners have to take on and are 100 percent liable for.

So are we're assessing whether those loans are the right thing for customers, we are evaluating their viability and their ability to pay back those loans, because that is what businesses are taking on. And business owners are, I think, being very measured in whether they draw down and take on additional debt into their business or actually just create breathing space with working capital facility support. I think sort of more specifically to your question, we're lending in our normal way and with our normal principles. Customers are liable to repay all of those loans, which is why our risk approach, and our discipline standards, and our responsibility to lend responsibly is important.

But inevitably, there are going to be some businesses that struggle through this period. There are some businesses that we will not lend to. It's inappropriate and irresponsible to do so if they're not viable before the crisis to put debt into them, and so we're being very cautious and also responsible in how we approach this. But inevitably, not all businesses will survive during this period.

Andrew Black, BBC
OK, thank you very much.

Alison Rose, Chief Executive
Thank you, Andrew.

Operator
Thank you. And your next question comes from the line of Oscar Grut, Yahoo Finance UK. Please, go ahead, your line is open.

Oscar Grut, Yahoo Finance UK

Morning, guys. Thanks for taking questions.

Alison Rose, Chief Executive

Morning, Oscar.

Oscar Grut, Yahoo Finance UK

Just a couple more on Bó, really. First of all, how many customers did the bank have, and what's going to happen to them now that it's closing? And in terms of – I know you were sort of saying this is a kind of an experiment, testing and learning from, not a failure, but last April, Mark Bailie told the FT – this is a project we're taking very seriously, we want to have a few million customers on Bó within five years.

That seems to be a very radical turnaround from where we stand today. I mean, what's changed between now and then, and what would you say to people externally? I mean, I imagine most people will view this as a failure given the sort of public signalling and the dynamics of the market. How would you sort of reposition it?

Alison Rose, Chief Executive

Thanks, Oscar. So, Bó had around 11,000 customers. That was a mixture of what we would describe as friends and family, so a number of staff that were on there as well that we were testing and learning. But all of those customers, we will be contacting them and continue to support them. Just to remind you, Bó is a companion card, it's not a full bank account – so a payment card with different support in there. So, we will be supporting them, their money is safe, and we will transition from there.

The circumstances have changed. We've always said that we will look to innovate. Clearly, in the current situation, we've had to make prioritisation choices around where we should invest and what we should do to support our existing customers. Our mobile app has had significant development, and we're rolling a lot of the learnings from Bó into the mobile app, where we have millions of customers who can benefit from what we've learned from Bó.

So, it's a prioritisation call that we've made at that point. Clearly, we will always continue to test, and learn, and innovate. And I think it's really important to make sure that as we do that, we also apply a disciplined approach of what the outlook in the future is. And I think, at the moment, this is the right decision to make, and we'll roll those technology and those learnings into our core bank.

Oscar Grut, Yahoo Finance UK

And could I – if I can just ask a follow-up question, quickly. You mentioned earlier, in terms of modelling for the provisions, that the management team took a view on how long the lockdown may last as part of those calculations. What is the view in the team about how long this could last, or what these lockdowns may look like, if we're going to get more than one, or anything like that?

Alison Rose, Chief Executive

Well, I think there is a high degree of uncertainty, and I think the message that we gave you is that we are managing to a number of different outcomes. And as you would expect, my job is to position the bank to manage to all scenarios. I think in terms of the level of uncertainty that is out there, and therefore the impact that there could be on the economy, the variables around that are the duration of the lockdown and also the speed with which the economy can ramp back up again. And those are variables within our assessment that we look at.

Katie Murray, Chief Finance Officer

I mean, certainly, Alison. And the reality is there'd be variables by industry and by exposure as well.

Oscar Grut, Yahoo Finance UK

OK, so that – so there could be a sort of phased move out of lockdown is one of the assumptions you've got – or one of the modelling scenarios?

Katie Murray, Chief Finance Officer

I think that would – I mean, certainly, I think that's what we would all expect at this stage.

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Oscar Grut, Yahoo Finance UK

OK, thanks, guys.

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Alison Rose, Chief Executive

Thank you.

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Operator

Thank you. Ladies and gentlemen, as a reminder, please press "star" and "1" if you would like to ask a question. Your next question comes from the line of Tracey Boles, The Sun. Please, go ahead, your line is open.

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Tracey Boles, The Sun

Hello.

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Alison Rose, Chief Executive

Hi, Tracey

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Tracey Boles, The Sun

Hello, Alison. Several questions, they're follow-ups, really. On CBILS, you scaled up the team really quickly. Could you say how many people you have working on it? Bó – what are the learnings that you're rolling into mobile banking? Couple of examples would be great. And one more – yes, interesting that people are – I think you said that you were seeing changes in patterns, people were – you had more deposits, less spending, from normal folks, which seems quite wise. If there's anything more to say on that, that would be great.

Alison Rose, Chief Executive

Thank you, Tracey. Well, in CBILS, we have doubled the workforce in our business banking team and diverted more than 100 people in to support that. What we've done, effectively, is redeployed staff to the telephony support. Most of our relationship managers, who we have, as you know, right the way up and down the country, are providing backup support for CBILS, as well as supporting medium and large-sized customers. So great work by my colleagues, frankly, who are really working especially hard all the way through the weekend to do that. So, our business banking team has doubled, our telephony teams have moved quite significantly in order to help on that.

On Bó, I think I've covered Bó a few times. Some of the learnings from Bó, and some of the things that they've developed in day-to-day develop, which has been fantastic, around encouraging people to save, and saving tools. If you look in our mobile app, we have much more around there in terms of saving tools and encouraging people to save, which was the key focus areas in February that I talked about in terms of supporting financial capability and savings. So, some of those examples that we've used.

Tracey Boles, The Sun

OK, and general trends?

Alison Rose, Chief Executive

Apologies, yes, sorry, your third question.

Alison Rose, Chief Executive

So what we're generally seeing, people are being prudent and very conservative. If I think about the mortgage repayment holidays that we've granted, in a large number of cases, those are people just conserving their position and being prudent. We're seeing actions by customers, both business and personal, reviewing their direct debits, their spending, cancelling things – so non-essential spending – and we're seeing volumes on debit cards and credit cards going down as people conserve cash.

And you can see from our deposit position, our deposit position has gone up quite significantly. So, I think what you're seeing is concern about the situation and people naturally conserving their cash and their position during a period of uncertainty and those are the initial signs that we're seeing.

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Operator

Thank you. And we will now take our next question. And the question comes from the line of Scott Wright, The Herald. Please, go ahead, your line is open.

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Scott Wright, The Herald

Hi, good morning to you both. Could I please just ask whether or not your plans to change – the parent company name will be held up or diluted in any way because of the current focus on COVID-19? And also, what kind of feedback have you had in Scotland to the fact that the Royal Bank name will be going in terms of the overall parent company?

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Alison Rose, Chief Executive

Thank you, Scott, so no change to our plans. As you know, it's a group name change. So, we're changing the parent company name, we're not changing our customer-facing brand. So Royal Bank of Scotland is a very important business and brand for us in Scotland, and that doesn't change at all. And that is a brand that most of our customers know as us and we're branded in Scotland, so no change to that. But the parent company name change is still going ahead as planned.

In terms of the reaction in Scotland has been very supportive. Most of our customers know us in Scotland as Royal Bank of Scotland, and for them, they will see no change at all. If you – if you look around, you will see that all of our branches are branded Royal Bank of Scotland, and our buildings are Royal Bank of Scotland. So, for colleagues and customers, there is absolutely no change it's business as usual. Thank you, Scott. Hopefully, that addresses your question.

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Operator

Thank you. We will now take our next question, and the question comes from Kalyeena Makortoff, The Guardian. Please, go ahead, your line is open.

Kalyeena Makortoff, The Guardian

Hi, again. Just a follow-up question. I mean, can you provide some concrete details of how you plan to restructure the workforce as the lockdown eventually lifts. I mean, Barclays floated the idea of, say, placing investment bankers in branches. Are you considering doing the same with NatWest Markets staff across the country? And then, I guess on the flip side on CBILS. I mean, is there any prospect of RBS making money on the scheme? Thanks.

Alison Rose, Chief Executive

In terms of the lockdown restrictions, my first priority is the health and safety of my colleagues and my customers. So, we will follow the guidance from the government in terms of the scientific advice, which is the first priority around health and safety. And therefore, as we bring staff back, then we will prioritise that.

What is clear is there is no rush to bring staff back into our buildings at this time. We are operating incredibly well, with no interruption to our business, whilst moving large numbers of our staff from working from home. But I'm also mindful of the mental health issues and well-being issues of staff working from home for long periods. And not everybody's home circumstances are conducive to working from home with the different situations.

So, we do have plans in terms of how we will come out of lockdown. I think there are going to be a need for social distancing for a long period of time, and that will affect what we do. Clearly, the changing customer behaviour, whether that's retained, and the more flexible working from having more people working from home, less people in buildings, those are all things that we're looking at. But I think it's too early today to talk about what those plans are. My priority as we come down out of lockdown will be health and safety of customers and my colleagues, as well.

In terms of CBILS, Katie can give you some of the detail on that. Clearly, our priority is to make sure that we are, providing the support to our customers by giving them access to these schemes, which are guaranteed by the government, but making sure that we're lending responsibly, and also that we're protecting our shareholders and our investors in terms of responsible lending in return. But this is not something that we're looking to make money from. This is importantly there to support customers.

Katie Murray, Chief Finance Officer

Thanks, so much, Alison. Look, as you look at CBILS, the construct of them is obviously quite unusual in that they have an 80 percent guarantee with the government in terms of underwriting the losses. That is a guarantee that we pay for via a scheme with the government. But overall, I would view them as kind of low margin business that does seek to cover our cost of capital in terms of the cost of doing that lending, but they're not – they're not a high margin business, and we will make nominal return from them.

Operator

Thank you. Your next question comes from the line of Stefania Spezzati, Bloomberg News. Please, go ahead, your line is open.

Alison Rose, Chief Executive

Hi, Stefania.

Stefania Spezzati, Bloomberg News

Hi, hello – just a question for Alison. So, Alison, you've seen the financial crisis in 2008 / 2009, RBS and so I was wondering how this is looking different from then and from an operational perspective at the bank? And give – what's your impression of how different is this crisis from the financial crisis? Thank you.

Alison Rose, Chief Executive

Thanks, Stefania. Well, clearly, I would start from the position that this is a social and health crisis that has triggered an economic crisis. I think the banks are in a much stronger position coming into this situation. We have strong capital and liquidity and are well-positioned to support our customers through this. So, I think it's very different to the financial crisis. We're well-capitalised, at 16.6 percent core Tier 1 ratio, with a balanced book and a risk profile that I'm comfortable with. So, I think in a much stronger position, so it's very different as we go into this.

Now, clearly, this is an extraordinary situation in terms of a global pandemic and the impact it's having and I think we're all having to deal with that uncertainty, but I think it's very different. Clearly, having been involved and worked through the financial crisis, I'm aware of the importance of the financial stability, and strength, and liquidity of the bank, which is a core priority for me.

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Operator

Thank you. Alison, I will now hand the call back to you for closing remarks.

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Alison Rose, Chief Executive

Thank you very much, and thank you, everyone, for joining and for the questions. Clearly, we're facing an extraordinary situation, but where I would conclude is the bank is in a strong position. We enter into this situation with strong liquidity, diversified funding, and sector-led strength.

Our focus on our strategic priorities remains. We recognise we have an important job to do in supporting the economy as we go through this crisis, but also, most importantly, in supporting the recovery. And so, our focus remains on continuing to drive good returns for our shareholders by playing an important role in supporting the economic recovery as we navigate through this period. So, thank you very much for your time, and we much appreciate your questions.

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Operator

Ladies and gentlemen, that will conclude today's call. Thank you for your participation. You may now disconnect.

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