LLOYDS BANKING GROUP PLC –Q1 2018 INTERIM MANAGEMENT STATEMENT PRESENTATION

Wednesday 25 April 2018

George Culmer, Chief Financial Officer

Good morning everybody and thank you for joining the call today. As we outlined in the full year results in February, given the simple and more stable position of the Group we have shortened our Q1 reporting.

I will be leading the call today and will give the briefest of overviews before we turn to Q&A, which will run until about 10.15.

It has been a strong start to 2018. As you know, in January we were the first large UK bank to be ready for Open Banking. Then in February we announced an ambitious strategic plan to transform the Group for success in a digital world by investing in further enhancing our leading customer experience, digitising the Group, maximising capabilities and transforming ways of working.

We've made a good start to all of these and we'll obviously update you on progress through the year. In terms of the numbers, we've also made a good start. Statutory profit before tax was very strong at £1.6 billion, up 23 per cent, and profit after tax up 29 per cent at £1.1 billion, both driven by increased underlying profit and a continued reduction in below the line items.

The statutory return on tangible equity was 12.3 per cent and up 3.5 percentage points in the year. In underlying profit, we have seen net income at £4.3 billion, up 4 per cent with strong growth in NII offsetting lower other income.

Net Interest Income was driven by an increase in the margin by 3 basis points in the quarter and by 13 basis points year on year, while other income was impacted by higher weather related insurance claims, lower bulk annuity business, flows in Commercial Banking and the changes to overdraft charging in Retail.

The cost:income ratio, which as you know now includes remediation, improved further to 47.8 per cent with positive jaws of 9 per cent, again showing the Group's market leading efficiency.

Credit quality across the portfolio remains strong. The asset quality ratio increased to 23 basis points largely due to the expected lower releases and write backs, and the stable gross AQR of 27 basis points includes 3 basis points for MBNA.

On the balance sheet, loans and advances are up slightly in the quarter at £445 billion, after adjusting for IFRS 9. We continue to see targeted growth, with £0.3 billion in both SME and motor finance, while the open mortgage book of £267 billion is in line with the year end position.

Finally, CET 1 capital is up 50 basis points, reflecting 55 basis points of underlying business performance being partially offset by 5 basis points of negative market and other movements.

So as I said, we have made a strong start, with increased profits and returns and higher capital. And we remain confident in our ability to deliver for 2018 and the longer term.

That's all I was going to say up front. Turning to Q&A, and given the shorter format this quarter, I know you like asking multiple questions, but I would ask that you try and keep to a single question each so we can get to as many people as possible.

And with that we will open up to questions.

Question and Answer Session

Question 1: Raul Sinha, JP Morgan

Morning George. It's Raul here from JP Morgan. I will try and limit myself to one single area if that's okay. Can we talk about the NIM please in terms of improvement in the quarter. I was wondering if you could give us a sense of the drivers of the improvement on the assets and the liability side? And also if you could clarify how much of the improvement in the NIM in the quarter was driven by any kind of reclassification of the overdraft treatment from other income to NII? Thanks.

Answer: George Culmer

Okay, hi Raul. Look the OOI to NII, that is £20 million or so, so it is not a big indicator. In terms of improvement, if I link Q1 onto the Q4, up about 3 basis points where assets were relatively flat actually in terms of quarter on quarter. And it is mainly around the sort of liability spread and mix where we just picked up 2 or 3 basis points. So that is sort of what has been going on in terms of overall.

You know, we're pleased with the performance, it indicates a strong start. We talk around the sort of 290, I would say the market is currently trending higher than we assumed in the plan, so we are pleased with the performance. It is very much a positive for the full year. But we are not actually going to be changing our full year guidance yet. We are just a couple of months in so we will be sticking to the around 290, but there is no doubt that it is a positive start to the year and we are pleased with it and we are running ahead of where we expected to be.

Further question
Great, can I just have a follow-up George. Just on the NIM point as you mentioned. Any thoughts on the timing of the rate hike? I think you are currently assuming that the rate hike, there will be one rate hike this year in your estimate and that is probably towards the back end of this year. Will an earlier rate hike have any kind of impact on the NIM or would it actually not have much impact?

Answer: George Culmer
Okay Raul. This is not a good start to our question discipline. But as you know we assumed in all our numbers that we would just have one rate rise. We kind of moved to a house view of two, but it sort of moves with every statement that you get out of the Bank. But for us, all rate rises are positive. You are not going to see a sort of dramatic shift in our numbers whether it is a May and November or whether it is just November in the back end of the year. Obviously a couple of rate rises would be in the long term for things like structural hedge, swap rates etc would be a positive, but it is not going to be a big swing factor on the 2018 result.

Raul Sinha
Thank you George.

<u>Question 2: Chris Manners, Morgan Stanley</u>
Good morning George. Just a couple of questions if I may. The first one was maybe just to follow-up on Raul's point on the rate rises. If we do get rate hikes, what sort of deposit beta are you looking to pass through? How much of that rate hike would you pass on through to customers and how much do you think could benefit the margin?

And the second question was just on earning assets, how much momentum in growth initiatives you were talking about when we had the Strategy Day are you seeing and how much earning asset growth do you think we might get for the rest of this year? I suppose that was a little bit light? Thanks.

Answer: George Culmer
In terms of the assets growth. As we said in the call, we are seeing good progress in terms of SME, quite tough in mid-markets, continued good progress in consumer finance. We don't disclose the numbers but we are showing very strong progress in corporate pensions and we have started onboarding the Zurich business. Mortgage markets stay tough, we have some recent rate increases and you have seen us put some rate throughs but they don't really sort of cover things like what has been going on in the swaps markets. So it stays a competitive market and we are waiting to see what actually happens in terms of competitor activity going forward. But I won't give a specific number but we are pleased with the momentum we have got and we have got a clear sense of direction and AIEAs are slightly down, slightly down because within the levels global corporates are off, but again we don't set targets for global corporate as we previously said it is much more sort of transaction and individual item based. So that is the second bit. So what was the first part of the question again?

Further question
The first one was maybe you could help us think through a little bit. We had one rate hike. How much of that rate hike did you pass through to your savers and how do you think that is going to develop as we get more rate hikes as it seems to be a pretty benign outcome in terms of you know I suppose media activity obviously make a moral sway and anything we got in terms of customer behaviour. So maybe you could share with us how much you passed through and whether you might be able to fade that number going forward?

Answer: George Culmer
I think you are just going to use up all of your allocated time. Well Chris with the bit around, look in terms of policy, you wouldn't expect me to comment on what we might or might not do. We take those decisions based on circumstances at the time and a number of things would go into us looking at the competitive position. So I am not going to give you a certain percentage in terms of what we would expect to pass through. We will continue to manage the spread as we do at present across the brands,

looking at both sides of the balance sheet. And so I am not going to comment on what we might or might not do. It will be a decision for us at the time, depending on circumstance, depending on competitor activity. But what I can say, I mean I will go back to the comment that we first gave at 21 February, we continue with a very robust view of our NIM progression. We have seen a great start, as I say, we are not changing guidance, but it is a positive for the full year and we will very much stick to our wording we used, I think back in February, around resilience for the longer term.

Chris Manners
Thank you.

<u>Question 3: Joe Dickerson, Jefferies</u>
I had one question and so I wanted to know the trends, if you can give us any colour on the distinction between retail versus commercial credit?

Answer: George Culmer
Look as we say in the Statement, we are not seeing any kind of deterioration, credit stays strong and so that applies right across the book. Particularly strong in credit. We are not standing on any exposures or whatever to any fallen angels or any single names. So continue to see very strong experience right across SME, mid market, global corporates within the commercial line. So that is a continuing trend we are seeing there.

Similarly, it stays strong within the retail space as well. So in terms of secured very strong performance, in unsecured very strong performance. There were some very minor movements and when I talk minor I really do mean minor in terms of some of the charge-offs in unsecured, so things going from £2–3 million but it is really at the fringes and starts from a very low base and is still very low. So it is strong across the piece. We have a whole suite of early warning indicators that we use to look out. And we are not seeing any trend, we are seeing continued strong development in terms of unperforming and it is strong experience across the commercial business and across the retail lines as well. Thank you for sticking to one Joseph.

Joe Dickerson
That's lovely, thanks George.

<u>Question 4: Andrew Coombs, Citi</u>
Let's just stay on the theme of asset quality. If I look at your gross loan loss ratio at 27 basis points net 23, I would have expected that gap to narrow slightly over time. You are still up 4 basis points. What is driving those write-backs and in particular with house price growth slowing going forward, do you think that gap will narrow?

Answer: George Culmer
Between the gross and the net number, yes we do expect there to be a closure. We would expect there to be continuing write-backs just because of our prudent way of actually reserving up front. I mean when you look at the numbers, I think we are £270 million roughly and we were £120 million last year in terms of pounds, shillings and pence. The delta between Q1 and Q1 there was a debt sale of about £60 million last year, I think £66 million and MBNAs brought in I think about £45 million. So that gives you the sort of £110 million of the £120 million difference. We don't see in terms of house price, our expectation is still for HPI around about 2–3 per cent as we look out. So I am not expecting that and we are not seeing any form of deterioration whatsoever in the secured book but that is what we are seeing.

Andrew Coombs
Thanks George.

<u>Question 5: Chris Cant, Autonomous</u>
Hi, thanks for the call. If I could just ask on your other income please. Could you give us an overview of the moving parts in terms of the quarter over quarter performance, and in particular an update on your guidance from the Strategy Day for that to be flat ex-Vocalink year over year? It looks like you are running below that in the first quarter so just any updates on your thoughts there would be appreciated?

Answer: George Culmer
Yeah Chris, a good question. And yeah we are slightly behind, you know going back to the first question, I think we are running ahead in terms of NII, we are slightly below in terms of OOI and you are right, you said back at the Strategy Day that we thought ex-Vocalink to be sort of '18 to be in line with '17. There is no doubt as we look out today that will be tougher to achieve and there is no doubt about that. When you look at Q1 on Q1, I mean we are down about £70 million year on year. About £35 million of that is general insurance and that is particularly you know the weather claims in Q1 which it will be tough to get that back as

we move through the year. About another £25 million or so is bulk annuities. I think that is more timing, we are still very active in that market, we have got a good proposition and I would be hopeful of getting that back. A bit weaker on CB, some of the financial markets flows, slightly off and we will see how trading develops. As you know, Q1 tends to be lower, Q2 in terms of overall should pick up in terms of size of OOI so it is definitely not 1.4 x 4. We will pick up in terms of subsequent quarters. But as I said, weather we won't get back, bulk annuities will be volatile as we always said. Commercial is a bit weaker, let's see how the rest of the year pans out.

But coming back to your original question, there is no doubt it is going to be tougher to hit the original guidance.

Chris Cant
Okay, thank you.

<u>Question 6: John Cronin, Goodbody</u>
Hi George, thanks for the call. Just in relation to the Pillar 2a, you previously guided that there could be potential for some reduction in the mix in time. So anything to update in that vein?

And then secondly on PPI a very quick one, we have heard other companies talk about the run rate slowing considerably since January. Is that consistent with your own experience?

Answer: George Culmer
Let's deal with PPI and come back to the other. PPI first in terms of the 90 we talk about, we have taken and clearly understood what that actually relates to is, goes back a year in terms of Plevin and there was a requirement to look at where you previously defended cases, to go back and say would you still defend them under the Plevin rules in terms of unfair relationships given levels of commission and value share? And we have gone back and we are basically completing that exercise now and the average cost per case is higher than we thought it was going to be, hence the £90 million over there. In terms of reactives on PPI we assume the 11,000 as everyone knows, Q1 slightly higher than that, about 12,000 we saw coming through. Didn't see any sort of dramatic reduction I would say, it has been pretty consistent. We are now into the second phase of the FCA campaign. Week one of that and they went from 10-11 up to about 14, this is the net claims per week, it has dropped to about 13. So a slight pick-up but it is well down on what we saw in terms of the first campaign coming through. So at the moment running at around 12, we assume about 11. And as you know, if I am 1,000 out by the end of August 2019 per week, it is about £200 million, but we will continue to monitor that.

On the Pillar 2a, yeah look again as we disclosed last year, 3 per cent in terms of the CET1 portion. You know I am presuming that the PRA will be working to a similar timetable so we will be getting out either Q2 or Q3. In terms of where 2a is this year, you probably know there is going to be a dynamic 2a that is used in the stress test results coming out which will be interesting. As you know, it is limiting what we can say, but you know the components of that and given the de-risking that we continue to carry out, and that includes things like reducing our gilts exposure where we continue to sell down. In terms of contributions into pension scheme, which we continue to make, that I would expect that all other things being equal, there should be good pressures as to why that 2a should come down when we actually receive it from the PRA.

John Cronin
Thank you.

<u>Question 7: Martin Leitgeb, Goldman Sachs</u>
Good morning. One question from my side please. I was just wondering with regard to unsecured credit in industry more broadly and specifically regarding Lloyds. The latest Bank of England credit condition survey show that the availability of unsecured credit to households has decreased significantly in the first quarter and they attribute it to changing risk appetite and tighter underwriting criteria. And I was just wondering to what extent is it equally true for Lloyds and how it would impact your outlook for loan growth and risk cost within that segment? Thank you.

Answer: George Culmer
Hi Martin. We don't see any dramatic shift. We think the actions that have been taken relate to other companies. And you will recall from, the FPC said at the back end of last year, they didn't see a systemic threat but they did see that action needs to be taken on a company by company basis. And when you looked at some of the differentials in growth rates between the mainstream banks and some of the peripherals, there was some big deltas. And for us you know whether it is loans, whether it is cards, you know excluding impact to MBNA, we are running at low single digit. And I would expect that level to continue. Now all along, we start with a high quality book and we continue to flex in terms of looking at underwriting criteria scores, cut-offs, introducing new credit ratings, gearing controls. So as part of BAU, we are always doing these sorts of things to make sure we

maintain the high quality of our book. But I don't see that what has happened at a macro level and what the Regulators talked about will have a particular impact on our growth rates which as I said have been in that low single digit and I would expect to continue around about that level. Because I don't think they were explicitly targeted at us.

Martin Leitgeb
Thank you very much.

<u>Question 8: Jonathan Pierce, Exane BNP</u>
Hi, good morning. Can I just a ask question on residual value risk please, particularly given what is going on in the diesel market. You gave us an update on your residual value risk being about £6 billion in June of last year. Has that changed very much since then? I was wondering if you could give us a bit more colour on what percentage of expected residual values that that represents? And maybe as a quick follow-on to that, what provision do you have against your residual value risk of £6 billion or whatever the number is at the moment? Thanks George.

Answer: George Culmer
Yeah hi Jonathan. Yeah it's about £7 billion within that as we said, that is the sort of number. You know first up, going to the decline in the car prices. Yes we have seen obviously the declines in terms of new car sales but actually second hand car sale prices are proving very resilient and I think they actually kicked up very slightly in Q1. So we are still seeing sort of £300 profit per unit for private vehicles, it is about £1,000 for commercial vans in terms of that. In terms of explicit provisions, I think we talk about between £100-200 we do basically as a post model adjustment that we hold explicitly over and above the sort of modelled residual value and provisioning exposures. So you know we continue to monitor how quality continues to perform and the used car values continue to hold up, which we see in the numbers that we are getting through at auction time.

Further question
And what sort of stress do you put against that in the stress test? Because the PRA earlier this year has intimated that it may look to put a much harsher stress on used car prices in this year's stress test.

Answer: George Culmer
Well look we do a whole range of stresses in terms of, you know staying down, coming down and then dropping down. So sort of 10 per cent per annum. I forget which one we explicitly do in the stress test, but it is not just V's, I look at L's and a whole variety and you know the magnitude even in the most extreme where things just continue to fall, fall, fall and I haven't got the number. But it is a manageable number in a very extreme scenario.

Jonathan Pierce
Brilliant, thanks a lot.

<u>Question 9: Jennifer Cook</u>
Morning. Just the one on customer deposits. That came off a little bit in the quarter. I was just wondering what drove that and I guess depending on the nature, will that impact the structural hedge at all?

Answer: George Culmer
Hi there Jennifer. I mean you are talking about very slight movements as you say and so I think if I look at, on the retail side I have got something like £247 billion or so in terms of retail savings, which actually was pretty much in line. I think the commercial book was slightly down, about £146 billion plays £148 billion. The reality is when you look at the mix you see what we are really doing in terms of how we manage the business. So if I go back to the retail, the £247 billion. If I go back to somewhere to the end of 2016, it is about the same number. But within that for example, fixed was 45, it is down to 28. Variable now 133 plays 127. Within that current accounts are now about £52 billion compared to £46 billion. So within the retail it has stayed pretty stable, but we have had a specific drive in terms of building current accounts not just for the relationships, but also these are structural hedge eligible deposits. And so within the stable bit what we are able to do is continue to build that structural hedge. So as previously disclosed, I think we were 165, I think full year with a sort of 3.5 year duration. And what has happened now we are about 168, and we are about 3.7. And I would expect to continue to be building that structural hedge as I build that current account base towards the back end of this year and move to that sort of 4 year duration as well.

So what you see in terms of deposits is again how we are managing the book for relationships and to maximise value. And so whilst it is a stable overall retail savings, there are some quite big shifts that are taking place within that, not just between tactical and relationship, between type of deposit and value of deposit to the business and value to the business in terms of that relationship it also brings.

Jennifer Cook
Okay great, that was really useful, thanks.

Question 10: Claire Kane, Credit Suisse
Hi good morning. I have a question on costs. So the operating costs were up 2 per cent year on year. And I noticed you are now putting the remediation above the line and incorporating that into your cost:income ratio which arguably would enable you to have a better improvement in the cost:income ratio year on year. At least I didn't expect such a large remediation cost in '18 versus '17. I just wondered whether you could talk about the trends in the underlying operating expenses, and given we have a cost cap of £8 billion in 2020, what the trend is towards that?

And if also you could update on the restructuring guidance around ring fencing? I know we have MBNA but all the other things and should we expect that to continue? Thanks.

Answer: George Culmer
Yeah, hi Claire. Right okay, sorry the remediation came as a surprise. We sort of called it out at the time of the Strategy Review and we said we would take our remediation up above the line and therefore it is in the cost:income ratio. What we were also though, sort of so we didn't think we were guilty of the charge you are sort of saying, in terms of saying your improvement will just come because your remediation will drop from 860 down to a sort of much smaller longer-term run-rate and there will always be an element of run-rate. And that is why we explicitly called out that sub £8 billion, and that sub £8 billion is the operating cost excluding the remediation.

What I would also point out is yes you know the cost:income we have improved and we have got jaws of 9 per cent. The way we disclose it, you know you can also actually see net incomes up 4 per cent, actually operating costs excluding remediation is only up 2 per cent, so I have got positive jaws excluding the remediation element as well. So you can see what is going on an underlying basis.

In terms of shape and trajectory though, you know we are making the significant investments that we talked about and automating the business and driving through further efficiencies. And yes it is going to drive that number down to below the 8. In terms of shape though, I spend before I save, and also for 2018, MBNA. Now MBNA, the 2 per cent is due entirely to MBNA and ex-MBNA I think operating costs, now I know operating costs are down year on year. But 2018 I will have 12 twelfths to MBNA costs as opposed to 7 twelfths last year. So that gives a bit of headline operating cost pressure. As I said, I will also be spending before I save and all that spend other than redundancy will go through the operating costs line. So I would expect in terms of trajectory year to year to year, 2018 you know you are not going to see a lot of progress. You may have seen costs go up simply because of that MBNA point, and then investment. And then they will come down, but we still have our commitment to ongoing positive jaws etc. But that is the sort of overall shape you will see.

And then below the line, again we talked about it. This is inclusive of 2018, we talked about another 0.2, 0.3 for ring fencing. We talked about 0.1 for MBNA integration costs and we talked about 0.1 for I think property strategy. We didn't call out a number for any redundancy which is the only restructuring costs we would take below the line, simply because what happens on redundancy depends upon what happens in the business and we haven't given a figure for FTE or redundancy or anything like that. So below the line, ring fencing will end 1.1.19, MBNA is a sort of '18, a bit of '19 as well, mainly an '18 though. Property is split between '18 and '19 so you see at the moment we have got I think 138 for the half year, but those sort of numbers. It comes to a sort of 0.6, something like that I think for 2018.

Claire Kane
Thank you, that's very helpful.

Question 11: Edward Firth, KBW
Good morning all. I just wanted to check, in the non interest income line, what is in there for gilt sales if anything?

Answer: George Culmer
Yeah, there is. I mean as we called out previously, that we don't, we are not a long-term holder of gilts in terms of capital, in terms of carry cost. You know it doesn't make economic sense. We got charged for the 2a capital for asset swap risk. And we have since about the end of 2016, we have sold about £16.5 billion of gilts or so. But interestingly, we have been selling into a tightening credit market. Whilst we have been realising gains, actually the residual gains on the book that we have got left has actually exceeded the level of gains that we have harvested. So actually the gains that we are now showing unrealised are actually in excess of those that we started with. But in terms of the specifics of your question, I think there is about £81 million in

Q1 and that compares to £70 million in Q1 of 2017. And I think the aggregate number for 2017 was about 250 or something of that order and I think we will continue to be a seller and probably there or thereabouts for this year as well I would have thought.

Further question
Could you tell us what is the unrealised gain then? I can't remember what that number is?

Answer: George Culmer
It is about £500 million, but there is a pull to par of £200 million, but the books gone up by about £500 million in terms of impact of credit spreads coming through that gilt book, and there is about £17 billion or so left.

Edward Firth
Okay, that's perfect, thanks.

Question 12: Michael Helsby, BAML
Morning everyone, morning George. I have got two, looks like you have got time if that's okay. I was just wondering if you could just tell me, within your retail savings book, how much of the balances are on bonus rates versus outside of bonus deals?

And I was wondering if you could give us an update on what the deposit yields were in the quarter like you normally do?

And then on the mortgage side, again I was wondering if you could give us an update on the SVR like you normally do and if you could give us a view on your gross lending in the quarter in mortgages? And also have you could expand that by telling us what type of business you are doing by brand or by type and by direct IFA channel and if you feel really generous, looking at LTV distributions?

The reason for the question is, I have noticed you have got some very wild differences in your pricing by channel at the moment. So I am very keen to understand where you are doing the flow? And if you could, if you could give us what your mortgage yield is at the moment. It is really important to understand the mortgage dynamics and obviously the Group margin dynamics as we look forward? Thank you.

Answer: George Culmer
There are a lot of question in that Michael and I am not going to be able to answer all of those questions. And particularly around some of the front book in terms of bonus rates versus better rates. To answer, look in terms of backdrop, mortgage market remains tough and there has been pricing ups as I said to an earlier question, but a lot of the pricing up we have seen simply compensates for things that have happened on rates. In terms of our management of brand and management of product, obviously we always have to be incredibly aware that being the market leader, the impact on front book, back book, but in terms of how we deploy our rates and in terms of how we actually deploy our brands and products, it is always with a view to the back book as well. I may be stating the obvious but it is worth reiterating.

In terms of some specifics. So in Q1 I think new gross business was just under £10 billion, I think £9.9 billion which is about a 16 per cent market share. As I said, I think we priced up about 20 basis points across the piece but I think swap rates have eaten into most of that. On the retail side of things, total retail rates are round about if I look at the savings rates in total it is about 39 basis points and I think that was about 41 in terms of Q4. And then in terms of SVRs, we are still around that 13 per cent rate across the book. So whether I am looking at the Halifax rate products or in total, it was about 13.5 per cent I think in Q4 and remains about that rate in Q1. That is what we are actually seeing. But in terms of price, in terms of what is going on, swap rates in terms of where competition are moving on mortgages, in terms of deposits, the kinds of things we are seeing. A couple of people moving, but nothing dramatic at the moment but just keeping a watch on that as well.

Further question
Thanks George. And just on the hedge, thanks for that comment that you gave in terms of how you expect to boost the size and duration. Can you just tell us what the actual contribution from the hedge was in Q1 in billions and also measured over LIBOR like you normally do?

Answer: George Culmer
Over LIBOR, it was about a percent. I won't give you the billions, but about a percent, it's not the hardest maths to work out, but it was a percent over LIBOR.

Michael Helsby
Right okay, thank you.

Question 13: David Lock, Deutsche

Morning George, just one really on your investment spend. So you have said you are going to be investing £3 billion, I just wondered if you could call out how much you have spent this quarter and how much of that was in the expenses line and how much went on the intangibles? I note that they have gone up very slightly and it looks like the intangibles went up very slightly this quarter. Thank you.

Answer: George Culmer

Okay. I don't have the precise number to hand, but yeah in terms of capitalisation, we will capitalise between 50 or 60 per cent and a portion of that capitalisation would be intangibles, and some of the good old tangible type assets. In terms of aggregate spend, I don't have a figure to hand in terms of what we have spent in the quarter. We may give an indication at H1 in terms of aggregate spend, but you may have to wait until then.

Further question

Thank you, it would just be really helpful just to try and iron out any lumpiness in the expenses side quarter to quarter?

Answer: George Culmer

I mean we are, it is not just blah in terms of making a good start in terms of things we want to achieve in GSR3. So in terms of in-branch tablets, so whether about re-platforming our base mobile application, whether it's open banking, whether it is the single customer view we have talked about, transitioning customers from SME to business banking, pilots of machine learning. There was a whole load of things that are going on as part of investing for this bank and trying to make sure that we continue and will complete as we move forward into this digital world. So there has been actually no slow start to this, this is full on in terms of transformation.

David Lock

Okay, thank you.

Question 14: Robin Down, HSBC

Actually Michael asked my question, he has probably asked most people's questions! Can I just make one point, limiting the call to 45 minutes of Q&A. This is the best opportunity most people like myself get to ask questions. And it sounds like you are under pressure as well in terms of answering it. So maybe just in future calls, can I make a request that we in fact have an hour or even slightly longer, as I think it would be quite useful for us because whilst the business is simpler now, there is still quite a lot of detail I think we haven't been able to get in terms of movement in CET1 and TNAV etc. So I will leave it at that.

Answer: George Culmer

Right, alright Robin, thank you for that. Okay I think that is in fact the last question.

Thank you ever so much everyone for dialling in today and whilst shorter, I hope you found that useful and thank you for calling in and thank you for joining the call.

End